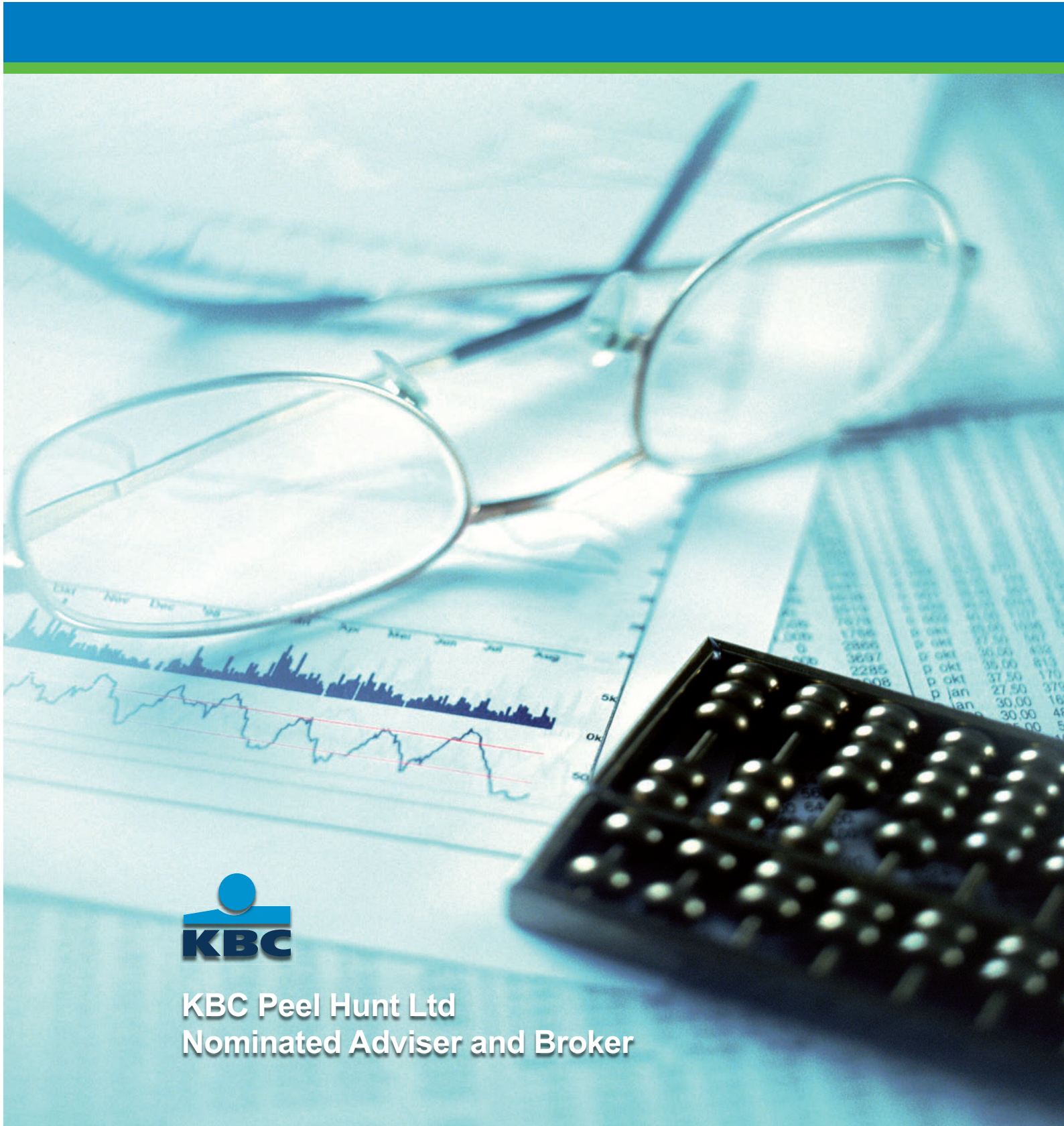




Craneware plc
Admission to Trading on AIM and Placing



KBC Peel Hunt Ltd
Nominated Adviser and Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom.

This document comprises an admission document prepared in accordance with the AIM Rules for Companies. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the FSA.

Application has been made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 13 September 2007. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Company, together with the Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in "Risk Factors" in Part II of this document. Notwithstanding this, prospective investors should read the whole text of this document.

CRANWARE PLC

(Incorporated in Scotland with registered number SC 196331)

Admission to trading on Alternative Investment Market

and

Placing of 16,040,972 Placing Shares at 128 pence per share

by

KBC PEEL HUNT LTD

Nominated Adviser and Broker

The Placing is conditional, *inter alia*, on Admission taking place on or before 13 September 2007 (or such later date as the Company and KBC Peel Hunt may agree). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Shares and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as the Company's Nominated Adviser in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

The distribution of this document outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document. The Ordinary Shares have not been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, or Japan or to, or for the account or benefit of, US persons or any national, citizen or resident of the United States, Canada, Australia or Japan. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Dated: 10 September 2007

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DIRECTORS, SECRETARY AND ADVISERS

Directors	George Reginald Elliott, <i>Chairman and Non-executive Director</i> Keith Neilson, <i>Chief Executive Officer</i> Alexander (Sandy) Morrison McDougall, <i>Chief Financial Officer</i> Neil Philip Lanceley Heywood, <i>Non-executive Director</i> all of:
Registered Office	Craneware plc 3 Rosebank Business Park Kirkton Campus Livingston EH54 7EJ
Secretary	Sandy McDougall
Nominated Adviser and Stockbroker	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Auditors	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
Reporting Accountants	PricewaterhouseCoopers LLP Kintyre House 209 West George Street Glasgow G2 2LW
Solicitors to the Company	McGrigors LLP Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ
US Legal Counsel to the Company	Pepper Hamilton LLP 300 Two Logan Square 18th and Arch Streets Philadelphia, PA19103-2799 United States
Solicitors to the Placing	Addleshaw Goddard LLP 150 Aldersgate Street London EC1A 4EJ
Registrars and Receiving Agents	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

KEY INFORMATION

The following is a summary of certain information appearing elsewhere in this document. This summary is qualified in its entirety by and should be read in conjunction with the more detailed information and historical financial information appearing elsewhere in this document. This summary does not contain all the information that is important to investors or that potential investors should consider before subscribing for Placing Shares. In particular you should consider carefully the factors set forth under the heading “Risk Factors” in Part II of this document.

THE BUSINESS

Craneware provides proprietary revenue cycle management software solutions for the US healthcare provider market. The Group’s main product, Chargemaster Toolkit™ (“CMT”), assists US healthcare providers in reducing billing errors, ensuring the timely and accurate submission of claims and managing compliance risk. CMT is designed to help hospital finance departments to maintain accurate and up-to-date information, increase operational efficiency and increase reimbursement related to outpatient items in their Charge Description Masters (“CDM”), the menu and price list of hospital procedures and other items that may appear on patients’ bills.

The Group’s revenue cycle management software is provided to 812 hospitals in 46 states in the US. There are a total of 5,756 hospitals in the US of which the Directors believe less than half have purchased a technology-based CDM solution, leaving a substantial marketplace the Group has an opportunity to penetrate. The CMT product is one of a number of revenue cycle management products that Craneware has produced. The Group was awarded the number one ranking in the revenue management category in the 2006 KLAS awards, an independent US research house, establishing Craneware as a leader in this specialist area.

Craneware was founded in 1999 and currently maintains its corporate headquarters in Livingston, Scotland, with offices in Florida, Arizona and Kansas, employing 95 staff in total. Revenues are generated from sales to hospitals and other healthcare providers in the United States.

KEY STRENGTHS

The Directors consider that the Group’s key strengths are:

High levels of customer retention. The Directors believe that the significant business benefits derived by customers using the Group’s revenue cycle management software solutions and its high level of customer satisfaction has resulted in a low churn rate. This combined with strong customer service ethic and frequent software enhancements have seen multiyear contract renewal rates improve to approximately 93 per cent. during the year ended 30 June 2007.

A business model based on high levels of recurring revenue. The Group typically enters into customer contracts for between three to five years, with the average multiyear contract being approximately four years. Software maintenance and support fees are invoiced annually in advance, spread equally over the duration of the contract and thereby establishing a high level of predictable revenue. The Directors estimate that approximately 75 per cent. of the Group’s revenues recorded in the year ended 30 June 2007 were from contracts agreed in prior years, with a further 7 per cent. derived from customer renewals during the year. Revenue under contract but not yet recognised in the Group’s income statement was \$32.9 million at 30 June 2007, which the Directors believe provides Craneware with a high degree of revenue visibility.

Growth opportunities. The Directors believe that at present less than half of hospitals in the US have purchased technology-based CDM solutions with the remaining marketplace still relying on manual audits. The Directors therefore consider there are significant opportunities to increase revenues by expanding the Group’s customer base and by developing new software products. Craneware is in the process of developing two new product lines aimed at the Group’s core target market, one of which is in beta testing.

Market position. Competition in the CDM management arena is believed to have consolidated from more than ten providers in 2003 to four apparent major providers in 2007, of which the Directors believe Craneware is the largest in terms of number of hospital customers.

Reputation. Improved levels of support service have enhanced Craneware's reputation in the marketplace, as indicated by the Group's number one ranking in the revenue management category in the 2006 KLAS awards.

Regulatory environment. The healthcare system of the United States is complex with payment methods and regulations contributing to this complexity. The outpatient revenue cycle management market is developing as a result of regulatory changes, such as the US Outpatient Prospective Payment System (August 2000) and the Tax Relief and Health Care Act (December 2006). The Directors believe these changes will encourage the adoption of technology based solutions such as Craneware's CMT software.

Strategic alliances. Of new business won by the Group during the year ended 30 June 2007 approximately 40 per cent. was closed by the Craneware sales team from leads generated through strategic alliances. The most significant of these lead providers is Amerinet, a group purchasing organisation. In addition, Craneware has entered into strategic alliances with Premier, GNYHA, HealthShare and HFMA.

FINANCIAL RECORD

The historical financial information for the three years ended 30 June 2007 set out below has been derived from Section B of Part III of this document and should be read in conjunction with the full text set out therein.

\$'000	Year ended 30 June		
	2005	2006	2007
Revenue	10,459	13,179	15,111
EBITDA*	2,943	3,714	3,796
Profit before tax and share-based payments	2,708	3,596	4,034
Cash generated from operations	5,281	2,489	2,626

* Before share-based payments

Over the course of the three years ended 30 June 2007, revenue has increased from approximately \$10.5 million to \$15.1 million. Over the same period, EBITDA (before share-based payments) generated by the Group increased from \$2.9 million to approximately \$3.8 million. This growth has been entirely organic, with Craneware's hospital base increasing from 376 at 1 July 2004 to 801 at 30 June 2007.

Craneware generated approximately \$10.4 million of cash from operations over the course of the three years ended 30 June 2007. The Group currently has no external debt and at 30 June 2007 had cash and cash equivalents of approximately \$9.7 million.

STRATEGY

Craneware's strategy is to continue its expansion into the US healthcare software market, both through organic growth initiatives and through acquisitions.

- *Expand customer base*

The Directors estimate that the majority of US hospitals still rely on manual procedures rather than technology-based CDM solutions. The Directors believe that Craneware can continue to penetrate the CDM management software market and aims to confirm its position as market leader by continuing to improve its core CMT product, optimising its sales force performance, providing high quality customer service, training and education, and expanding the Group's network of strategic alliances. Craneware aims to increase its customer base by targeting hospitals that do not have a technology-based CDM solution, as well as hospitals that are currently using solutions offered by the Group's competitors and are approaching the end of their contracts.

- *Broaden product offering*

Craneware's broadening portfolio of products presents a number of incremental revenue opportunities within both the existing and prospective customer base. The Group is in the process of developing a new product to help hospitals track pharmacy items from purchasing through to billing. This supply chain software solution works by comparing volumes ordered and prices paid with those billed and reimbursed to the hospital. Where reimbursed amounts are below the purchase price or mark-up policy for the drug, or the drug does not appear on any bills, corrective action can be taken. The product is currently in beta testing with two US hospitals and preliminary results are meeting Craneware's expectations.

- *Pursue acquisition opportunities*

Craneware has identified a number of acquisition opportunities and continues to monitor the US healthcare information system market for further opportunities. The typical acquisition target is expected to be a profitable business, with revenues of about \$5 million and an installed base of approximately 50 hospitals, which is a technology leader in its chosen market, and offers software products that are complementary to Craneware's core competencies, in areas such as hospital supplies and staffing.

REASONS FOR THE PLACING AND ADMISSION

The Directors believe that the Placing and Admission will bring numerous benefits that will assist them in delivering the Group's strategy. These expected benefits are set out below:

- Greater public profile and brand awareness as well as enhanced status with existing and potential clients;
- A more diversified shareholder base by providing a partial or full exit for the Company's existing institutional and certain other shareholders;
- A more flexible capital structure which could be used in order to take advantage of new business opportunities, including acquisitions of complementary businesses, or assets, as and when they arise; and
- Assistance in attracting, retaining and incentivising key employees through the use of long term equity based incentives using publicly traded shares, which the Directors believe will be more attractive than options over unquoted shares.

PLACING STATISTICS

Placing Price	128 pence
Number of New Shares to be placed on behalf of the Company	4,247,830
Number of Sale Shares to be placed on behalf of the Selling Shareholders	11,793,142
Market capitalisation following the Placing at the Placing Price	£31.9 million
Number of Ordinary Shares in issue on Admission (including on exercise of options)	24,929,950
Percentage of Enlarged Issued Share Capital subject to the Placing (including the Sale Shares)	64.3 per cent
Estimated gross proceeds of the Placing available to the Company	£5.4 million
Estimated net proceeds of the Placing available to the Company	£3.8 million

EXPECTED TIMETABLE

Publication of this document	10 September 2007
Admission and dealings in the Ordinary Shares to commence on AIM	13 September 2007
CREST accounts credited for Placing Shares in uncertificated form	13 September 2007
Despatch of definitive share certificates (where applicable) for Placing Shares in certificated form	by 26 September 2007

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

Craneware provides proprietary revenue cycle management software solutions for the US healthcare provider market. The Group's main product, Chargemaster Toolkit™ ("CMT"), assists US healthcare providers in reducing billing errors, ensuring the timely and accurate submission of claims and managing compliance risk. CMT is designed to help hospital finance departments to maintain accurate and up-to-date information, increase operational efficiency and increase reimbursement related to outpatient items in their Charge Description Masters ("CDM"), the menu and price list of hospital procedures and other items that may appear on patients' bills.

The Group's revenue cycle management software is provided to 812 hospitals in 46 states in the US. There are a total of 5,756 hospitals in the US of which the Directors believe less than half have purchased a technology-based CDM solution, leaving a substantial marketplace the Group has an opportunity to penetrate. The CMT product is one of a number of revenue cycle management products that Craneware has produced. The Group was awarded the number one ranking in the revenue management category in the 2006 KLAS awards, an independent US research house, establishing Craneware as a leader in this specialist area.

Revenues are generated from sales to hospitals and other healthcare providers in the United States. Over the course of the three years ended 30 June 2007, revenue has increased from \$10.5 million to \$15.1 million. Over the same period, EBITDA (before share-based payments) generated by the Group increased from \$2.9 million to approximately \$3.8 million. This growth has been entirely organic, with Craneware's hospital base increasing from 376 at 1 July 2004 to 801 at 30 June 2007.

The Group typically enters into customer contracts for between three to five years, with the average multiyear contract being approximately four years. Software maintenance and support fees are invoiced annually in advance and spread equally over the duration of the contract, thereby establishing a high level of predictable revenue. The Directors estimate that approximately 75 per cent. of the Group's revenues recorded in the year ended 30 June 2007 were from contracts agreed in prior years, with a further 7 per cent. derived from customer renewals during the year. Revenue under contract but not yet recognised in the Group's income statement was \$32.9 million at 30 June 2007, which the Directors believe provides Craneware with a high degree of revenue visibility.

Craneware's strategy is to continue its expansion into the US healthcare software market, both through organic growth initiatives, including the development of new software products that can be rolled out to the Group's customer base, and through acquisitions.

The Placing is intended to raise £5.4 million for the Company before expenses, which will be used to meet the costs associated with the Placing and admission to AIM and to further strengthen the Group's balance sheet in order to facilitate continued product development and future strategic acquisitions. In addition, 11,793,142 Sale Shares, amounting to £15.1 million at the Placing Price, held by Selling Shareholders, will be placed under the Placing.

The Directors believe that a flotation will provide the Group with a greater public profile as well as enhanced status with existing and potential clients. They also believe that after admission to AIM, the Group will have more flexibility to take advantage of opportunities, including acquisitions of complementary businesses, as and when they arise.

2. COMPANY HISTORY

Craneware was founded in May 1999 by Keith Neilson and Gordon Craig, following on from discussions with Nora McNeil, a US-based healthcare consultant. The Company obtained £50,000 seed capital from LIFE later that year. An agreement for a subsequent round of funding was entered into in December 2000 with 3i and SEP, which raised a further £1 million.

Craneware launched its first software product, a predecessor to CMT, in October 1999 having signed its first customer contract in September 1999. This was with Bayshore Community Hospital in New Jersey, which remains a customer of the Group.

The Group's head office has been based in Livingston, Scotland, since November 2000 where its R&D and customer support functions are also located. The Group opened its first US sales office in Orlando, Florida, in January 2001, with two further offices being opened in Scottsdale, Arizona, in August 2002, and Kansas City, Kansas, in July 2006.

3. MARKET OVERVIEW

The healthcare system of the United States is complex, with payment methods and regulations contributing to this complexity. Generally reimbursement for healthcare services is dependant upon patients paying for healthcare services on a commercial basis which is generally funded through private insurance or Government based programmes.

There are a total of 5,756 hospitals in the United States. Large hospitals, considered to be facilities with more than 400 beds, account for approximately 12 per cent. of the total number of hospitals in the United States. These facilities process higher volumes of outpatient transactions and the Directors believe that, as a result of these volumes, the cost of mistakes in billing could be significantly higher than for smaller hospitals.

Medium hospitals, considered to be facilities with between 200 and 400 beds, make up approximately 21 per cent. of the total number of hospitals in the US and small hospitals, considered to be facilities with less than 200 beds, account for the remaining 67 per cent. of the market.

The Directors believe that at present less than half of hospitals in the US have purchased technology-based CDM solutions with the remaining marketplace still relying on manual audits. The Directors believe that these hospitals may consider purchasing and implementing products such as Craneware's CMT in the next five years due to the complex and changing regulatory environment. Many of these hospitals currently rely on time-consuming manual line-by-line audits to ensure the accuracy and completeness of their CDMs. As the volume of legislation in relation to the US healthcare system increases the Directors believe that it will become more difficult for hospitals to rely on manual audits to keep up with the pace of change.

The Directors believe that some healthcare providers, particularly smaller hospitals, have in the past delayed the implementation of revenue cycle management software as they were focussed on other cost saving opportunities. The Directors believe that future legislation will apply to a wider range of healthcare providers (some smaller hospitals are not covered by some of the current legislation) as well as increasing the regulation on all healthcare providers. They therefore believe that a software solution will be the most effective way to keep up with these regulatory changes.

In addition, the Directors believe that demand for technology-based CDM solutions is expected to benefit from wider trends in the US healthcare market. With an ageing population, where more baby-boomers qualify for Medicare/Medicaid each year, the demand for healthcare services in the US is increasing. Furthermore, the delivery of healthcare over the last 25 years has continued to shift away from inpatient care and towards outpatient care.

Competition

Competition in the CDM management arena is believed to have consolidated from more than ten providers in 2003 to four apparent major providers in 2007, of which the Directors believe Craneware is the largest in terms of number of hospital customers.

Craneware's main competitor is Accuro Health Solutions, Inc, which has grown largely through acquisition, including the purchase of CodeCorrect, LLC in January 2006 and Innovative Health Systems, LLC in October 2005. Other leading operators in the CDM management market are MedAssets, Inc and 3M Health Information Systems. The Directors do not believe that large hospital information system vendors, such as Siemens Health Services, GE Healthcare, Cerner Corporation, MediTech and McKesson Corporation have integrated significant CDM audit functionality into their billing systems. Craneware has entered into

discussions with various health information systems vendors with a view to providing Craneware's revenue cycle management functionality into their systems.

Regulatory environment

The outpatient revenue cycle management market is developing as a result of regulatory changes, such as the US Outpatient Prospective Payment System (August 2000) and the Tax Relief and Health Care Act (December 2006).

OPPS is a fee schedule based system where payments for services are set using weights, conversion factors and territorial adjustments for input prices. Recent trends in the outpatient revenue cycle market have led to increased requirements, including for transparent pricing and charge capture. The Directors believe this has acted to stimulate demand for software-based revenue cycle products rather than the current reliance on manual processes.

The OIG has developed a program to allow individuals to report concerns with US healthcare providers. The OIG accepts a wide range of concerns or observations such as employee misconduct, patient abuse, safety violations, theft or misuse of property, false claims, systemic problems with programs or operations, and waste. Breach can result in fines and/or imprisonment. During the period 1 October 2006 to 31 March 2007 OIG investigations resulted in 209 successful criminal actions. The Directors believe that these actions will result in healthcare executives becoming more sensitive to the accurate and ethical submissions of healthcare reimbursement claims.

The Medicare Integrity Program introduced the use of recovery audit contractors in December 2006 to identify both overpayments and underpayments made under Medicare and to recoup any overpayments to providers. The Tax Relief and Health Care Act (2006) now requires the Centre for Medicaid & Medicare Services to contract with recovery audit contractors in all 50 states by 1 January 2010. Both federal and state regulators are imposing financial penalties and imprisonment upon US healthcare providers for false claims and medical necessity. The Directors believe that the need for automated charge capture at the point of care, coupled with an integrated CDM, has created an opportunity for end-to-end revenue cycle management solutions aimed to reduce under or over payments.

4. PRODUCTS

Craneware's core CMT software provides outpatient bill auditing solutions for the US hospital market. It is designed to help hospital finance departments maintain accurate and up-to-date information and financially optimise outpatient elements in CDM. This eliminates the need for time-consuming manual line-by-line audits by largely automating the CDM corrections, maintenance and auditing process. CMT software helps US hospitals to improve reimbursement, increase operational efficiency and manage compliance risk by assisting in the audit of the administrative and clinical functions that contribute to the capture, management and collection of patient service revenue in those US healthcare providers.

In addition to hospitals, Craneware has software solutions that are suitable for other healthcare providers, such as physician groups, ambulatory surgery centres and other speciality facilities.

Further details of the Craneware's suite of revenue cycle management products, all of which have been developed by and are owned by the Company, are set out below:

Chargemaster Toolkit™

Craneware's flagship product is CMT, which is a desktop-based software solution designed to assist hospital finance departments maintain accurate and up to date information and financially optimise outpatient elements in CDM. CMT is sold exclusively into the US healthcare market and this family of products accounted for approximately 95 per cent. of the Group's revenues during the year ended 30 June 2007.

The software identifies problem line items and provides the tools to enable the user to fix them. Problems can include coding mistakes, under-pricing or flawed price positioning and compliance issues. As one error is identified and corrected, the system can automatically identify any impact of the correction.

The CDM maintenance and management tool can create an integrated and effective system, helping healthcare organisations improve reimbursement, increase operational efficiency and manage their compliance risk.

Other products within the CMT family include:

Bill Analyzer Software™

The Bill Analyzer software is designed to review hospital claims data before and after it is submitted for payment. Based on the information contained in CMT as well as logic that can be applied within the context of an individual bill, the software reviews actual claim data. This is intended to highlight items missing from claims, allowing hospitals to improve their legitimate reimbursement levels.

Chargemaster Corporate Toolkit™

The Chargemaster Corporate Toolkit can help multi-hospital systems develop and customise a standard CDM that can be maintained centrally. This software also incorporates all the functionality of CMT.

Online Reference Toolkit™

This tool is a browser based solution which is designed to provide hospital staff with access to a medical coding reference library. The coding and regulatory information contained within the tool is updated regularly to incorporate the latest regulations. This tool forms an integral part of Craneware's CDM suite and has communication links to CMT.

Interface Scripting Module™

The Interface Scripting Module is a tool designed to help the CMT software communicate with hospitals' primary software based financial systems.

Decision Dashboard Software™

Decision Dashboard Software is designed to allow key decision makers to access business critical information from systems across the healthcare facility. In June 2007 the Group signed a three-year contract with Amerinet, a group purchasing organisation, to sub-license this software to their members.

Physician Management Toolkit™

Physician Management Toolkit software is designed to assist in optimising physician revenue by identifying errors in a physician's charges, codes, fee schedules and other related information and enabling them to be corrected.

Product development

In addition to the above, Craneware is in the process of developing two new product lines, one of which is in beta testing.

5. OPERATIONS

Sales and Marketing

Craneware's sales and marketing team comprises two regional sales managers, 14 sales representatives and four other marketing staff.

Following a review of the revenue cycle management market in the US and Craneware's sales function, Jim Wilson was recruited as head of the sales operation in December 2005. He initiated a restructuring of the sales operation, the recruitment of more experienced healthcare sales professionals, and an improvement in the sales process and reporting structures, including the proposed implementation of a CRM system.

The Craneware business solutions group was formed to provide consulting support to the sales process and an account management function was established recognising the importance of maintaining and improving renewal rates and in recognition of the importance of strategic accounts.

Strategic Alliances

Of new business won by the Group during the year ended 30 June 2007 approximately 40 per cent. was closed by the Craneware sales team from leads generated through strategic alliances. The most significant of these lead providers was Amerinet, a group purchasing organisation which states that it promotes quality healthcare delivery and helps all types of providers more effectively manage expenses.

Craneware signed an agreement in February 2007 with Premier, a hospital performance improvement alliance with approximately 1,700 participating hospitals and health systems, serving communities throughout the US, to be Premier's sole provider of revenue cycle management software to its members.

The Hospital Financial Management Association has over 34,000 members across the US. The majority of hospital finance directors are believed to be members of HFMA. Since June 2003, Craneware has entered into a number of agreements with HFMA for marketing the Group's products to its members and providing Craneware with sponsorship of certain HFMA events.

In addition, Craneware has a strategic alliance with the Greater New York Hospital Association as the exclusive revenue cycle software provider recommended by GNYHA to its members. The GNYHA states that it represents nearly 300 hospitals and continuing care facilities, both voluntary and public, in the New York City metropolitan area, as well as New Jersey, Connecticut, and Rhode Island. The alliance was formed in May 2003 and the GNYHA promotes Craneware's software to its member hospitals. Craneware formed a similar strategic alliance with HealthShare, a subsidiary of the Texas Hospital Association, in July 2003.

Customers

Craneware's US hospital base has increased from 376 to 801 during the three years ended 30 June 2007, as shown in the table below.

<i>Number of hospitals</i>	<i>Year ended 30 June</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
Opening	376	455	631
New business	110	187	199
Due for renewal	(33)	(65)	(80)
– of which renewed	26	55	74
Contracts terminated	(24)	(1)	(23)
Closing	<u>455</u>	<u>631</u>	<u>801</u>
<i>Renewal rate percentage</i>	<i>79%</i>	<i>85%</i>	<i>93%</i>

Contracts terminated refers to those terminated either by the Company or its customers. Although the Group's standard contract only allows a customer to terminate in the event of a non-remedied breach of the contract by the Group, some historically negotiated contracts allow customers to terminate at their discretion.

The Directors believe that the significant business benefits derived by customers using the Group's revenue cycle management software solutions and its high level of customer satisfaction has resulted in a low churn rate. This combined with strong customer service ethic and frequent software enhancements have seen multiyear contract renewal rates improve to approximately 93 per cent. during the year ended 30 June 2007.

Compared to the overall US hospital market, Craneware's client base comprises proportionately more large and medium sized hospitals because these types of hospitals tended to be the early adopters of Craneware's revenue cycle management software solutions. The Group changed its pricing model in the summer of 2005 in order to target smaller hospitals and the last financial year saw a significant increase in the number of smaller hospital customers of the Group.

Product installation and training

The installation and training team provide the initial installation of the software and a one-and-a-half day training course at the client's site using the hospital's actual CDM. Craneware clients have access to web based training tutorials and can request dedicated onsite training visits.

Customer support

Customer support is primarily provided by a dedicated client service representative team based in Livingston, Scotland, that project manages product installations and manages support for the software. Telephone and email support is available and the levels of support service provided have enhanced Craneware's reputation in the marketplace, as indicated by its number one ranking in the revenue management category in the 2006 KLAS awards.

Data team

A team of four consultants is available to answer specific coding questions that are beyond the scope of the client service representative team and is also responsible for updating the Group's regulatory database.

Customer satisfaction

User group meetings offer Craneware clients a forum for open discussion around the use of the Group's products and its ability to provide solutions. At least one of Craneware's senior management team will normally attend each user group event to ensure that the customers' views are conveyed to the Group's operating board. Any suggestions from the user group meetings are fed into the change request system.

Craneware has maintained its number one ranking in the 2007 mid-year KLAS report which reviews the performance of the main providers of revenue cycle chagemaster management software.

Product Development

The majority of Craneware's R&D team of 28 is based in Livingston, Scotland. The Group maintains a change request system that tracks features and enhancements that have been requested by customers and internal staff. These changes are prioritised and scheduled for development.

There are approximately 12 product updates per calendar year which are delivered to customers as part of their annual maintenance and support service. Data updates are carried out during product updates.

Craneware has two new product lines in development, one of which is in beta testing whilst the other is in the latter stages of development. These products will be complementary to CMT and will be aimed at the Group's core target market.

6. REVENUE MODEL

The Group typically enters into customer contracts for between three to five years, with the average multiyear contract being approximately four years. Of the total amount receivable over the life of a typical CMT contract, approximately 10 per cent. relates to installation and training fees, which are invoiced shortly after the start of the contract following installation of the software. The remaining 90 per cent. of the amount receivable over the contract life comprises software and support fees, which are spread equally over the duration of the contract and invoiced annually in advance, thereby establishing a high level of predictable revenue. The Directors estimate that approximately 75 per cent. of the Group's revenues recorded in the year ended 30 June 2007 were from contracts agreed in prior years with a further 7 per cent. derived from customer renewals during the year. Revenue under contract but not yet recognised in the Group's income statement was \$32.9 million at 30 June 2007, which the Directors believe provides Craneware with a high degree of revenue visibility.

Craneware changed its pricing model in the summer of 2005. Previously a higher percentage of the total contract value was charged upfront in the first year of the contract and billed as a licence fee. The cash flow associated with a contract is now, following the change in the billing profile, spread more evenly over the contract life.

7. FINANCIAL SUMMARY

The financial information for the three years ended 30 June 2007 set out below has been derived from Section B of Part III of this document and should be read in conjunction with the full text set out therein.

\$'000	Year ended 30 June		
	2005	2006	2007
Revenue	10,459	13,179	15,111
EBITDA*	2,943	3,714	3,796
Profit before tax and share-based payments	2,708	3,596	4,034
Cash generated from operations	5,281	2,489	2,626

*Before share-based payments

Revenue has increased by a compound annual growth rate of approximately 20 per cent. from approximately \$10.5 million in the year ended 30 June 2005 to \$15.1 million in the year ended 30 June 2007. Growth during this period was entirely organic, with the number of hospitals using Craneware's revenue cycle management software increasing from 376 to 801.

EBITDA (before share-based payments) increased in line with revenue from \$2.9 million in the year ended 30 June 2005 to \$3.7 million in the year ended 30 June 2006. During the year ended 30 June 2007 Craneware made significant investment in the infrastructure to support future growth by expanding the Group's customer support and R&D functions and completing the restructuring of its US sales force. The benefit of profit on higher revenues and the first \$200,000 of a grant from the Scottish Executive was therefore largely offset by investment in cost infrastructure, the implementation of pay levels in line with market, and also by the adverse impact of the weaker US dollar (an estimated third of the Group's total expenditure is incurred in sterling). As a result there was no significant growth in reported EBITDA (before share-based payments) during the year ended 30 June 2007. The investment made in the business has started to deliver returns in terms of revenue growth during the final quarter of the year ended 30 June 2007.

Craneware incurred charges for share-based payments of \$nil, \$0.3 million and \$2.2 million in the years ended 30 June 2005, 2006 and 2007 respectively. The reason for the significant increase in these charges in the year ended 30 June 2007 was due to the timing of the underlying options' average vesting period of 1.3 years, between 11 May 2006 when the majority of the options were granted and Admission.

Craneware generated approximately \$10.4 million of cash from operations over the course of the three years ended 30 June 2007. The Group currently has no external debt and at 30 June 2007 had cash and cash equivalents of approximately \$9.7 million. Lower cash flows in the years ended 30 June 2006 and 2007 were due to an increase in accounts receivable driven by higher sales, expansion capex, and the change in the Group's pricing model in the summer of 2005, which had an adverse impact on cash flows (a greater proportion of cash was previously received up-front whereas cash is now spread more evenly over the contract life). The Group's balance for deferred income was \$9.5 million at 30 June 2007, of which an estimated \$0.9 million is non-current.

8. GROUP STRUCTURE

Group Companies

Craneware plc is incorporated in Scotland and has its head office in Livingston, Scotland. The Group's trading activities in the United States are carried out through Craneware, Inc., which is a wholly owned subsidiary of Craneware.

Employees

The Group's head office is located in Livingston, Scotland, along with its R&D and customer support functions. It also has three offices in the United States, in Orlando (Florida), Scottsdale (Arizona) and Kansas City (Kansas). Approximately two thirds of expenditure is therefore incurred in US dollars. Employee numbers by function, as at 30 June 2007, are set out below:

	<i>Number</i>
Sales & Marketing	21
Client Servicing	30
R&D	28
Admin Staff	11
Executive	5
Total	<u>95</u>

The average headcount has increased from approximately 58 in the year ended 30 June 2005, to 69 in the year ended 30 June 2006 and 90 in the year ended 30 June 2007, as the Group has grown and invested in sales, marketing, customer support and R&D.

Craneware's employees are actively involved in the management of the Group, and its leadership team includes 14 staff, representing all parts of the business. On flotation, 72 of the Group's employees will have an economic interest in Craneware.

9. CURRENT TRADING AND PROSPECTS

The Group's trading results for the month ended 31 July 2007 were in line with the Directors' expectations, with Craneware's hospital base increasing from 801 at the beginning of the period to 812 at the end of the period.

The Directors believe that the Group's business model combined with high customer renewal rates provide Craneware with a high degree of revenue visibility for future years, as illustrated in the table below:

<i>\$ millions</i>	<i>Year ending 30 June</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Revenue contracted at 30 June 2007 to be recognised in future years*	14.4	9.6	5.1
Revenue from existing contracts due for renewal during the next three years and subsequent to the renewal of such contracts**	1.1	4.4	8.7

* Assuming no contracts are terminated.

** Assuming all contracts are renewed for a further three years at existing annual contract rates.

Revenue under contract but not yet recognised in the Group's income statement was \$32.9 million at 30 June 2007, of which \$3.8 million relates to periods after 30 June 2010.

Note: Revenues in relation to the future years set out above are provided for illustrative purposes and do not constitute a forecast by Craneware.

10. STRATEGY

Craneware's strategy is to continue its expansion into the US healthcare software market, both through organic growth initiatives, including the continued penetration of the CDM management software market and the development of new products that can be rolled out to the Group's existing customer base and through acquisitions. The primary elements of the Group's strategy are set out below:

Expand customer base

The Directors estimate that the majority of US hospitals still rely on manual procedures rather than technology-based CDM solutions. The Directors believe that up to now, certain US hospitals, particularly smaller hospitals, have delayed the introduction of technology-based CDM solutions, as they were focussed on other cost saving initiatives. However, as many such initiatives have already been introduced and more legislation will now apply to smaller hospitals, the Directors believe that more US hospitals are now seeking alternative ways to improve their financial performance and manage compliance risk, including implementing and using revenue cycle management software solutions such as Craneware's CMT.

The Directors believe that Craneware can continue to penetrate the CDM management software market and aims to confirm its position as market leader by continuing to improve its core CMT product, optimising its sales force performance, providing high quality customer service, training and education, and expanding the Group's network of strategic alliances. Craneware aims to increase its customer base by targeting hospitals that do not have a technology-based CDM solution, as well as hospitals that are currently using solutions offered by the Group's competitors and are approaching the end of their contracts.

Broaden product offering

Craneware's broadening portfolio of products presents a number of incremental revenue opportunities within both the existing and prospective customer base.

The Group is in the process of developing a new product to help hospitals track pharmacy items from purchasing through to billing. This supply chain software solution works by comparing volumes ordered and prices paid with those billed and reimbursed to the hospital. Where reimbursed amounts are below the purchase price or mark-up policy for the drug, or the drug does not appear on any bills, corrective action can be taken. The product is currently in beta testing with two US hospitals and preliminary results are meeting Craneware's expectations.

Pursue acquisition opportunities

Craneware has identified a number of acquisition opportunities and continues to monitor the US healthcare information system market for further opportunities. The typical acquisition target is expected to be a profitable business, with revenues of about \$5 million and an installed base of approximately 50 hospitals, which is a technology leader in its chosen market, and offers software products that are complementary to Craneware's core competencies, in areas such as hospital supplies and staffing.

In February 2007 the Company entered into heads of agreement in respect of an option to acquire a US company that provides software solutions for hospital reimbursements, which the Directors consider to be complementary to Craneware's suite of revenue cycle management software products. In the event that Craneware exercises this option the consideration, subject to confirmatory due diligence, has been agreed at \$10 million, of which \$7 million would be payable in cash with the balance payable in new Ordinary Shares in Craneware. Further details of this agreement are set out in paragraph 14.2 of Part IV of this document.

11. DIRECTORS AND EMPLOYEES

Directors

The Board consists of four Directors in respect of whom brief biographies are set out below. Details of service contracts, option agreements and pension arrangements relating to the Directors are set out in paragraphs 6.8 and 7.1 of Part IV of this document.

It is intended that a third non-executive director will be appointed to increase the number of board directors to five, of which the majority of three will serve in a non-executive capacity. The Directors have identified a number of potential candidates for an additional non-executive director and intend to make an appointment prior to 30 November 2007. Neil Heywood is the Company's senior independent non-executive Director.

George Elliott, CA – Chairman and Non-executive Director (aged 54)

George is a chartered accountant who for the last seven years has been Chief Financial Officer of Wolfson Microelectronics plc, a semiconductor business listed on the main market of the London Stock Exchange, and the flotation of which he oversaw in 2003. Since resigning from this position in early 2007 he has been appointed chairman of MicroEmissive Displays Group plc and as a non-executive director of three other companies.

Keith Neilson – Chief Executive Officer (aged 38)

In May 1999 Keith co-founded Craneware with Gordon Craig. He has been the Chief Executive of the Company for the past eight years. Prior to Craneware, Keith's work experience included management

positions in sales, marketing and technical consulting for technology companies with operations in North America, Europe and Africa, including Westek Computer Services Limited and Software Personnel Plc.

Sandy McDougall, CA – Chief Financial Officer (aged 47)

Sandy joined Craneware in August 2005 as CFO. He has gained experience from working at board level for a number of UK companies since 1995. Prior to Craneware, he served as CFO of PanTherix Limited, a privately owned technology company. He is a chartered accountant and has been a member of the Institute of Chartered Accountants of Scotland for the past 24 years.

Neil Heywood – Non-executive Director (aged 45)

Neil has been a non-executive Director of Craneware since January 2002. He also currently serves as the managing director of Matrix Trading Systems Ltd, a software company that delivers research on investment strategies to fund managers. Prior to Matrix Trading Systems Limited, Neil was involved in several software companies, including Quadstone Limited, a company he co-founded and directed, which was sold to Portrait Software Plc in 2006.

Senior management

Gordon Craig – Chief Technology Officer (aged 39)

Gordon is one of the co-founders of Craneware and has served as the Group's Chief Technology Officer since its inception in 1999. He was a director of the Company from May 1999 resigning on 6 September 2007 but remains a member of the operational board of the Company. Prior to Craneware, Gordon worked for a number of small software companies, gaining a depth of experience that has included embedded software on parallel processors to complex, feature rich user interface design. He was instrumental in establishing a UK development office at Expert Telecoms Ltd for Solinet GmbH.

Derek Paterson – Chief Operating Officer (aged 38)

Prior to joining Craneware in October 2000, Derek was in local government performing various roles in finance departments, who intended to improve efficiency through the development and deployment of technology-based solutions, including web based intranets. He was a director of the Company from April 2004 resigning on 6 September 2007 but remains a member of the operational board of the Company.

Jim Wilson – Executive Vice President and Chief Sales Officer (aged 58)

Jim joined Craneware in December of 2005 as Chief Sales Officer. Jim has 30 years experience in healthcare information technology and has served in executive positions with industry leaders such as Electronic Data Systems Corporation and latterly Cerner Corporation. At Cerner Corporation he spent over eight years in a variety of market facing roles including managing their revenue cycle business and establishing Cerner's presence in the global marketplace for healthcare in Saudi Arabia, other Middle Eastern countries, Malaysia and Europe. He was a director of the Company from January 2006 resigning on 6 September 2007 but remains a member of the operational board of the Company.

12. CORPORATE GOVERNANCE

The Directors support high standards of corporate governance and confirm that following Admission, the Group intends (having regard to its size and nature) to comply, so far as it considers practicable and appropriate, with the Combined Code. The Company will hold monthly Board meetings. The Board will be responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The Company has established an Audit Committee, a Remuneration Committee and a Nominations Committee. The role of the chairman of each of these committees will be reviewed after the appointment of a third non-executive director.

The Audit Committee currently comprises the two non-executive Directors, Neil Heywood, as chairman, and George Elliott. It is responsible for ensuring that the financial performance of the Group is properly reported

on and monitored and for reviewing the auditor's reports relating to accounts and reviewing the effectiveness of the Group's internal control and risk management systems.

The Remuneration Committee currently comprises the two non-executive Directors, Neil Heywood, as chairman, and George Elliott. It is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Chief Executive Officer, all other executive Directors, and such other members of the senior management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. The Remuneration Committee will also liaise with the Nomination Committee to ensure that the remuneration of newly appointed directors is within the Company's overall policy.

The Nomination Committee currently comprises the two non-executive Directors, Neil Heywood, as Chairman, and George Elliott. It is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

13. SHARE OPTION PLANS

The Directors regard equity participation to be an important aspect of the Group's ability to attract, retain and incentivise its key staff. Accordingly, at Admission the Company will have in place two share option plans: the 2006 Share Option Plan and the 2007 Share Option Plan.

On Admission, the Company will have outstanding options over 435,900 Ordinary Shares under the 2006 Share Option Plan representing 1.7 per cent. of the Company's Enlarged Issued Share Capital, all of which are exercisable.

New employee incentive arrangements will be put in place, conditional on Admission, through the 2007 Share Option Plan. The total number of options capable of being granted under the 2007 Share Option Plan, and any other employee share plan which the Company subsequently adopts, will be 10 per cent. of the issued ordinary share capital from time to time. Options granted under the 2006 Option Plan will not count towards this limit.

It is intended that there will be two types of awards under the 2007 Share Option Plan. Options are expected to be granted on or shortly after Admission over a maximum of 1,400,000 Ordinary Shares representing 5.6 per cent. of the Company's Enlarged Issued Share Capital at an exercise price of 1 pence per Ordinary Share with vesting based on the Company's share price achieving certain targets. The majority of these are intended as a replacement for existing performance related options granted under the 2006 Share Option Plan over Incentive Shares which will be lapsed following Admission. The 2007 Share Option Plan will also allow for further options to be granted with an exercise price not less than the market value at the date of grant.

Further details of the Company's Share Option Plans are set out in paragraph 8 of Part IV of this document.

14. REASONS FOR PLACING AND ADMISSION

The Directors believe that the Placing and Admission will bring numerous benefits that will assist them in delivering the Group's strategy. These expected benefits are set out below:

- Greater public profile and brand awareness as well as enhanced status with existing and potential clients;
- A more diversified shareholder base by providing a partial or full exit for the Company's existing institutional shareholders and certain other shareholders;
- A more flexible capital structure which could be used in order to take advantage of new business opportunities, including acquisitions of complementary businesses, or assets, as and when they arise; and

- Assistance in attracting, retaining and incentivising key employees through the use of long term equity based incentives using publicly traded shares, which the Directors believe will be more attractive than options over unquoted shares.

15. DETAILS OF PLACING AND ADMISSION

KBC Peel Hunt, as agent for the Company, has conditionally placed 4,247,830 New Shares with investors at 128 pence per share. KBC Peel Hunt, as agent for the Selling Shareholders, has conditionally placed 11,793,142 Sale Shares with investors at 128 pence per share. The Placing, which is not underwritten, is conditional, *inter alia*, upon the admission of the Company's Ordinary Shares to trading on AIM by 13 September 2007, or such later date as KBC Peel Hunt and the Company agree.

The Placing is intended to raise £5.4 million for the Company, before expenses. After the expenses of the Placing and Admission, estimated in total at £1.4 million (excluding VAT), and certain employee tax liabilities of approximately £0.2 million, the Placing is intended to raise £3.8 million.

It is expected that the proceeds of the Placing will be received by the Company on or before 13 September 2007. It is expected that the appropriate stock accounts of placees will be credited with the Placing Shares comprising their Placing participation with effect from 13 September 2007. In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post, within 14 days of the date of Admission.

Pending despatch of share certificates or crediting of CREST accounts, the Company's registrar will certify any instruments of transfer against the register.

Further details of the Placing Agreement are set out in paragraph 13.1 of Part IV of this document.

16. INTEREST AND LOCK-IN ARRANGEMENTS

Following the Placing, the Directors and other employees will be interested, in aggregate, in 9,375,970 Ordinary Shares, representing 37.6 per cent. of the Enlarged Issued Share Capital of the Company. The Directors and all other employee shareholders or optionholders have agreed that they will not dispose of any interests in the Company's share capital for a period of eighteen months from Admission, except in certain strictly limited circumstances. Thereafter, they have undertaken only to sell shares through KBC Peel Hunt for as long as they remain a Director or employee and KBC Peel Hunt remains broker to the Company and only during the restricted dealing periods set out in the Company's share dealing code.

The Company has adopted a share dealing code for Directors and relevant employees and will take appropriate steps to ensure compliance by the Directors and those employees.

Further details of the interests of the Directors and major shareholders in Ordinary Shares and in options over Ordinary Shares together with lock-in arrangements are set out in paragraphs 6.7, 6.8, 6.10 and 13.2 of Part IV of this document.

17. THE TAKEOVER CODE

The Company will be subject to the Takeover Code. Under Rule 9 of the Takeover Code, any person who acquires an interest in shares which, taken together with shares in which he is already interested in and in which persons acting in concert with him are interested carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly when any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights a general offer will normally be required if any further interest in shares are acquired by any such person.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company.

For the purposes of the Takeover Code, the Company has deemed that the co-founders, Keith Neilson and Gordon Craig, as well as Derek Paterson, are together a concert party (the "Concert Party"). As at the date of this document, the Concert Party owns 40.2 per cent. of the Company's ordinary share capital. Under the Placing, Keith Neilson and Derek Paterson will be subscribing 54,700 Ordinary Shares and 586,000 Ordinary Shares respectively. Derek Paterson has also, conditional on Admission, exercised options over 249,900 Ordinary Shares under the 2006 Share Option Plan and will retain options over a further 50,100 Ordinary Shares under the 2006 Share Option Plan. In addition, Keith Neilson, Gordon Craig and Derek Paterson will shortly after Admission be granted 20,000, 20,000 and 170,000 options, respectively, over Ordinary Shares under the 2007 Share Option Plan. As a result, the Concert Party will, shortly after Admission, have an interest in up to a maximum of 8,816,900 Ordinary Shares representing a maximum of 35.4 per cent. of the Enlarged Issued Share Capital.

The Panel has agreed to waive the requirement for the Concert Party to make a general offer to shareholders which might otherwise arise as a result of their subscription for Ordinary Shares under the Placing and on the exercise of their options.

Prospective investors should note that the Concert Party will, following the Placing and Admission, be interested in shares carrying 30 per cent. or more of the voting share capital but will not hold shares carrying more than 50 per cent. of the Enlarged Issued Share Capital (for so long as they are treated as acting in concert). Any further increase in that aggregate interest in shares will be subject to the provisions of Rule 9.

18. DIVIDEND POLICY

Following Admission, the Directors intend to adopt a progressive dividend policy based on the Group's retained annual earnings. The level of distribution will be subject to the Group's working capital requirements and the ongoing needs of the business. It is anticipated that dividends will be paid on an annual basis and will commence in respect of the year ending 30 June 2008.

19. CREST

The Articles of Association of the Company permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. The Ordinary Shares are eligible for CREST settlement. Accordingly, settlement of transactions in the Sale Shares and the New Shares following Admission may take place within the CREST system if the relevant shareholder so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

20. FURTHER INFORMATION

Your attention is drawn to the additional information in Parts II to IV of this document.

PART II

RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors in Ordinary Shares should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, prior to making any investment decision. The information below does not purport to be an exhaustive list or summary of the risks which the Group may encounter and is not set out in any particular order of priority. Investors should consider carefully whether an investment in the Company is suitable for them in the light of the information in this document and the financial resources available to them and, if they have any doubts about the contents of the document, should consult with an investment adviser authorised under the Financial Services and Markets Act 2000.

The Group's business, financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such case, the market price of the Ordinary Shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse affect on the Group.

SPECIFIC RISKS RELATING TO THE GROUP AND ITS BUSINESS

Exchange rate fluctuations

The Group's revenues are entirely denominated in US Dollars whilst approximately one third of its operating costs are incurred in Sterling and the remainder in US Dollars. Craneware does not have any formal treasury operations at present, and does not hedge its exposure to movements in exchange rates, as the Directors do not consider the risk to be significant relative to the costs involved in developing and maintaining a hedging strategy. The Group is therefore exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results.

Reliance on US healthcare information systems market

The Group's revenue is derived entirely from the US healthcare information system industry. A major development in this market could therefore have a significant impact on the Group's financial performance. The Directors believe that the Group has in the past benefited from changes in government policies and regulations, such as increased spending by Medicare/Medicaid, changes to the US Outpatient Prospective Payment System and the introduction of the Tax Relief and Health Care Act. Future regulatory changes could potentially reduce the relevance of Craneware's software products and their use to the Group's customers, which may have an adverse impact on Craneware's operating results. Structural changes in the US healthcare system may impact the Group's addressable market and have an adverse impact on the Group's revenues and earnings.

Failure to develop or acquire appropriate software solutions

The Directors believe that the future performance of the Group is dependent on its ability to continue to develop, or successfully acquire, and deliver new products that meet the needs of its customers. No assurance can be given that new or acquired products or product enhancements will satisfy customer requirements, will be deployed in time to catch market opportunities or will achieve a sufficient level of acceptance. Products obtained through acquisition may not meet expectations and the integration of acquired assets may prove to be complicated and time consuming.

Failure of the Group's products or failure to implement major projects

The Group's reputation for delivering effective solutions and ongoing services is an important part of its success. Failure of the Group's products, or failure to deliver or implement solutions, or failure to provide adequate ongoing support may damage the Group's reputation and have an adverse effect on its ability to retain or win customers. Failure to adhere to contractually based service levels agreements may also result in penalties, customer losses through cancellation of contracts or lower renewal rates thereby adversely impacting the Group's financial performance.

Competition and technical advances

The markets in which the Group operates in are characterised by rapidly evolving technology, market practices and industry standards. Some of the companies that compete or could in the future compete against Craneware have greater financial, technical and marketing resources, with substantially longer operating histories, greater name recognition and larger customer bases. Prospective customers may also favour US domestic software providers over Craneware for reasons that may be considered to be mainly patriotic in nature. As the market grows, new competitors may emerge which could reduce the Group's sales, margins and market shares. Competitors could develop superior or more cost-effective techniques which could render the Group's products uncompetitive or develop products that achieve greater market acceptance than the Group's products. In the future, the Group may experience pricing pressures from competitors and customers which may result in the cancellation of contracts or lower contract renewal rates thereby adversely impacting the Group's financial performance.

Contractual liabilities

Whilst the Group seeks to minimise the extent of warranties, representations and indemnities it agrees in relation to customer, supplier and partner contracts, industry practice and norms require that Craneware accepts certain contractual obligations when negotiating and entering into commercial contracts in the US. Warranties, representation and indemnities in relation to existing and prospective contracts may increase the Group's financial exposure and result in significant financial penalties and future losses.

Dependence on key executives and personnel

The Group's future success may be substantially dependent on the continued services and performance of its executive directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel. The Directors cannot give assurances that members of the senior management team, the executive Directors or other key personnel will continue to remain with the Group or that it will be able to attract personnel of a sufficiently high calibre to meet the Group's recruitment needs.

Management of growth

The Group's continued growth may place strain on the current management and other resources of the Group. An inability to maintain adequate current management, financial, operational and logistics systems may have a detrimental effect on the Group's key business relationships and / or an increase in the Group's cost base.

Overseas activities

The Group's sales are derived entirely from the US, thereby exposing Craneware to additional risks related to operating in a foreign country. These risks include difficulties in managing and administering an overseas business, the impact of applicable foreign regulations and foreign taxes, and inability to repatriate earnings on overseas sales, difficulties in debt collection or enforcing or protecting intellectual property rights and economic weakness or political instability in foreign economies or markets. These additional risks associated with Craneware's US operations may adversely affect the Group's business, financial condition or results.

Intellectual property protection

The Group has developed a number of software assets over the years and believes that it has adequate title to this intellectual property. However, there may not be adequate protection for intellectual property rights in the locations that the Group's products are made available and policing unauthorised use of proprietary information is difficult and expensive. Failure to protect the Group's intellectual property rights may result in another party copying or otherwise obtaining and using its proprietary content and technology without authorisation.

Any misappropriation of the Group's intellectual property could have a negative impact on the Group's financial performance. Furthermore, the Group may need to take legal action to enforce its intellectual property rights, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of such litigation. Adverse judgements against the Group may give rise to significant liability in damages, legal fees, a requirement to redesign its products, or an inability to develop, market or sell products either at all or in particular territories using existing trademarks or particular technology.

Litigious environment

The US healthcare industry is characterised by frequent litigation regarding products and procedures offered by healthcare facilities, including outpatient services provided by hospitals. The Group may be subject to claims in relation to the software products it sells into this market. Any litigation brought against the Group, whether or not determined in Craneware's favour or settled by Craneware, could involve the Group in lengthy litigation which may be costly, time consuming and divert the efforts and attention of the Directors from more productive tasks.

System failure and online security risks

Services based on sophisticated software and computer systems may contain errors that could cause system failure. Users of Craneware's solutions may experience difficulties, failures or delays, in accessing the Group's software. The Group's computer network may be vulnerable to unauthorised access, computer viruses, denial of service attacks and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information or, perhaps, most critically, cause interruptions in the Group's operations. The Group may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to clients and to clients accessing the Group's website.

Third party systems

The Group relies on third party operating platforms, software, intellectual property and systems for the delivery and production of its revenue cycle solutions. Changes to these platforms, software, intellectual property and systems may require Craneware to adapt its software, which may result in loss of business if the Group fails to make appropriate changes within the available time. The widespread adoption of alternative operating systems or non compatible hardware by the Group's customers poses a similar threat to Craneware's future prospects.

Revenue model

As a result of the way that the Group structures its customer contracts, the development of new sales each year has a significant cascade effect on revenue in subsequent years as a result of the recurring licence fees and contract renewals. Delays in signing up new customers or failure to renew existing contracts will have an ongoing financial impact in future periods that will be difficult to clawback.

Current operating results as an indication of future results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Group's results to date as an indication of future performance. It is possible that, in the future, the Group's operating results will fall below the expectations of securities analysts or investors.

RISKS RELATING TO THE PLACING

AIM

The AIM Rules for Companies are less demanding than those of the Official List maintained by the UK Listing Authority. An investment in shares traded on AIM is perceived to involve a greater degree of risk and be more illiquid than an investment in shares traded on the Official List. The future success of AIM and liquidity in the Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or may become, relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

If an active trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may suffer and may decline below the Placing Price

Prior to the Placing, there has been no public trading market for the Ordinary Shares. Although Craneware has applied to have the Ordinary Shares admitted to trading on AIM and it is expected that this application will be approved, the Group cannot give any assurance that an active trading market will develop for the Ordinary Shares or predict how the Ordinary Shares will trade in the future.

The share prices of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and, some which may affect the markets in which Craneware operates or quoted companies generally. These factors could include the Group's financial performance, development programmes, large purchases or sales of shares, legislative or regulatory changes affecting the operations of the Group and general economic conditions.

The Group may choose not to pay dividends and it cannot assure investors that it will make dividend payments in the future

The Directors may choose not to pay any dividends. Future dividends will depend on, among other things, the Group's future profit, financial position, regulatory capital requirements, distributable reserves, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

Future sales of Ordinary Shares could depress the market price of the Ordinary Shares

The Group is unable to predict whether substantial amounts of Ordinary Shares, in addition to those available in the Placing, will be sold in the open market following the termination of the lock-up restrictions put in place in connection with the Placing. Further details of the lock-up restrictions are contained in paragraph 13.2 of Part IV of this document. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

PART III

HISTORICAL FINANCIAL INFORMATION

Section A: Accountants' Report



PricewaterhouseCoopers LLP
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10 September 2007

Dear Sirs

Craneware plc

We report on the financial information set out in Section B of this Part III Historical Financial Information. This financial information has been prepared for inclusion in the admission document dated 10 September 2007 (the “**Admission Document**”) of Craneware plc (the “**Company**”) on the basis of the accounting policies set out in Note 1 to the Historical Financial Information below. This report is required by Schedule Two of the AIM Rules for Companies published by London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 10 September 2007, a true and fair view of the state of affairs of the Company and its subsidiaries as at the dates stated and of its profits, cash flows and recognised income and expenses for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: Historical financial information for the three years ended 30 June 2007

Consolidated income statements for the years ended 30 June

	<i>Notes</i>	<i>2005</i> \$'000	<i>2006</i> \$'000	<i>2007</i> \$'000
Revenue	4	10,459	13,179	15,111
Cost of sales		(1,127)	(1,121)	(808)
Gross profit		9,332	12,058	14,303
Net operating expenses	5	(6,652)	(8,983)	(12,906)
Operating profit	6	2,680	3,075	1,397
Analysed as:				
Profit before share-based payments, depreciation and amortisation		2,943	3,714	3,796
Share-based payments	9	–	(286)	(2,191)
Depreciation of plant and equipment		(95)	(93)	(152)
Amortisation of intangible assets		(168)	(260)	(56)
Finance income	10	28	235	446
Profit before taxation		2,708	3,310	1,843
Tax charge	11	(866)	(1,165)	(627)
Profit for the year	20	1,842	2,145	1,216
Earnings per share for profit attributable to equity holders of the Company during the year				
– Basic (\$ per share)	13	0.09	0.11	0.06
– Diluted (\$ per share)	13	0.09	0.10	0.05

The results relate to continuing operations.

Consolidated statements of recognised income and expense for the years ended 30 June

	<i>Notes</i>	<i>2005</i> \$'000	<i>2006</i> \$'000	<i>2007</i> \$'000
Exchange movement on the re-translation of share premium account	20	21	–	–
Profit for the year		1,842	2,145	1,216
Total recognised income for the year		1,863	2,145	1,216

Consolidated balance sheets as at 30 June

	<i>Notes</i>	<i>2005</i> \$'000	<i>2006</i> \$'000	<i>2007</i> \$'000
ASSETS				
Non-current assets				
Plant and equipment	14	144	135	487
Intangible assets	15	290	57	434
Deferred tax	18	115	135	810
Trade and other receivables	17	–	–	75
		<u>549</u>	<u>327</u>	<u>1,806</u>
Current assets				
Inventory	16	123	19	8
Trade and other receivables	17	3,840	3,035	4,016
Cash and cash equivalents	22	6,038	10,167	9,664
		<u>10,001</u>	<u>13,221</u>	<u>13,688</u>
Total assets		<u>10,550</u>	<u>13,548</u>	<u>15,494</u>
EQUITY AND LIABILITIES				
Non-current liabilities				
Deferred income	23	3,932	2,251	903
		<u>3,932</u>	<u>2,251</u>	<u>903</u>
Current liabilities				
Deferred income	23	6,739	7,231	8,579
Trade and other payables	24	966	2,722	2,261
		<u>7,705</u>	<u>9,953</u>	<u>10,840</u>
Total liabilities		<u>11,637</u>	<u>12,204</u>	<u>11,743</u>
Equity				
Called up share capital	19	1	1	1
Share premium account	20	1,823	1,823	1,823
Other reserves	20	–	286	2,477
Retained earnings	20	(2,911)	(766)	(550)
Total equity	20	<u>(1,087)</u>	<u>1,344</u>	<u>3,751</u>
Total equity and liabilities		<u>10,550</u>	<u>13,548</u>	<u>15,494</u>

Consolidated cashflow statements for the years ended 30 June

	<i>Notes</i>	<i>2005</i> \$'000	<i>2006</i> \$'000	<i>2007</i> \$'000
Cash flows from operating activities				
Cash generated from operations	21	5,281	2,489	2,626
Interest received		28	235	446
Tax (paid)/refunded		(2,004)	1,516	(1,638)
Net cash from operating activities		<u>3,305</u>	<u>4,240</u>	<u>1,434</u>
Cash flows from investing activities				
Purchase of plant and equipment		(95)	(84)	(504)
Capitalised intangible assets		(292)	(27)	(433)
Net cash used in investing activities		<u>(387)</u>	<u>(111)</u>	<u>(937)</u>
Cash flows from financing activities				
Dividends paid to company shareholders		(3,912)	–	(1,000)
Net cash used in financing activities		<u>(3,912)</u>	<u>–</u>	<u>(1,000)</u>
Net (decrease)/increase in cash and cash equivalents				
		(994)	4,129	(503)
Cash and cash equivalents at the start of the year		<u>7,032</u>	<u>6,038</u>	<u>10,167</u>
Cash and cash equivalents at the end of the year		<u><u>6,038</u></u>	<u><u>10,167</u></u>	<u><u>9,664</u></u>

Notes to the financial information

1. Basis of preparation

The consolidated financial information has been prepared in accordance with the requirements of the AIM rules for companies and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). The financial information has been prepared under the historic cost convention. A summary of the more important accounting policies is set out below.

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of this financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

IFRS 1 (First Time Adoption of International Financial Reporting Standards) sets out the rules for first time adoption of IFRS. Generally, a company must determine IFRS compliant accounting policies and then apply these retrospectively to derive its opening or "transition" balance sheet.

The impact of adopting IFRS on the income statement and balance sheet for the years ended 30 June 2005 and 30 June 2006 is set out in Note 28.

The Company and its subsidiary undertaking are referred to in this report as the Group.

Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Reporting currency

The Directors consider that as the revenues of the companies within the Group are primarily denominated in US dollars, the principal functional currency is the US dollar. The Group's financial information is therefore prepared in US dollars.

Currency translation

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date. Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the balance sheet date, are included within the related category of expense where separately identifiable, or in administrative expenses.

Basis of consolidation

The consolidated income statement and balance sheet include the accounts of the parent company and its subsidiary made up to the end of the financial year. Intra group revenue and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Revenue recognition

The Group follows the principles of IAS 18, "Revenue Recognition", in determining appropriate revenue recognition policies. In principle revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue comprises the value of software license sales, installation, training, maintenance and support services, and consulting engagements. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price has been fixed and determinable; and (iv) collectability is reasonably assured.

For software arrangements with multiple elements, revenue is recognised dependent on whether vendor-specific objective evidence (“VSOE”) of fair value exists for each of the elements. VSOE is determined by reference to sales to external customers made on a stand-alone basis. Where there is no VSOE revenue is recognised rateably over the full term of each contract.

Revenue from standard license products which are not modified to meet the specific requirements of each customer is recognised when the risks and rewards of ownership of the product are transferred to the customer.

Revenue from installation and training is recognised as services are provided, and from consulting engagements when all obligations under the consulting agreement have been fulfilled.

Software sub licensed to third parties is recognised in accordance with the underlying contractual agreements. Where separate services are delivered, revenue is recognised on delivery of the service. All other revenue is recognised proportionately over the term of the sub licence agreement based on the level of service provided in each period.

The excess of amounts invoiced and future invoicing over revenue recognised, is included in deferred revenue. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within accounts receivable.

Tangible assets – plant and equipment

All equipment and fixtures are stated at historical cost less depreciation. 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	–	33% straight line
Tenants improvements	–	20% straight line
Office furniture	–	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 income statement 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.

Acquired intangible assets

Computer software and licensed to use technology are capitalised at cost and amortised on a straight-line basis over a prudent estimate of the time that the Group is expected to benefit from them, which is typically three to five years.

Intangible assets – research and development expenditure

Expenditure associated with developing and maintaining the Group’s software products are 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. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

Impairment tests

The Group considers whether there is any indication that non-current assets are impaired on an annual basis. If there is such an indication, the Group carries out an impairment test by measuring the assets' recoverable amount, which is the higher of the assets' fair value less costs to sell and their value in use. If the recoverable amount is less than the carrying amount an impairment loss is recognised.

Taxation

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

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

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share-based payments" below, a compensation expense is recorded in the Group's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the income statement. 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.

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.

Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all conditions pertaining to the grant. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Financial assets

The Group classifies its financial assets in the following categories: (i) at fair value through profit or loss, (ii) loans and receivables and (iii) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At each balance sheet date included in the financial information, the Group held only items classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' 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 impairment. A provision for impairment of trade receivables is established when there is object evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating expenses in the income statement.

Financial liabilities

The only financial liability held by the Group at each balance sheet date included in the financial information is trade payables. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Inventories consist of consumables and are valued at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and short term highly liquid investment. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held with banks and short term high 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 provided to every employee. Amounts payable in relation to these benefits are charged to the income statement as they fall due.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, "Share-Based Payments" equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model as amended to cater for the share options in issue over incentive shares where vesting is based on future valuation performance conditions. 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.

The share-based payments charge is shown separately on the income statement and is also included in 'Other reserves'.

Dividends

Dividends are recorded in the accounts in the year in which they are approved by the shareholders. Interim dividends are recognised as a distribution when paid.

Forthcoming accounting standards

At the date of approval of this financial information the following standards which have not been applied in this financial information were in issue but not yet effective: IFRS 8 "Segment Reporting" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions". The Directors expect that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements when they come into effect.

2. Critical accounting estimates and judgments

The preparation of financial information in accordance with generally accepted accounting principles requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial information 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:-

- **Provision for impairment of trade receivables:-** the Group assesses trade receivables for impairment which requires the directors to estimate the likelihood of payment forfeiture by customers.
- **Revenue recognition:-** the Group assesses the economic benefit that will flow from future milestone payments in relation to sub-licensing partnership arrangements. This requires the directors to estimate the likelihood of the Group, its partners, and sub-licensees meeting their respective commercial milestones and commitments.
- **Capitalisation of development expenditure:-** the Group capitalises development costs provided the conditions laid out above 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.
- **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.
- **Share-based payments:-** the Group requires to make a charge to reflect the value of share-based equity-settled payments in the period. At each grant of options, the directors require to assess the value of the business and at each balance sheet date, whether there has been a change in their likely vesting dates, and expected participants.

3. Financial risk management

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and cash flow interest rate risk), credit risk and liquidity risk.

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

(a) *Market risk*

(i) Foreign exchange risk

Foreign exchange risk arises when future 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 USA however a significant proportion of costs are incurred in Sterling.

Due to the size of the Group, management are required to continually assess the Group's foreign exchange risk against the Group's functional currency, and whether to hedge against such exposure.

At 30 June 2007, if Sterling had weakened/strengthened by 10 per cent. against the US dollar with all other variables held constant, post-tax profit for the year would have been \$250k (2006: \$200k) higher/lower respectively, mainly as a result of foreign exchange gains/losses on Sterling denominated transactions and the translation of Sterling denominated trade payables.

(ii) Cash flow and interest rate risk

As the Group has no significant interest-bearing assets or liabilities, other than cash held on deposit at variable rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(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 is reduced due to contractual terms which require installation, training, annual licensing and support fees, to be paid annually in advance.

(c) *Liquidity risk*

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

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings 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.

At 30 June 2006	<i>Less than 1 year \$'000</i>	<i>Between 1 and 2 years \$'000</i>	<i>Between 2 and 5 years \$'000</i>	<i>Over 5 years \$'000</i>	<i>Total \$'000</i>
Trade payables	119	–	–	–	119
At 30 June 2007	<i>Less than 1 year \$'000</i>	<i>Between 1 and 2 years \$'000</i>	<i>Between 2 and 5 years \$'000</i>	<i>Over 5 years \$'000</i>	<i>Total \$'000</i>
Trade payables	421	–	–	–	421

There is no difference between the undiscounted liabilities shown above and the amounts shown in Note 24 as the Group's financial liabilities are all short term in nature.

3.2 *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.

4. **Revenue**

The Group revenue is derived entirely from the sale, supply, installation and ongoing support of software products to hospitals within the United States of America and is deemed to have no other segments.

5. **Net operating expenses**

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Administrative expenses	3,494	5,421	6,730
Sales and marketing expenses	2,719	2,988	3,839
Share-based payments	–	286	2,191
Depreciation of plant and equipment	95	93	152
Amortisation of intangibles	168	260	56
Exchange loss/(gain)	176	(65)	(62)
Net operating expenses	<u>6,652</u>	<u>8,983</u>	<u>12,906</u>

6. Operating profit

The following items have been included in arriving at operating profit

	2005	2006	2007
	\$'000	\$'000	\$'000
Staff costs (Note 8)	4,006	5,328	9,720
Depreciation of plant and equipment	95	93	152
Amortisation of intangible assets	168	260	56
Impairment of trade receivables	32	190	109
Purchased licences expensed	180	104	111
Operating lease rents for premises	110	135	174

Services provided by the Group's auditor

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

	2005	2006	2007
	\$'000	\$'000	\$'000
Statutory audit – parent company	33	36	45
– subsidiary company	19	25	29
Tax compliance and other tax services	18	38	43
Employee incentive advice	–	44	13
Other assurance services	–	–	30

7. Grant

	2005	2006	2007
	\$'000	\$'000	\$'000
Grants received/receivable in the year	–	–	200

The grant receivable in the year related to an application made by the Group for an RSA grant and has been recognised in full in income in the year. The criteria to qualify for this consisted of adding to existing development and support staff. This grant is not shown separately on the income statement but reduces net operating expenses.

8. Staff costs

The average number of persons employed by the Group during the year, including executive directors, is analysed below:

	2005	2006	2007
	Number	Number	Number
Sales and distribution	15	16	21
Production	22	22	26
Research and development	15	17	26
Administration	6	14	17

8. Staff costs (continued)

Employment costs of all employees including executive directors:-

	2005 \$'000	2006 \$'000	2007 \$'000
Wages and salaries	3,605	4,479	6,890
Social security costs	383	465	620
Post employment benefits	18	98	19
Share-based payments	–	286	2,191
Total direct costs of employment	<u>4,006</u>	<u>5,328</u>	<u>9,720</u>
	2005 \$'000	2006 \$'000	2007 \$'000
<i>Directors' remuneration</i>			
Salaries and short-term employee benefits	595	858	1,295
Post employment benefits	18	98	19
Share-based payments	–	132	967
Total	<u>613</u>	<u>1,088</u>	<u>2,281</u>
<i>Highest paid director</i>			
Salaries and short-term employee benefits	<u>165</u>	<u>196</u>	<u>305</u>

Directors' remuneration given above includes fees to third parties for director's services including non-executive directors. Retirement benefits are accruing to 2 directors under a defined contribution scheme (2006: 3, 2005: 2).

No amounts were accruing to the highest paid director under a defined contribution scheme.

9. Share-based payments

The Group has an equity-settled share-based payment scheme, whereby options over shares in Craneware plc can be granted to employees and directors. A charge is shown in the income statement of \$2,190,911 (2006: \$286,432, 2005: \$nil) as detailed in Note 5 above.

Options over Ordinary shares and Incentive shares are granted at par value and are exercisable and vest on a sale of the Group as defined in the Company's Articles of Association. The performance schedule determining the vesting of options over Incentive shares is based on the valuation of the Company at such an event. Options lapse upon leaving employment or if not exercised within 10 years from the date of grant.

The fair value of options granted was estimated on the date of grant using the Black Scholes option pricing model as adjusted for dividends. The Company estimates the number of options likely to vest by reference to the Group's staff retention rate, and expenses the fair value over the relevant vesting period. Volatility has been estimated by reference to similar companies whose shares are traded on a recognised stock exchange.

The assumptions for each option grant were as follows:

	11 May 2006	26 October 2006	16 March 2007
<i>Date of grant</i>			
Share price at date of grant	\$561.61	\$589.69	\$617.77
Vesting period (years)	1.30	0.84	0.45
Expected volatility	40%	40%	40%
Risk free rate	4.50%	4.75%	5.25%
Dividend yield	2%	2%	2%

9. Share-based payments (continued)

	<i>11 May 2006</i>	<i>26 October 2006</i>	<i>16 March 2007</i>
Options over ordinary shares			
Exercise price	\$0.02	\$0.02	\$0.02
Number of employees	48	5	19
Shares under option	4,709	54	189
Fair value per option	\$547.18	\$579.82	\$612.17
Options over incentive shares			
Exercise price	\$0.002	\$0.002	\$0.002
Number of employees	42	5	18
Shares under option	3,680	50	493
Weighted average fair value per option	\$39.25	\$11.05	\$1.34

The following options have been granted over Ordinary shares and Incentive shares:

	<i>Options Number 2005</i>	<i>Options Number 2006</i>	<i>Options Number 2007</i>
Ordinary options (\$0.02 exercise price)			
Outstanding at 1 July	–	–	4,709
Granted	–	5,034	273
Forfeited	–	(325)	(30)
Outstanding at 30 June	–	4,709	4,952
Incentive options (\$0.002 exercise price)			
Outstanding at 1 July	–	–	3,680
Granted	–	3,736	591
Forfeited	–	(56)	(48)
Outstanding at 30 June	–	3,680	4,223

None of the above options were exercisable at the balance sheet date.

10. Finance income

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Deposit interest receivable	28	235	446

11. Tax on profit on ordinary activities

	2005	2006	2007
	\$'000	\$'000	\$'000
Profit on ordinary activities before tax	2,708	3,310	1,843
Current tax			
Corporation tax on profits of the period	2	1,099	1,242
Tax effect of loss carry back	(1,174)	–	–
Adjustments for prior periods	50	86	60
Total current tax charge	(1,122)	1,185	1,302
Deferred tax			
Origination & reversal of temporary differences	2,050	(20)	(678)
Adjustments for prior periods	(62)	–	3
Total deferred tax charge/(credit)	1,988	(20)	(675)
Tax on profit on ordinary activities	866	1,165	627

The difference between the tax charge on ordinary activities for the period, reported in the income statement, and the 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 (30%) (2006: 30%, 2005: 30%)	812	993	553
Effects of adjustment in respect of prior periods			
Current tax	50	86	61
Deferred tax	(62)	–	3
State tax	(7)	16	20
US tax rate at 34% (2006: 34%, 2005: 30%)	–	5	(40)
Expenses not deductible for tax purposes	73	65	22
Adjustment to rate at which deferred tax will unwind	–	–	8
Total tax charge	866	1,165	627

In 2005 the Company changed its revenue recognition policy. This resulted in tax losses being recognised, of which the Company elected to carry back \$1,174,000. The change in the policy originated significant deferred income balances and associated deferred tax balances.

12. Dividends

	2005	2006	2007
	\$'000	\$'000	\$'000
Interim dividend – \$15.725/share (2006: \$nil, 2005: \$61.509)	3,912	–	1,000

The dividend paid in 2005 was authorised and paid from retained earnings prior to the review of the revenue recognition policy and subsequent restatement of the accounts.

13. 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, as adjusted for the bonus issue proposed immediately prior to flotation (Note 29) and the agreement to issue 500 ordinary shares, prior to the bonus issue, to John Watson (Note 29).

	2005	2006	2007
Profit attributable to equity holders of the Company (\$'000)	1,842	2,145	1,216
Weighted average number of ordinary shares in issue (thousands)	19,799	19,799	19,799
Basic earnings per share (\$ per share)	0.09	0.11	0.06

(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 share options granted to employees under the share option scheme (Note 9).

	2005	2006	2007
Profit attributable to equity holders of the Company (\$'000)	1,842	2,145	1,216
Weighted average number of ordinary shares in issue (thousands)	19,799	19,799	19,799
Adjustments for:			
– share options (thousands)	–	2,499	2,719
Weighted average number of ordinary shares for diluted earnings per share (thousands)	19,799	22,298	22,518
Diluted earnings per share (\$ per share)	0.09	0.10	0.05

14. Plant and equipment

	<i>Computer Equipment</i> \$'000	<i>Office Furniture</i> \$'000	<i>Tenants Improvements</i> \$'000	<i>Total</i> \$'000
Cost				
At 1 July 2004	235	66	78	379
Additions	83	7	5	95
At 30 June 2005	318	73	83	474
Depreciation				
At 1 July 2005	138	38	59	235
Charge for the year	62	15	18	95
At 30 June 2005	200	53	77	330
Net book value at 30 June 2005	118	20	6	144
Cost				
At 1 July 2005	318	73	83	474
Additions	72	11	1	84
At 30 June 2006	390	84	84	558

14. Plant and equipment (continued)

	<i>Computer Equipment</i> \$'000	<i>Office Furniture</i> \$'000	<i>Tenant's Improvements</i> \$'000	<i>Total</i> \$'000
Depreciation				
At 1 July 2005	200	53	77	330
Charge for the year	74	15	4	93
At 30 June 2006	<u>274</u>	<u>68</u>	<u>81</u>	<u>423</u>
Net book value at 30 June 2006	<u>116</u>	<u>16</u>	<u>3</u>	<u>135</u>
Cost				
At 1 July 2006	390	84	84	558
Additions	138	129	237	504
At 30 June 2007	<u>528</u>	<u>213</u>	<u>321</u>	<u>1,062</u>
Depreciation				
At 1 July 2006	274	68	81	423
Charge for year	96	30	26	152
At 30 June 2007	<u>370</u>	<u>98</u>	<u>107</u>	<u>575</u>
Net book value at 30 June 2007	<u>158</u>	<u>115</u>	<u>214</u>	<u>487</u>

15. Intangible assets

	<i>In Process R & D</i> \$'000	<i>Computer Software</i> \$'000	<i>Total</i> \$'000
Cost			
At 1 July 2004	281	58	339
Additions	255	37	292
At 30 June 2005	<u>536</u>	<u>95</u>	<u>631</u>
Amortisation			
At 1 July 2004	142	31	173
Charge for the year	144	24	168
At 30 June 2005	<u>286</u>	<u>55</u>	<u>341</u>
Net book value at 30 June 2005	<u>250</u>	<u>40</u>	<u>290</u>
Cost			
At 1 July 2005	536	95	631
Additions	–	27	27
At 30 June 2006	<u>536</u>	<u>122</u>	<u>658</u>
Amortisation			
At 1 July 2005	286	55	341
Charge for the year	236	24	260
At 30 June 2006	<u>522</u>	<u>79</u>	<u>601</u>
Net book value at 30 June 2006	<u>14</u>	<u>43</u>	<u>57</u>

15. Intangible assets (continued)

	<i>In Process R & D \$'000</i>	<i>Computer Software \$'000</i>	<i>Total \$'000</i>
Cost			
At 1 July 2006	536	122	658
Additions	331	102	433
At 30 June 2007	<u>867</u>	<u>224</u>	<u>1,091</u>
Amortisation			
At 1 July 2006	522	79	601
Charge for the year	14	42	56
At 30 June 2007	<u>536</u>	<u>121</u>	<u>657</u>
Net book value at 30 June 2007	<u>331</u>	<u>103</u>	<u>434</u>

Amortisation charges are recognised in administration expenses in the income statement.

16. Inventory

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Purchased licence inventory	<u>123</u>	<u>19</u>	<u>8</u>

There are no provisions made against inventory.

17. Trade and other receivables

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Trade receivables	2,157	3,034	3,728
less: provision for impairment of trade receivables	(160)	(278)	(271)
Net trade receivables	<u>1,997</u>	<u>2,756</u>	<u>3,457</u>
Corporation tax	1,602	–	–
Other receivables	10	26	131
Prepayments and accrued income	231	253	503
	<u>3,840</u>	<u>3,035</u>	<u>4,091</u>
Less non-current trade receivables	<u>–</u>	<u>–</u>	<u>(75)</u>
Current portion	<u>3,840</u>	<u>3,035</u>	<u>4,016</u>

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

17. Trade and other receivables (continued)

As of 30 June 2007, trade receivables of \$317,478 (2006: \$296,723) were impaired. The amount of the provision was \$270,840 as of 30 June 2007 (2006: \$277,973). The individually impaired receivables mainly relate to clients' financial difficulties and unresolved disputes with clients. It was assessed a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2006	2007
	\$'000	\$'000
61 – 90 days past due date	23	23
121+ days past due date	274	294
	<u>297</u>	<u>317</u>

As at 30 June 2007, trade receivables of \$1,815,917 (2006: \$1,599,650) were past due but not impaired. These relate to a number of clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2006	2007
	\$'000	\$'000
Less than 30 days past due date	778	634
31 – 60 days past due date	260	453
61 – 90 days past due date	95	186
91 – 120 days past due date	163	341
121+ days past due date	304	202
	<u>1,600</u>	<u>1,816</u>

As at 30 June 2007, trade receivables of \$1,594,872 (2006: \$1,136,892) were not past due or impaired, and the Group does not anticipate collection issues.

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

	2006	2007
	\$'000	\$'000
At 1 July	160	278
Provision for receivables impairment on revenue recognised	190	105
Provision for receivables impairment on deferred revenue	18	89
Receivables written off during year as uncollectible	(46)	(201)
Unused amounts reversed	(44)	–
At 30 June	<u>278</u>	<u>271</u>

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

All trade receivables are denominated in US dollars at each reporting date.

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

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

18. Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 29.5 per cent. (2006: 30 per cent., 2005: 30 per cent.).

The movement on the deferred tax asset is shown below:

	2005 \$'000	2006 \$'000	2007 \$'000
At the beginning of the period	(2,103)	(115)	(135)
Income statement charge/(credit)	1,988	(20)	(675)
At the end of the period	<u>(115)</u>	<u>(135)</u>	<u>(810)</u>

A deferred tax asset of \$350,000 (2006: \$39,000, 2005: \$111,000) has arisen in respect of net operating losses and other temporary differences in Craneware Inc. This asset has been recognised in the Group balance sheet as the Directors are of the view that Craneware Inc will establish a sufficient pattern of profitability.

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 to be recovered within 12 months to 30 June 2007 was \$810,272 (2006: \$134,595, 2005: \$114,558).

<i>Deferred tax assets – recognised</i>	<i>Accelerated accounting depreciation \$'000</i>	<i>Short term timing differences \$'000</i>	<i>Losses \$'000</i>	<i>Share options \$'000</i>	<i>Total \$'000</i>
At 1 July 2004	–	(2,114)	–	–	(2,114)
Charged to income statement	(4)	2,114	(111)	–	1,999
Total recognised at 30 June 2005	<u>(4)</u>	<u>–</u>	<u>(111)</u>	<u>–</u>	<u>(115)</u>
At 1 July 2005	(4)	–	(111)	–	(115)
Charged to income statement	(4)	(40)	111	(88)	(21)
Total recognised at 30 June 2006	<u>(8)</u>	<u>(40)</u>	<u>–</u>	<u>(88)</u>	<u>(136)</u>
At 1 July 2006	(8)	(40)	–	(88)	(136)
Charged to income statement	4	(39)	–	(670)	(705)
Total recognised at 30 June 2007	<u>(4)</u>	<u>(79)</u>	<u>–</u>	<u>(758)</u>	<u>(841)</u>
				<i>Accelerated tax depreciation \$'000</i>	<i>Total \$'000</i>
<i>Deferred tax liabilities – recognised</i>					
At 1 July 2004				11	11
Charged to income statement				(11)	(11)
Total provided at 30 June 2005				<u>–</u>	<u>–</u>
At 1 July 2005				–	–
Charged to income statement				1	1
Total provided at 30 June 2006				<u>1</u>	<u>1</u>
At 1 July 2006				1	1
Charged to income statement				30	30
Total provided at 30 June 2007				<u>31</u>	<u>31</u>

19. Called up share capital

Authorised

	2005		2006		2007	
	Number	\$'000	Number	\$'000	Number	\$'000
Equity share capital						
Ordinary shares of 1p each	9,973,229	165	9,973,229	165	9,973,229	165
A ordinary shares of 1p each	19,639	–	19,639	–	19,639	–
Incentive shares of 0.1p each	–	–	5,087	–	5,087	–
Category “A” member shares	7,132	–	7,132	–	7,132	–

Allotted called-up and fully paid

	2005		2006		2007	
	Number	\$'000	Number	\$'000	Number	\$'000
Equity share capital						
Ordinary shares of 1p each	43,368	1	43,368	1	43,368	1
A ordinary shares of 1p each	13,093	–	13,093	–	13,093	–
Category “A” member shares	7,132	–	7,132	–	7,132	–

Share classes in issue

The Company has four classes of shares in issue at each reporting date:

- Ordinary shares of 1 pence each
- A ordinary shares of 1 pence each
- Incentive shares of 0.1 pence each
- Category “A” Member Shares

The shares have the following conditions:

Voting rights

Both classes of ordinary share carry one vote per share at general meetings of the Company. The Incentive Shares and Category “A” Member Shares do not carry any vote.

Dividends

The profits of the Company available for distribution shall be used to pay dividends in the following order of priority:

1. In paying to the holders of the A Ordinary Shares and Ordinary Shares (*pari passu* as if the same were one class of share) in respect of each financial year of the Company a dividend (“the Participating Dividend”) as follows:

Amount a sum equal to 30 per cent. of Net Profit.

Accrual Date accruing from the end of the financial year in which the Company first has sufficient distributable reserves in order for the relevant dividend to be paid in full and the Board has approved such payment.

Payment Date subject to the approval of the board of directors not later than 4 months after the end of the relevant accounting period or within 14 days after the audit report on the accounts of the Company for the period is signed by the Company’s auditors, whichever is the earlier.

19. Called up share capital (continued)

2. Once the foregoing dividend has been paid any remaining profits which the Company may determine to distribute shall, if the holders of 75 per cent. of the A Ordinary Shares and the holders of 75 per cent. of the Ordinary Shares agree in writing, be distributed amongst the holders of the ordinary and A Ordinary Shares (*pari passu* as if the same were one class of share) unless the holders for the time being of 75 per cent. of the A Ordinary Shares and the holders of 75 per cent. of the Ordinary Shares agree otherwise.

The Incentive Shares and Category “A” Member Shares shall confer upon their holders no right to receive any dividend (whether in cash or *specie*) or any other form of distribution.

Return of capital

Subject to the provisions of the Act, the proceeds of (i) any liquidation, dissolution or winding up of the Company (other than for the purposes of reconstruction) and (ii) any return of capital by the Company to Shareholders (other than by way of capitalisation of reserves) after the payment of the Company’s liabilities shall be applied as follows:

- first, in paying to the holder of each A Ordinary Share the subscription price paid on that share, together with a sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the return of capital;
- second, in paying to the holder of each Ordinary Share the subscription price paid on that share, together with any sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the share sale;
- the balance of such proceeds shall be distributed equally amongst the holders of the A Ordinary Shares and Ordinary Shares (*pari passu* as if the same constituted one class of share) in proportion to the number of fully paid A Ordinary Shares and Ordinary Shares held by them respectively provided that once the sum of £100,000,000 has been paid under this arrangement on each A Ordinary Share, each Ordinary Share and each Category “A” Members Share the holders of each Incentive Share shall be entitled to receive £0.001 on each Incentive Share held by him.

Exit provisions

In the event of a share or asset sale where the net proceeds are equal to or in excess of US\$60,000,001 less:

- (i) the total of all sums paid by the Company to holders of original shares by way of a return of capital (either by way of share buy-back, share redemption or otherwise, but excluding any and all dividends or other distributions); plus
- (ii) the total of all sums received or due to the Company in respect of any subscription for new equity share capital (as defined in section 744 of the Act) in the Company (the “Threshold Value”),

the Directors shall not register any transfer of shares unless the proceeds of such share sale are distributed in the following order of priority (save in respect of any shares not sold in connection with that share sale):

- first, in paying to the holder of each A Ordinary Share the subscription price paid on that share, together with any sum equal to any arrears or accruals of the dividends on such share is calculated down to the date of the share sale;
- second, in paying to the holder of each Ordinary Share and Category “A” Member Shares the subscription price paid on that share, together with any sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the share sale;

19. Called up share capital (continued)

- the balance of the proceeds of such share sale shall be distributed equally amongst the holders of the A Ordinary Shares, the Ordinary Shares and the Incentive Shares (*pari passu* as if the same constituted one class of share) in proportion to the number of fully paid A Ordinary Shares, Ordinary Shares, Category “A” Member Shares and Incentive Shares held by them respectively.

If the Company, or any of its subsidiaries, is admitted to the Official List of the UK Listing Authority and the admission to trading on the London Stock Exchange plc’s market for listed securities or the granting of permission for any of the share capital of the Company or any of its subsidiaries to be dealt in on (i) any recognised stock exchange (as defined in the Financial Services and Markets Act 2000) including NASDAQ and EASDAQ or (ii) the Alternative Investment Market of the London Stock Exchange plc, then immediately prior to, and conditional on the flotation, the Company shall allot and issue to each holder of the A Ordinary Shares a bonus issue from the share premium account or any profits or reserves available for distribution of such number of A Ordinary Shares calculated as follows:

$$BS = \left(\frac{P}{TC} \right) \times \left(1 - \frac{\text{total A Ordinary Shares in issue}}{\text{total equity shares in issue}} \right) \times \text{total equity shares in issue}$$

Where:

BS = the number of bonus shares to be issued to the holders of the A Ordinary Shares.

TC = the valuation (in pounds Sterling) placed upon the whole of the issued equity share capital of the Company (including any bonus shares) as shown in a prospectus or listing particulars published in connection with such flotation less gross amount of any new money raised by the Company from the subscription for new shares issued by the Company at the time of and in connection with such flotation.

P = the total subscription monies paid by each Investor for A Ordinary Shares in the capital of the Company.

If, while there are any Incentive Shares in issue or after any outstanding options to subscribe for Incentive Shares have vested but not been exercised, a flotation occurs, where the net proceeds is equal to or in excess of the Threshold Value, the Incentive Shares shall convert into, and any such options shall convert into options to subscribe for, such number of Ordinary Shares as, in the reasonable opinion of the Board and the “Investors” (3i and SEP), have a value equal to the value to the holders of Incentive Shares of the rights given above with regard to priority of settlement.

Conversion of A Ordinary Shares

The holders of the A ordinary shares may at any time convert the whole of their A Ordinary Share into a like number of Ordinary Shares and the Ordinary Shares resulting from the conversion shall rank from the date of conversion *pari passu* in all respects with the other Ordinary Shares in the capital of the Company.

On the date of conversion the Company shall pay a dividend to the holders of the A Ordinary Shares of a sum equal to all arrears and accruals of the Participating Dividend calculated down to the date of conversion.

20. Statement of changes in equity

	<i>Share capital \$'000</i>	<i>Share premium account \$'000</i>	<i>Retained earnings \$'000</i>	<i>Other reserves \$'000</i>	<i>Total \$'000</i>
At 1 July 2004	1	1,844	(862)	–	983
Retained profit for the year	–	–	1,842	–	1,842
Dividends	–	–	(3,912)	–	(3,912)
Exchange movement on re-translation of share premium	–	(21)	21	–	–
At 30 June 2005	1	1,823	(2,911)	–	(1,087)
Other reserves	–	–	–	286	286
Retained profit for the year	–	–	2,145	–	2,145
At 30 June 2006	1	1,823	(766)	286	1,344
Other reserves	–	–	–	2,191	2,191
Retained profit for the year	–	–	1,216	–	1,216
Dividends	–	–	(1,000)	–	(1,000)
At 30 June 2007	1	1,823	(550)	2,477	3,751

Other reserves relate to share-based payments as detailed in Note 9.

21. Cash flow generated from operating activities

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

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Profit before tax	2,708	3,310	1,843
Finance income	(28)	(235)	(446)
Depreciation on plant and equipment	95	93	152
Amortisation on intangible assets	168	260	56
Share-based payments	–	286	2,191
Movements in working capital:			
(Increase)/decrease in inventory	(123)	104	11
Decrease/(increase) in trade and other receivables	999	(797)	(1,056)
Increase/(decrease) in trade and other payables	1,462	(532)	(125)
Cash generated from operations	5,281	2,489	2,626

22. Cash and cash equivalents

	<i>2005 \$'000</i>	<i>2006 \$'000</i>	<i>2007 \$'000</i>
Cash at bank and in hand	6,038	10,167	9,664

The effective rates on short term bank deposits were 5.25 per cent. (2006: 4.80 per cent., 2005: 3.25 per cent.).

23. Deferred income

As a result of the change in the Group's revenue recognition policy during the year to 30 June 2005 and the resultant restatement of prior years, a significant level of deferred income was created that had previously been recognised through the income statement. The composition of the balance at each reporting date is shown below.

	2005 \$'000	2006 \$'000	2007 \$'000
<i>Invoices relating to:</i>			
Year to 30 June 2003 and prior	859	356	158
Year to 30 June 2004	2,851	1,782	880
Year to 30 June 2005	6,961	1,837	994
Year to 30 June 2006	–	5,507	130
Year to 30 June 2007	–	–	7,320
Total deferred income at 30 June	<u>10,671</u>	<u>9,482</u>	<u>9,482</u>
Classified as:			
Current	6,739	7,231	8,579
Non-current	3,932	2,251	903
	<u>10,671</u>	<u>9,482</u>	<u>9,482</u>

24. Trade and other payables – current

	2005 \$'000	2006 \$'000	2007 \$'000
Trade payables	186	119	421
Social security and PAYE	47	69	262
Corporation tax	–	1,099	764
Accruals	482	1,272	754
Advance receipts	251	163	60
	<u>966</u>	<u>2,722</u>	<u>2,261</u>

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

25. Contingent liabilities and financial commitments

(a) Capital commitments

The Group has no capital commitments at 30 June 2007 (2006: \$nil, 2005: \$nil).

(b) Lease commitments

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

	2005 \$'000	2006 \$'000	2007 \$'000
Within one year	12	166	172
Between 2 and 5 years	134	368	379
	<u>146</u>	<u>534</u>	<u>551</u>

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.

25. Contingent liabilities and financial commitments (continued)

(c) Contingent liabilities

In connection with the appointment of a former director and chairman of the Company, it was proposed that an option arrangement over 757 ordinary shares of 1 penny each in the capital of the Company be considered for grant prior to the bonus issue described in Note 29. Any shares issued to the former director would be eligible for the subsequent bonus issue.

No such consideration, determination or approval occurred prior to his date of resignation as a director of the Company on 15 April 2005. The Company recently resolved not to grant share options and advised the former director of this decision. The Company was subsequently advised that he did not agree with the decision and was proposing to pass the relevant papers to his lawyers for consideration. The Company has received no further communication from the former director or his advisers.

26. Related party transactions

During the period the Group has traded in its normal course of business with shareholders and consultancy businesses in which directors and former directors have a material interest as follows:-

	2005		2006		2007	
	<i>Charged</i>	<i>Outstanding</i>	<i>Charged</i>	<i>Outstanding</i>	<i>Charged</i>	<i>Outstanding</i>
	\$	\$	\$	\$	\$	\$
Investor monitoring fees	29,792	44,482	31,970	49,283	21,344	848
Fees for services provided as Non-Executive Directors						
K J Lyon	7,431	7,172	53,703	4,419	53,725	908
N P Heywood	26,639	–	25,422	2,159	43,919	5,812
W McCall	32,718	–	–	–	–	–
C McCulloch	4,410	4,841	–	–	–	–

Investor monitoring fees have been charged by the Group's institutional shareholders (Scottish Equity Partners Limited, 3i and Lothian Investment Fund Enterprise) who hold A Ordinary Shares and Ordinary Shares in Craneware plc.

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

27. Ultimate controlling party

The directors consider that there are no controlling parties of the Company.

28. Adoption of IFRS

These are the Company's first accounts prepared in accordance with IFRS for the year ending 30 June 2007.

The accounting policies on pages 30 to 33 have been applied in preparing the accounts for the years ended 30 June 2006 and 30 June 2005 and the preparation of an opening IFRS balance sheet at 1 July 2004 (the Group's date of transition).

IFRS 7 "Financial Instruments: Disclosures" has also been adopted however comparatives for the year to 30 June 2005 have not been presented, as permitted by the transitional rules of the standard.

In preparing its opening IFRS balance sheet and accounts for the year ended 30 June 2005, there were no adjustments to amounts reported previously in accounts prepared in accordance with UK GAAP. In preparing its opening IFRS balance sheet and accounts for the year ended 30 June 2006, the Company had adjusted amounts reported previously in accounts prepared in accordance with UK GAAP.

28. Adoption of IFRS (continued)

Summary of impact on the consolidated balance sheet as at transition on 1 July 2004

There were no reconciling adjustments to the Company's consolidated net assets reported under UK GAAP as at 30 June 2004 and its opening net assets upon the adoption of IFRS on 1 July 2004.

Summary of impact on the consolidated income statement for the years ended 30 June 2005 and 30 June 2006

The table below sets out a summary reconciling the Company's consolidated UK GAAP to IFRS income statement for the years ended 30 June 2005 and 30 June 2006.

	2005 \$'000	2006 \$'000
Profit for the year as previously reported	1,842	2,343
IFRS2 – Share-based payment		
Additional charge for employee share option scheme	–	(286)
Additional deferred tax asset provision for share-based payments	–	88
IFRS profit as restated	<u>1,842</u>	<u>2,145</u>

Summary of impact on the consolidated balance sheets as at 30 June 2005 and 30 June 2006

The table below sets out a summary reconciling the Company's consolidated net assets reported under UK GAAP and IFRS as at 30 June 2005 and 30 June 2006.

	2005 \$'000	2006 \$'000
Net asset as previously reported	10,550	13,460
IFRS 2 – Deferred tax asset		
Additional deferred tax provision for share-based payments	–	88
Net assets as restated	<u>10,550</u>	<u>13,548</u>

29 Post balance sheet events

(i) Restructuring of share capital prior to flotation

The Company has resolved to undertake a 299 for 1 bonus issue prior to flotation. In addition, the Company has agreed to issue 550,800 additional bonus shares to 3i and SEP.

This will give an issued share capital of £196,287.00 divided into 19,628,700 shares as follows:

Ordinary Shares:	13,010,400 of 1 penny each
Category "A" Member Shares	2,139,600 of 1 penny each
A Ordinary Shares	4,478,700 of 1 penny each

The restructuring of the share capital also results in a comparable increase in the share options outstanding at the balance sheet date. In addition, the exercise price of each option will be reduced to 1/300th of a penny and, on exercise, the balance of the par value will be paid up out of the existing share premium such that the shares will be fully paid up on issue.

(ii) Commitment to issue ordinary shares and share options

In July 2007, the Company agreed to issue 500 ordinary shares of 1 penny each to John Watson, a former director of the Company prior to the proposed bonus issue outlined above. Due to the bonus issue described above, 150,000 Ordinary Shares will be issued at par value to satisfy this obligation.

The Company has also agreed to issue 167 share options, prior to the bonus issue detailed above, to an employee, conditional on the flotation of the company.

PART IV

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in Scotland on 19 May 1999 under the name Craneware Limited with registered number SC196331 as a private company limited by shares under the Act. On 6 September 2007 the Company was re-registered as a public limited company under the name Craneware plc when it was issued with a certificate of re-registration pursuant to s.47 of the Act.
- 2.2 The principal legislation under which the Company operates is the Act (as amended) and the regulations made thereunder. The liability of the Company's members is limited.
- 2.3 The registered office and principal place of business of the Company is Unit 3b, Rosebank Business Park, Rosebank Road, Kirkton Campus, Livingston, West Lothian, EH54 7EJ.
- 2.4 The Company is a public limited company and accordingly, the liability of its members is limited.
- 2.5 The International Security Identification number of the Ordinary Shares is GB00B2425G68.

3. The Group and its principal activities

- 3.1 The business of the Company and its principal activity is the development and ongoing support of software provided to US healthcare providers. In addition the Company acts as a holding company. The Group's sales and marketing activities and operations are carried on by Craneware Inc., a wholly owned subsidiary of the Company. The Company is, and will remain after Admission, the holding company of the Group and its subsidiary will be:

<i>Name</i>	<i>Document No.</i>	<i>Principal activity</i>	<i>Status</i>	<i>State and Country of incorporation</i>	<i>Interest held by the Company</i>
Craneware Inc.	P0000011573	The distribution of licenced software into the US healthcare market.	Active	USA, Florida	100%

- 3.2 Craneware Inc. was incorporated and registered in Florida, USA on 19 December 2000 under the name Craneware Inc. with document number P0000011573. The principal places of business of Craneware Inc. are:
 - (a) 6240 East Thomas Road, 301 Scottsdale, Arizona, 85251;
 - (b) 5770 Hoffner Avenue, Suite 102, Orlando, Florida, 32922; and
 - (c) 7301 West 129th Street, Suite 210, Overland Park, Kansas, 66213-2671.
- 3.3 Save as referred to in paragraph 3.1 above, the Company does not hold any shares or other securities in the capital of any company and is not otherwise part of a group of companies.

4. Share capital

- 4.1 The authorised and issued share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	<i>At present</i>		<i>Immediately following Admission</i>	
	<i>Number of Shares(*)</i>	<i>Nominal Value £</i>	<i>Number of shares (**)</i>	<i>Nominal Value £</i>
<i>Ordinary Shares</i>				
Authorised	50,000,000	500,000.00	50,000,000	500,000.00
Issued and fully paid	19,077,900	190,779.00	24,929,950	249,299.50

* This includes 3,927,900 A Ordinary Shares of £0.01 each held by 3i and SEP which are being converted into Ordinary Shares conditional on the Placing Agreement becoming unconditional in all respects save for the condition therein relating to Admission and 5,090 Incentive Shares of £0.001 each which are being consolidated and re-designated as Ordinary Shares conditional on the Placing Agreement becoming unconditional in all respects save for the condition therein relating to Admission.

** Assumes (i) exercise of options set out in paragraph 4.4 below only, and (ii) bonus issue of 550,800 Ordinary Shares to 3i and SEP in satisfaction of the provisions of the Articles in force prior to Admission.

- 4.2 The Ordinary Shares shall have the rights and be subject to the restrictions referred to in paragraph 5.2.1 of this Part IV.
- 4.3 The Company adopted the 2006 Share Option Plan on 11 May 2006 and subsequently granted options to a number of employees. Following Admission options over the Incentive Shares granted under the 2006 Share Option Plan will be lapsed but options over 435,900 Ordinary Shares (being 2.3 per cent. of the current issued Ordinary Share capital at 7 September 2007, the latest practicable date prior to publication of this document and 1.7 per cent. of the Enlarged Issued Share Capital) will become exercisable at an exercise price of $\frac{1}{500}$ th of a penny per share. The terms of these options are set out in paragraph 8 of this Part IV.
- 4.4 At 7 September 2007 (being the latest practicable date prior to publication of this document) options over 903,420 Ordinary Shares had been exercised conditional on Admission. This includes the conditional exercise of options over 207,000 Ordinary Shares by Sandy McDougall.
- 4.5 On or shortly after Admission share options will be granted under the 2007 Share Option Plan over a maximum of 1,400,000 Ordinary Shares with an exercise price of £0.01 per share. Following this grant there will be options in issue under the 2006 Share Option Plan and the 2007 Share Option Plan over a maximum 1,835,900 Ordinary Shares representing approximately 7.4 per cent. of the Enlarged Issued Share Capital.
- 4.6 At Admission and save as set out above and in paragraph 6.8 of this Part IV, the Company will not have any Ordinary Shares in issue or under option save for the Ordinary Shares to be subscribed pursuant to the Placing. In addition the Company will not have in issue any securities not representing share capital or any outstanding convertible securities.
- 4.7 The Ordinary Shares to be issued under the Placing will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of this document.
- 4.8 Save as disclosed in this Part IV:
- 4.8.1 no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- 4.8.2 no share or loan capital of the Company or its subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
- 4.8.3 no commission, discount, brokerage or any other special term has been granted by the Company or its subsidiary or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company or its subsidiary;

- 4.8.4 no fee and no founder, management or deferred shares have been issued by the Company; and
- 4.8.5 there has been no change in the amount of the issued share capital of the Company and no material change in the amount of the issued share capital of its subsidiary.
- 4.9 The following changes have occurred, or will occur, in the share capital of the Company since 19 May 1999, the date of its incorporation.

4.9.1 The Company was incorporated with an authorised share capital of £100,000 divided into 100,000 Ordinary shares of £1 each of which 2 shares were issued and fully paid. Since incorporation the following alterations to the Company's share capital have occurred:

<i>Date of issue</i>	<i>Class of share</i>	<i>Number of shares</i>	<i>Price per share</i>
September 1999	1p ordinary shares	44,300	£0.01
September 1999	1p ordinary shares	5,500	£10.00
December 2000	1p A ordinary shares	9,820	£76.37
December 2001	1p A ordinary shares	3,273	£76.37

- (a) by resolution dated 29 September 1999 the nominal share capital of the Company consisting of 100,000 Ordinary Shares of £1.00 each was subdivided into 10,000,000 Ordinary Shares of £0.01 each; and
- (b) by resolution dated 7 December 2000, new Articles of Association of the Company were adopted, each of 19,639 of the existing unissued Ordinary Shares of £0.01 each in the capital of the Company were re-designated A Ordinary Shares of £0.01 each in the capital of the Company having the rights and privileges and being subject to the restrictions contained in the new Articles of Association of the Company. The resultant share capital of the Company was 19,639 A Ordinary shares of £0.01 each and 9,980,361 Ordinary shares of £0.01 each.
- (c) upon her resignation as an employee of the Company on 4 March 2005 the 7,132 Ordinary Shares held by Nora McNeil were, by operation of the provisions of the Articles, re-designated as Category "A" Member Shares of £0.01 each;
- (d) by resolution dated 9 May 2006 the authorised share capital of the Company was increased from £100,000 to £100,005.087 by the creation of 5,087 Incentive Shares of £0.001 each;
- (e) by resolution dated 6 September 2007 the authorised share capital of the Company was increased from £100,005.087 to £500,000 by the creation of an additional 2,132,468 Category "A" Member Shares, 4,459,061 A Ordinary Shares and 33,407,962 Ordinary Shares of £0.01 each and 3 Incentive Shares of £0.001 each, each having the rights and privileges and being subject to the restrictions contained in the new Articles of Association of the Company adopted on that date;
- (f) by resolution dated 6 September 2007 the sum of £190,143.07 being part of the sum standing to the credit of the Company's share premium account was applied in paying up in full 12,967,032 Ordinary Shares of £0.01, 2,132,468 Category "A" Member Shares and 3,914,807 A Ordinary Shares to be allotted credited as fully paid to the holders of the issued Ordinary Shares, Category "A" Member Shares and A Ordinary Shares on the basis of 299 new Ordinary Shares for each Ordinary Share held by such holders, 299 Category "A" Member Shares for each Category "A" Member Share held by such holders and 299 A Ordinary Shares for each A Ordinary Share held by such holders;
- (g) by resolution dated 6 September 2007 the sum of up to £13,348.556 being part of the sum standing to the credit of the Company's share premium account be applied in paying up 299/300 of the nominal amount of up to 13,348,556 Ordinary Shares of £0.01

to be issued on exercise of options granted or to be granted under the Craneware Limited Employees' Share Option Plan 2006;

- (h) by resolution dated 6 September 2007 the sum of up to £1,495 being part of the sum standing to the credit of the Company's share premium account may be applied in paying up 299/300 of the nominal amount of up to 150,000 Ordinary Shares of £0.01 to be issued to John Watson;
- (i) by resolution dated 6 September 2007 the sum of up to £2,271 being part of the sum standing to the credit of the Company's share premium account may be applied in paying up 299/300 of the nominal amount of up to 227,100 ordinary shares of £0.01;
- (j) by resolution dated 6 September 2007 subject to and conditional upon the placing agreement proposed to be entered into between, *inter alia*, the Company and KBC Peel Hunt Ltd in connection with the Placing becoming unconditional in all respects (save for the condition therein relating to the admission to trading of the Company's shares on the Alternative Investment Market of London Stock Exchange plc becoming effective) and further conditional upon 3i Group plc and Scottish Equity Partnership waiving their right, in respect of a Flotation (as defined in the Articles) occurring before 31 October 2007, to be allotted and issued A Ordinary Shares in accordance with Article 6.6 of the Company's Articles of Association, the sum of £5,508 being part of the sum standing to the credit of the Company's share premium account will be applied in paying up in full 550,800 A Ordinary Shares of £0.01, of which 275,400 are to be allotted credited as fully paid to 3i Group plc and 275,400 are to be allotted credited as fully paid to Scottish Equity Partnership; and
- (k) by resolution dated 6 September 2007 subject to and conditional upon Admission becoming effective on or before 31 October 2007, each ten of the existing unissued Incentive Shares of £0.001 each in the capital of the Company was consolidated and re-designated as one Ordinary Shares of £0.01 each in the capital of the Company bearing the rights and privileges and being subject to the restrictions contained in the new Articles of Association of the Company adopted conditional on Admission.

4.9.2 By operation of Article 7.2 of the Company's Articles of Association, and pursuant to a notice served on the Company in accordance with that Article by the holders of the A Ordinary Shares, all of the issued A Ordinary Shares in the capital of the Company will convert into Ordinary Shares conditional upon the Placing Agreement becoming unconditional in all respects (save for the condition therein relating to Admission).

- 4.10 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to CRESTCo for the Ordinary Shares to be enabled for dealing through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 26 September 2007.
- 4.11 The Company does not have in issue any securities not representing share capital.
- 4.12 There are no shares held by or on behalf of the Company in itself or by any other member of the Group in the Company.
- 4.13 Save as set out in this document the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- 4.14 Save as disclosed in this document, no person has any acquisition right over, and the Company has incurred no obligation over, the Company's authorised but unissued share capital or given any undertaking to increase the Company's capital.

5. Summary of the Memorandum and Articles of Association

5.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the principal objects of the Company, are, *inter alia*, to carry on the business of a general commercial company. The objects of the Company are set out in full in Clause 3 of the Memorandum of Association.

5.2 *Articles of Association*

The Articles contain, *inter alia*, provisions to the following effect:

5.2.1 *Rights attaching to Ordinary Shares*

5.2.1.1 **Voting**

Subject to any special rights or restrictions relating to voting which may be attached to any Ordinary Shares which are issued (there are none at present) on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder. No member is entitled to vote if the member has failed to respond to a notice requiring him to state whether a share is held on behalf of another person.

5.2.1.2 **Dividends**

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any Ordinary Shares, the Company may, by ordinary resolution, declare dividends provided that no such dividends shall exceed the amount recommended by the Directors. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the Ordinary Shares during any portion or portions of the period of which the dividend is paid. Interim dividends may be paid in accordance with the Act. No dividends in respect of an Ordinary Share shall bear interest. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company. No member is entitled to a dividend if the member fails to respond to the notice requiring him to state whether a share is held on behalf of another person.

The Directors may, with the prior authority of an ordinary resolution, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of another company, or the Directors may offer holders of a particular class of shares the right to elect to receive further shares of that class, created as fully paid up, instead of cash.

5.2.1.3 **Return of capital**

On a return of assets on a winding up or otherwise of the Company, the balance of the assets of the Company available for distribution shall be divided amongst the members in proportion to the number of shares held by them respectively after deducting in respect of any Ordinary Share not fully paid up the amount that remains unpaid on it (whether or not then payable). If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide amongst the members *in specie* the whole or any part of the assets of the Company and may for that purpose, value any assets and determine how the division shall be carried out.

5.2.1.4 **Redemption**

Subject to the provisions of the Act and the Articles, the Company can issue shares which are required to be redeemed and shares which may be redeemed at the option of the Company or the relevant member.

5.2.1.5 **Transfer of Ordinary Shares**

Subject to the Articles, any member may transfer all or any of his certified shares by a written instrument of transfer in the usual form or any other manner which the Board may approve (whether or not by written instrument). Any written transfer shall be signed by or on behalf of the transferor and (if the share is partly paid) the transferee. The transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of the transferred share.

A member may transfer all or any of his shares which is in uncertificated form by means of a relevant system.

Subject to the Articles and the requirements of the London Stock Exchange, the Directors may, without giving any reason, refuse to register any transfer of an Ordinary Share or the renunciation of allotment of shares unless it is:

- (a) in respect of a share which is fully paid up;
- (b) in respect of a share on which the Company has no lien;
- (c) in respect of only one class of shares;
- (d) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (e) the instrument of transfer is duly stamped (if required); and
- (f) in the case of a certificated share, it is delivered for registration to the Company's registered office accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor or person renouncing to make the transfer or renunciation.

The Directors may refuse to register the transfer of uncertificated shares in such other circumstances as may be permitted or required by the rules of a relevant system and/or the rules of CRESTCo Limited.

The Directors may refuse to register a transfer of any share to a person known to be a bankrupt, a minor or a person who is mentally disordered or a patient for the purpose of any statute relating to mental health.

If the Directors refuse to register a transfer, they must, within two months of the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

Subject to the Act and the requirements of the London Stock Exchange, the registration of transfers may be suspended by the Directors for any period (not exceeding 30 days) in any year upon notice being given. The Company may not charge fees for registering a share transfer or making any other amendment to the register.

5.2.2 *Changes in capital*

The Company may:

- (a) by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution may prescribe;

- (b) by ordinary resolution consolidate and/or divide all or any of its share capital into shares of a larger or smaller nominal amount;
- (c) by ordinary resolution and subject to the Act and the Articles, sub-divide all or any of its shares and determine that different rights shall attach to the shares resulting from sub-division;
- (d) cancel any shares not taken up by anyone at the date of the resolution and reduce the share capital accordingly;
- (e) convert any unissued shares from one class into another class or otherwise alter or vary the rights attaching to any unissued shares;
- (f) convert any fully paid up shares into stock and reconvert any stock into fully paid up shares; and
- (g) subject to the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

5.2.3 *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated:

- (a) in such manner (if any) as may be provided by such rights; or
- (b) in the absence of any such provisions either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise).

The quorum for such separate general meeting of the holders of the shares of the class shall be not less than two persons each being a member or a proxy for such a member, or the duly authorised representative of a corporate member so entitled owning at least one-third in nominal value of the shares of the relevant class.

5.2.4 *Directors*

5.2.4.1 **Directors' interests in contracts**

A Director who is interested in a contract or arrangement or proposed contract or proposed arrangement with the Company shall declare the nature of his interest at a board meeting at which the entering into of the contract or arrangement is first taken into consideration or, if different, the first board meeting after he knows that he is or has become so interested.

A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment with the Company.

Except as provided below, a Director shall not vote (nor be counted in the quorum) on any resolution of the Directors or a committee of the Directors in respect of any contract, arrangement, transaction or proposal in which he and/or any person connected with him has a material interest, and if he shall vote such vote, shall not be counted, but this prohibition shall not apply to any of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of any debt or obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part, under a guarantee or indemnity or by the giving of security;

- (c) where the Company or any subsidiary is offering securities in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting in which he is to participate;
- (d) relating to another company in which he is (together with persons connected with him within the meaning of within the meaning of section 252 of the Companies Act 2006) not the holder of or beneficially interested in 1 per cent. or more of any of the issued equity share capital or of the voting rights in such company;
- (e) relating to arrangements for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or advantage not generally awarded to other employees; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for persons who include Directors.

Subject to the provisions of the Act, the Company may, by ordinary resolution, suspend or relax the above provision in relation to a particular transaction and ratify any transaction not duly authorised by reason of a contravention of the above provision.

5.2.4.2 **Directors' remuneration**

The remuneration (excluding any bonus payments made or to be made under the terms of any performance bonus scheme operated by the Company from time to time) of the directors (other than any Executive Directors appointed under the Articles) shall be such amount as the Directors shall from time to time determine provided that, unless otherwise approved by the Company in general meeting, the aggregate of the remuneration of such Directors (which excludes any Executive Directors appointed under the Articles) shall not exceed £500,000 per year (excluding any bonus payments made or to be made under the terms of any performance bonus scheme operated by the Company from time to time). The remuneration shall be divided among such Directors in such manner as the Directors may determine. A Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. In addition, the Directors may receive remuneration under employment or service contracts.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors.

Any Director who, by request of the Board, performs special services or goes or resides abroad for any purpose of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Company in general meeting may from time to time determine.

5.2.4.3 **Number and share qualifications**

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate Directors) shall be not less than two nor more than ten. A Director is not required to hold any shares in the Company by way of qualification.

5.2.4.4 **Retirement and removal**

At each annual general meeting one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office. A Director who retires at an annual general meeting shall be eligible for re-election. Any Director may be removed from office by ordinary resolution of the

Company of which special notice has been given in accordance with section 379 of the Act. The directors are not subject to a mandatory retirement age.

5.2.5 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertakings, property (present and future) assets and uncalled capital and, subject to the provisions of the Act, to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any subsidiary undertaking or any third party. The Articles restrict the aggregate borrowings of the Group (excluding money borrowed by one Group member from another and after deducting cash deposited) to an aggregate amount equal to four times the nominal amount of the paid up share capital of the Company and the consolidated reserves of the Group.

5.2.6 *Pensions and Benefits*

The Directors may, subject to the provisions of the Act, exercise all powers of the Company to give or award pensions, annuities and other allowances or benefits to any person including any Director or former Director or the relations, connections or dependants of such person provided that no pension, annuity or other allowance or benefit shall be granted to a Director or former Director who has not held an executive appointment in the Group or any person claiming under such pension without the approval of an ordinary resolution of the Company.

5.2.7 *General Meetings*

The Board call general meetings and, on the requisition of members pursuant to the provision of the Act, shall forthwith convene an extraordinary general meeting.

An annual general meeting or an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, every notice of meeting shall be given to all the members, all other persons who are at the date of the notice entitled to receive notices from the Company and to the directors and auditors.

Any member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. The absence of a quorum shall not preclude the appointment of a chairman in accordance with the provision of the Articles, which shall not be treated as part of the business of the meeting. The quorum for a general meeting is two members present in person or by proxy and entitled to vote on the business to be transacted at the meeting.

If such a quorum is not present within 15 minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide) from the time appointed for the meeting, the meeting, if convened on the requisition of or by members, shall be dissolved. In any other case it shall stand adjourned to the same place and time one week later, or to such day (not being more than 28 days after the date appointed for the meeting) and to such time and place as the Directors may determine. If the meeting is adjourned for 14 days or more, the Company shall give not less than five days' notice of the adjourned meeting by advertisement in one national newspaper, but no other notice shall be required. If at any such adjourned meeting a quorum is not present within 15 minutes from the time appointed for the meeting any member present in person or by proxy and entitled to vote on the business to be transacted at the meeting shall be a quorum.

The chairman (if any) of the Board or in his absence the deputy chairman (if any) shall preside as chairman at every general meeting of the Company. If there is no such chairman or deputy chairman present and willing to act as chairman at any meeting within five minutes after the time appointed for holding the meeting the directors present shall choose one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman. If no director is willing to act as chairman, or if no director is present within five minutes after the time appointed for holding the meeting, the members present in person or by proxy and entitled to vote shall choose one of their number to be chairman of the meeting.

A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.

The chairman of a meeting at which a quorum is present may, with the consent of the meeting (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place. The Chairman may adjourn the meeting to another time and place without the consent of the meeting if he decides that it is likely to be impracticable to hold or continue the meeting, because the number of persons attending or wishing to attend cannot be conveniently accommodated in the place appointed for the meeting, or the unruly conduct of persons attending the meeting prevents or is likely to prevent the continuation of the business of the meeting. No business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for 30 days or more (otherwise than due to the absence of a quorum) or without a time and place for the adjourned meeting being fixed, at least seven clear days' notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting. Otherwise it shall not be necessary to give any such notice.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, or on the withdrawal of any other demand for a poll, a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy having the right to vote at the meeting; or
- (c) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (d) a member or members present in person or by proxy holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (e) any member present in person or by proxy in the case of a resolution to confer, vary, revoke or renew authority or approval for an off-market purchase by the Company of its own shares,

and a demand by a person as proxy for a member shall be the same as a demand by the member.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the demand for the poll is made shall be entitled to a casting vote.

A resolution in writing executed by or approved in writing by on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which

he was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more members.

In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and imposing restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to or eject from a meeting a person who refuses to comply with any such arrangements or restrictions.

5.2.8 *Disclosure of interests*

In accordance with section 793 of the Companies Act 2006, the Company may give notice to any person whom the Company knows or has reasonable cause to believe (a) to be interested in the Company's shares or (b) to have been so interested at any time in the three years immediately preceding the date on which the notice is issued. The notice may require the person (a) to confirm that fact or (as the case may be) to state whether or not it is the case and (b) if he holds, or has during that time held, any such interest, to give such further information as may be required in accordance with section 793 of the Companies Act 2006 (including particulars of the interest (present or past) and the identity of the persons interested in the shares in question).

In accordance with Article 13 of the Articles, if the Company has served a disclosure notice on a person appearing to be interested in shares referred to in the disclosure notice, and the Company has not received the information required in the disclosure notice within fourteen days after service of the disclosure notice, the Directors may determine that the member holding the specified shares shall be subject to restrictions in respect of those shares (including restrictions as to voting, right to transfer the shares and right to receive dividends).

5.2.9 *Ownership threshold and change of control*

The Articles do not prescribe any ownership threshold above which share ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

5.2.10 *Pre-emption rights*

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of securities of the same class.

5.2.11 *Conversion*

The Articles do not prescribe any rights of conversion in relation to any class of shares.

6. Directors' and other interests

6.1 The Directors of the Company and their respective functions are set out in Part 1 of this document.

- 6.2 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member, in addition to their directorship of the Company and its subsidiaries, are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
George Elliott	Summit plc SFX Technologies Limited Corsair Memory Inc. MicroEmissive Displays Group plc Elliott Corporate Development Limited (dormant)	Wolfson Microelectronic plc
Keith Neilson	None	Pacific Shelf 1280 Limited
Sandy McDougall	Atlantic Corrie Ltd	PanTherix Limited Lab 901 Limited
Neil Heywood	Matrix Trading Systems Limited	i-design Multimedia Ltd MicroScience Technologies Ltd

- 6.3 George Elliott was a director of Calluna Technology Limited, a subsidiary of Calluna plc, from 1998. He handed in his notice of resignation on 21 July 1999. In February 2000, Calluna Technology Limited appointed an administrator. At that time Calluna Technology Limited had external debts of £5.4 million and intergroup debts of £31.9 million.

- 6.4 In 2003 Sandy McDougall initiated and completed a Creditor Compromise and Settlement Agreement whilst a director of PanTherix Limited in response to funding difficulties. Further funding was raised from investors to reach a satisfactory compromise with staff and creditors without any court, hostile proceedings, or actions arising. Thereafter the main shareholders continued to invest culminating in a positive outcome for all parties when the assets were sold in June 2006. Sandy McDougall remained on the Board of the Company until August 2005 when he joined Craneware, and Atlantic Corrie Ltd continues as Company Secretary of PanTherix Ltd.

- 6.5 Save as disclosed in this document, none of the Directors:

- (a) is currently a Director of a company or a partner in a partnership or has been a Director of a company or a partner in a partnership within the five years immediately preceding the date of this document;
- (b) has any unspent convictions for in relation to indictable offences;
- (c) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (d) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (e) was a partner in a partnership at the time of or within the 12 months preceding compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (f) has had any assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any asset of the partnership being subject to a receivership; or
- (g) has been the subject of any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a

director of a company or from acting in the management or conduct of the affairs of any company.

6.6 None of the Directors or members of their family has a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

6.7 The interests of the Directors and their immediate families, all of which are beneficial (unless otherwise stated) in the issued share capital of the Company which are required to be entered in the register of Directors' Interests maintained under the provisions of section 820 of the Companies Act 2006 as at the date of this document and will immediately following Admission be as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately after Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
George Elliott	–	–	15,650	0.06
Keith Neilson	3,833,100	20.09%	3,887,800	15.59
Sandy McDougall	–	–	207,000	0.83
Neil Heywood	–	–	150,000	0.60

6.8 Options over 207,000 Ordinary Shares granted to Sandy McDougall under the 2006 Share Option Plan were exercised, conditional on Admission, and are noted in paragraph 6.7 above.

Sandy McDougall was granted options over 78,000 Incentive Shares under the 2006 Share Option Plan which will be lapsed following Admission. It is expected that on or shortly after Admission options over 98,000 Ordinary Share will be granted to Mr McDougall under the 2007 Share Option Scheme with an exercise price of 1 pence in replacement for the options over Incentive Shares under the 2006 Share Option Scheme. These options will be subject to performance targets and with vesting based on the Company's share price achieving certain targets as outlined in paragraph 8.2.2 of Part IV of this document.

It is expected on or shortly after Admission options over 20,000 Ordinary Shares will be granted to Keith Neilson under the 2007 Share Option Scheme with an exercise price of 1 pence. These options will be subject to performance targets and with vesting based on the Company's share price achieving certain targets as outlined in paragraph 8.2.2 of Part IV of this document.

Save as set out above there are no options over Ordinary Shares which have been granted to the Directors and which remain capable of exercise after Admission.

6.9 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him holds or is beneficially or non beneficially interested directly or indirectly in any shares or options to subscribe for or securities convertible into, shares of the Company or any of its subsidiary undertakings.

6.10 In addition to the interests of the Directors set out in paragraphs 6.7 and 6.8 above, as at 7 September 2007 (being the latest practicable date prior to the publication of this document) insofar as is known to the Company the following persons will as at the date of this document or immediately following Admission be directly or indirectly interested in 3 per cent. more of the issued share capital of the Company:

<i>Name</i>	<i>Class of shares</i>	<i>At the date of this document</i>		<i>Immediately after Admission</i>	
		<i>No. of shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
3i	Ordinary Shares	3,349,500	17.56%	–	–
	A Ordinary Shares	1,964,100	10.30%	–	–
Gordon Craig	Ordinary Shares	3,833,100	20.09%	3,833,100	15.38
SEP	A Ordinary Shares	1,963,800	10.29%	–	–
Nora McNeil	Ordinary Shares	2,139,600	11.22%	–	–
Colin McCulloch	Ordinary Shares	1,094,700	5.74%	254,858	1.02
LIFE	Ordinary Shares	900,000	4.72%	–	–

- 6.11 Save as disclosed in this document, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. Neither the Directors nor any of the major Shareholders have different voting rights to other Shareholders.
- 6.12 Save as disclosed in this document, there are no persons, so far as the Company is aware, who will be immediately following Admission interested, directly or indirectly, in three per cent, or more of the Company's issued share capital.
- 6.13 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group during the current or immediately preceding financial year or which was effected by the Group in an earlier financial year and remains in any respect outstanding or unperformed.
- 6.14 There are no loans made or guarantees granted or provided by the Company or the Group to or for the benefit of any Director which are outstanding.
- 6.15 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

7. Directors' Remuneration and Service Agreements

- 7.1 The Directors have entered into service contracts or consultancy agreements which are summarised below. Save for these agreements there are no service agreements between any Director and the Company or any of the subsidiaries not determinable without payment of compensation other than statutory compensation and none are proposed to be entered into.

7.1.1 George Elliott

- (a) On 10 August 2007 George Elliott entered into a non-executive appointment agreement with the Company, for his appointment as non-executive Chairman with an annual fee of £50,000.
- (b) The agreement is terminable in accordance with the Articles of Association of the Company and contains restrictive covenants relating to competition and provisions for the protection of confidential information and trade secrets of the Company.

7.1.2 Keith Neilson

- (a) On 7 December 2000 Keith Neilson entered into a service agreement with the Company, for his employment as Chief Executive Officer. His current salary is £120,000 per annum.
- (b) The agreement is terminable on three months notice by either party and contains restrictive covenants relating to competition, customers, suppliers and employees and provisions for the protection of the intellectual property and confidential information of the Group. The Company will maintain medical expenses and permanent health

insurance. The Company contributes £5,000 per annum to the Company stakeholder pension scheme on behalf of Mr Neilson.

- (c) By letter dated 7 September 2007, the Company and Keith Neilson varied the terms of Mr Neilson's service agreement with the Company. This variation requires that during his employment and whilst he remains a director of the Company, Mr Neilson shall comply with every rule of law, code of best practice (including, as appropriate, The City Code on Take-overs and Mergers, the AIM Rules for Companies and the Company's share dealing code from time to time) and any other regulations or rules made by the Board from time to time. He shall also comply, to the extent that the Board considers appropriate for a company the size of the Company, with the provisions of The Combined Code - Principles of Good Governance and Code of Best Practice appended to the Listing Rules.

7.1.3 *Sandy McDougall*

- (a) On 25 July 2005 Sandy McDougall entered into a service agreement with the Company, for his employment as Chief Financial Officer. His current salary is £100,000.
- (b) The agreement is terminable on three months notice by either party and contains restrictive covenants relating to competition, customers, suppliers and employees and provisions for the protection of the intellectual property and confidential information of the Group. The Company will maintain medical expenses and permanent health insurance but will make no pension payments.
- (c) By letter dated 7 September 2007, the Company and Sandy McDougall varied the terms of Mr McDougall's service agreement with the Company. This variation requires that during his employment and whilst he remains a director of the Company, Mr McDougall shall comply with every rule of law, code of best practice (including, as appropriate, The City Code on Take-overs and Mergers, the AIM Rules for Companies and the Company's share dealing code from time to time) and any other regulations or rules made by the Board from time to time. He shall also comply, to the extent that the Board considers appropriate for a company the size of the Company, with the provisions of The Combined Code - Principles of Good Governance and Code of Best Practice appended to the Listing Rules.

7.1.4 *Neil Heywood*

- (a) On 7 September 2007 Matrix Trading Systems Limited entered into a non-executive appointment agreement to provide the services of Neil Heywood as non-executive director of the Company. The current agreed annual fee for these services is £24,000.
- (b) The agreement is terminable on one month's notice by either party and contains a restrictive covenant relating to competition and provisions for the protection of confidential information and trade secrets of the Company.

8. Share Options Plans

8.1 2006 Share Option Plan

The following are the key features of the options granted under the 2006 Share Option Plan which will exist and be exercisable following Admission:

- 8.1.1 the options have an exercise price of $\frac{1}{500}$ th of a penny per Ordinary Share. The Board have resolved that on exercise the difference between the nominal value and the exercise price will be capitalised;
- 8.1.2 the earliest date that options were granted was 11 May 2006; options will lapse on the tenth anniversary of the grant date;

- 8.1.3 should an option holder die before the option is exercised his personal representatives may exercise the option within a period determined by the Board but ending no later than the earlier of the anniversary of the date of death and ten years from the date of grant of the option;
- 8.1.4 in the event of a takeover or certain amalgamations or reconstructions of the Company options must be exercised if at all within two months and to the extent not exercised will lapse. An option holder may (with the agreement of the acquiring company) release any option which has not lapsed in consideration for the grant to him of equivalent option over shares in the acquiring company;
- 8.1.5 the Board may from time to time amend the rules of the 2006 Share Option Plan save that an amendment may not adversely affect the rights of an existing option holder unless, broadly, the amendment has been approved by option holders holding 75 per cent. of the shares under option.

8.2 *2007 Share Option Plan*

The following are the key features of the 2007 Share Option Plan:

8.2.1 *Grant*

Options may be granted to all executive directors and employees of the Group over Ordinary Shares and may be granted as EMI options, Incentive Stock options and unapproved options;

Options can only be granted in the period of 42 days following Admission, or following the announcement of the Company's interim or final results, or at other times if the Remuneration Committee considers there are exceptional circumstances.

8.2.2 *Initial Options*

Options ("Initial Options") will be granted on or shortly after Admission over a maximum of 1,400,000 Ordinary Shares with an exercise price of £0.01 per share. These options will be subject to performance targets. Initial Options will not normally vest before 1 October 2010 and will vest by reference to the Target Share Price on 28 February 2010. The Target Share Price will be calculated as the lower of the closing share price on 28 February 2010 and the average of the daily closing share price for each dealing day in the period from 1 September 2009 to 28 February 2010. No Initial Option will normally be exercisable if the Target Share Price is not 125 per cent. or more of the closing share price on the day of Admission. Initial Options will vest in full if the Target Share Price is at least 200 per cent. of the closing share price on the day of Admission. If the Target Share Price is: 125 per cent. or more, but less than 150 per cent. of the closing share price on Admission, options will vest over a maximum of 175,200 Ordinary Shares; 150 per cent. or more but less than 175 per cent., options will vest over a maximum of 461,400 Ordinary Shares; 175 per cent. or more but less than 200 per cent., options will vest over a maximum of 798,000 Ordinary Shares; and 200 per cent. or more, options will vest over a maximum of 1,400,000 Ordinary Shares. Initial Options will lapse no later than 30 April 2011;

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, the Initial Options vest immediately subject to the achievement of the performance targets which will not be adjusted to reflect any shortened period. These targets will be tested at the date of the event in question. In such circumstances the Initial Options will vest on a straight line basis between the specific levels of Target Share Price hurdle detailed above. Additionally, the Initial options will vest on a straight line basis between the hurdles of 100 per cent. and 125 per cent. of the closing share price on Admission;

Initial Options will lapse on cessation of a participant's employment with the Group, unless the Remuneration Committee, in exceptional circumstances, determines otherwise. If the Remuneration Committee decides to use its discretion, the maximum vesting and the period in

which the participant can exercise his option will be determined at the Remuneration Committee's discretion acting reasonably and taking account of the Company's share price at that time.

8.2.3 *Other options*

Other options ("New Options") may be granted with an exercise price no less than the market value of the Ordinary Shares on the date of grant and will be granted subject to sufficiently stretching performance targets if granted to directors of the Company. The targets are at the discretion of the Remuneration Committee.

New Options will be subject to time based vesting, will not normally be exercisable before the third anniversary of grant and will lapse on the tenth anniversary of grant.

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, the options normally vest immediately subject to the achievement of the performance targets tested at the date of the event in question.

Where the participant ceases to be employed by the group as a result of death, injury, disability, ill health, or retirement through ill health, or as a result of the Company or part of the business by which a participant was employed ceasing to be a member or part of the group, a proportion of the option will vest subject to the achievement of any applicable performance targets. The Remuneration Committee also has discretion to allow exercise where an option holder leaves the group for other reasons.

8.2.4 *Takeover*

For both Initial Options and New Options in the event of a takeover, reconstruction, amalgamation or winding up of the Company the Remuneration Committee may declare that awards will vest and be exercisable during a limited period prior to the relevant event provided the completion of the relevant event is beyond reasonable doubt. Alternatively, where the Company is acquired by another company, participants may be given the opportunity to exchange their awards for new awards over shares in the acquiring company within a specified period, which may include options which have not vested on the relevant event. Generally if an award has not been exercised or exchanged within two months of the date of the relevant event, the award lapses.

8.2.5 *Plan limits*

Generally the maximum annual value of shares that may be awarded to a participant cannot exceed 100 per cent. of the participant's basic salary. Initial Options will not count towards this limit. In exceptional circumstances, the value of shares that may be awarded to a participant under the Plan may be up to 200 per cent. of the participant's basic salary.

No more than 10 per cent. of the issued ordinary share capital of the Company can be issued under the 2007 Share Option Plan and all other employee share plans operated by the Company in any rolling ten year period. Shares which have been purchased in the market, including any so purchased and held by trustees for the purpose of satisfying awards, are disregarded for the purposes of that limit. Options which were granted under the 2006 Share Option Plan are disregarded as are options which have lapsed or been renounced.

8.2.6 *Variation of share capital*

Upon any variation of the share capital of the Company, whether by way of a capitalisation issue, a rights issue or any sub-division, consolidation, reduction or otherwise, the option price and/or the number of shares comprised in an option may be adjusted in such manner as the Remuneration Committee determines to be fair and reasonable.

8.2.7 *General*

Options granted under the 2007 Share Option Plan will not be pensionable for the purpose of the calculation of employer's pension contributions.

The 2007 Share Option Plan allows the use of newly issued shares and shares acquired "on market" either through the medium of an employee benefit trust or the holding of shares in treasury.

The 2007 Share Option Plan may be amended. However certain provisions including those relating to: eligibility; limits on the number of new shares which may be issued; the maximum individual entitlement; and the basis for determining a participant's entitlement to benefit will not be altered to confer any additional advantage on any participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain a favourable tax advantage, exchange control or regulatory treatment for participants, the Company or a member of the group).

9. UK Taxation

9.1 *General*

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HM Revenue & Customs. They are intended to apply only to shareholders who are resident in the United Kingdom for UK tax purposes, who (unless the position of non-resident shareholder is expressly referred to) hold Placing Shares as investments and who are the beneficial owners of the Placing Shares. The statements may not apply to certain classes of shareholders such as dealers in securities, collective investment vehicles and insurance companies. Holders of Placing Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Placing Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

9.2 *Dividends*

Under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

9.2.1 *Individuals*

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to ten per cent, of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of ten per cent, of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5 per cent, of the gross dividend (an effective tax rate of 25 per cent, of the net cash dividend received).

9.2.2 *Companies*

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

9.2.3 *Pension funds*

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

9.3 *Capital gains*

A disposal of new Ordinary Shares by a shareholder who is either resident or ordinarily resident in the UK for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired the Placing Shares for the purposes of such trade, branch, agency or permanent establishment may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident in the UK for tax purposes for a period of less than five years and who disposes of the Placing Shares during that period may also be liable on his return to the UK to tax on any capital gain realised (subject to any available exemption or relief).

For shareholders within the charge to corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of the Placing Shares (but not to create or increase any loss). For such shareholders holding ten per cent, or more of the Company's ordinary share capital, a gain on the sale of the Placing Shares will be exempt from corporation tax on chargeable gains provided certain conditions are met.

For shareholders who are subject to capital gains tax, such as individuals, trustees and personal representatives, taper relief (which reduces the percentage of the gain chargeable by reference to how long the Placing Shares have been held) may be available to reduce the amount of chargeable gain realised on a disposal of the new Ordinary Shares.

A corporate shareholder who is not resident in the UK for tax purposes will not be subject to UK tax on a gain arising on a disposal of the Placing Shares unless such shareholder carries on a trade in the UK through a permanent establishment and has used the new Ordinary Shares in or for the purposes of the trade or used, held or acquired the Placing Shares for the purposes of the permanent establishment.

9.4 *Stamp duty and stamp duty reserve tax*

Generally, no liability to stamp duty or stamp duty reserve tax ("**SDRT**") will be payable by subscribers on the issue to them of, or on the issue of definitive share certificates in respect of, the Placing Shares by the Company (unless issued into a clearance system or depositary arrangement, on which see below).

Any subsequent conveyance or transfer for value on sale of the Placing Shares outside the CREST system will generally be subject to *ad valorem* stamp duty on the instrument of transfer at the rate equivalent to 50 pence for every £100 or part thereof of the amount or value of the consideration given rounded up to the nearest £5. Stamp duty is normally the liability of the purchaser or transferee of the Placing Shares. An unconditional agreement to transfer Placing Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent, of the amount or value of the consideration for the Placing Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the Placing Shares.

Under the CREST system for paperless share transfers, deposits of Placing Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent, of the value of the consideration given. Subsequent paperless transfers of Placing Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent, of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the Placing Shares on relevant transactions settled within the system.

Where Placing Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent, of the amount or value of the consideration payable or, in certain circumstances, the value of the Placing Shares or, in the case of an issue to such persons, the issue price of the Placing Shares.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and others may be liable at a higher rate or may although not primarily liable for tax be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional tax adviser.

10. Employees

The Group employed on average 90 people during the financial year ended 30 June 2007, 69 people during the financial year ended 30 June 2006 and 58 people during the financial year ended 30 June 2005. During the most recent financial year the Group engaged 3 temporary staff.

11. Litigation

William McCall was non-executive chairman of the Company from 18 October 2000 until 15 April 2005. It was proposed in connection with the appointment of Mr McCall that an option arrangement over 757 ordinary shares of 1 pence each in the capital of the Company be considered for grant to Mr McCall as an individual. The details and terms of this option arrangement required to be determined, considered and approved by the Company. No such consideration, determination or approval occurred prior to Mr McCall's resignation as a director of the Company. The Company recently resolved not to grant share options to Mr McCall and advised him of this decision. By email dated 28 July 2007, Mr McCall advised the Company that he did not agree with this decision and that he was proposing to pass the relevant papers to his lawyers for consideration. The Company has not received any further communication from Mr McCall or his advisers. The Directors do not consider that any claim for the grant of options over or allotment of Ordinary Shares to Mr McCall would have a significant effect on the Group's financial position or profitability and, even if successful, the Directors believe would involve the allotment of Ordinary Shares.

Save as set out above no member of the Group is or has been involved in any legal or arbitration proceedings which are active, pending or threatened against it, or being brought by it, which are having or may have a significant effect on the Group's financial position.

12. Working capital

The Company is of the opinion, having made due and careful enquiry, that the Group has sufficient working capital available for its present requirements, that is for at least 12 months from Admission.

13. Placing Arrangements

13.1 Under an agreement dated 10 September 2007 and made between the Company (1) the Directors (2) and KBC Peel Hunt (3), (the "**Placing Agreement**") KBC Peel Hunt has agreed conditionally, *inter*

alia, on Admission becoming effective not later than 31 October 2007, as agent for the Company, to use its reasonable endeavours to procure subscribers for the New Shares at the Placing Price.

Under the Placing Agreement the Company and the Directors and Gordon Craig (a former director of the Company) have given KBC Peel Hunt certain representations and warranties regarding, *inter alia*, the accuracy of the information contained in this document and other matters relative to the Group and its business. In addition, the Company has given an indemnity to KBC Peel Hunt in respect of any liabilities resulting from the carrying out by KBC Peel Hunt of its obligations or services under or in connection with the Placing Agreement. Provisions permit the Placing Agreement to be terminated prior to Admission in certain circumstances, including a material breach of the Placing Agreement.

Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed to pay a commission of 5 per cent. in respect of the New Shares to be issued pursuant to the Placing.

The Company will pay certain other costs and expenses (including all applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

13.2 ***Lock in and Orderly Marketing Arrangements***

Pursuant to the Placing Agreement each of the Directors and Gordon Craig has undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which they hold following Admission for a period of 18 months. In addition, orderly marketing arrangements apply for periods following the expiry of the lock in period referred to above whereby the Directors and Gordon Craig have undertaken to sell Ordinary Shares through KBC Peel Hunt for as long as they remain a Director (and, in the case of Gordon Craig, an employee) and KBC Peel Hunt remains broker to the Company.

Certain of the Company's employees have entered into orderly marketing agreements dated 20 August 2007, 5 or 7 September 2007 with the Company and KBC Peel Hunt. Pursuant to these agreements, each of those employees has undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which they hold following Admission for a period of 18 months. In addition, under the Company's share dealing code, employees will be required only to sell Ordinary Shares through KBC Peel Hunt for as long as they remain an employee and KBC Peel Hunt remains broker to the Company.

Colin McCulloch has entered into orderly marketing agreements dated 10 September 2007 with the Company and KBC Peel Hunt, pursuant to which he has agreed for a period of one year from Admission only to sell their remaining interests in Ordinary Shares through KBC Peel Hunt.

In addition, John Watson has entered into an orderly marketing agreement dated 10 September 2007 with the Company and KBC Peel Hunt, pursuant to which he has undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which he holds following Admission for a period of 18 months.

13.3 ***Sale Agreements***

Under the Sale Agreements dated 10 September 2007 and made between each of the Selling Shareholders respectively with the Company and KBC Peel Hunt, subject to certain conditions, KBC Peel Hunt has agreed to use reasonable endeavours to place the Sale Shares at the Placing Price. The Sale Agreements are conditional, *inter alia*, upon Admission.

Under the Sale Agreements, each Selling Shareholder has given certain warranties to KBC Peel Hunt and to each Placee (as defined in the Sale Agreements) concerning themselves and the Sale Shares. In connection with its services, the Selling Shareholders have agreed to pay certain fees and a commission of 5 per cent. to KBC Peel Hunt.

KBC Peel Hunt may terminate the Sale Agreements in specified circumstances prior to Admission.

14. Material Contracts

In addition to the Placing Agreement and the Sale Agreements, details of which are set out in paragraph 13 above, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiary during the two years immediately preceding the date of this document and are, or may be, material:

14.1 *Intellectual Property Rights Assignment*

By agreement dated 15 and 27 August 2007 Nora McNeil granted an Intellectual Property Rights Assignment in favour of the Company. Mrs McNeill had been involved in the formation of the Company and had previously assigned intellectual property rights to the Company. The Intellectual Property Rights Assignment provides that Mrs McNeill assigns any and all intellectual property rights she may have in the software products produced and/or sold by the Company and any of its subsidiaries or any successors to the Company conditional, *inter alia*, on the occurrence of a flotation, sale of the Company or sale of the Ordinary Shares held by Mrs McNeill's at any time prior to 31 March 2008. On Admission, all such rights will vest absolutely in the Company with effect from their date of creation and Mrs McNeill waives and discharges all claims which she may have in respect thereof.

14.2 *Option term sheet*

The Company entered into an agreement with a US company that provides software solutions for hospital reimbursement in February 2007 which, *inter alia*, granted Craneware an option to acquire this US company. Under this agreement, the Company has the option to enter into an agreement to purchase 100 per cent. of the equity interests of the US company or substantially all of the operating assets of the US company. If Craneware chooses to exercise the option, any purchase of the US company will be on the basis of a properly negotiated purchase agreement on the basis summarised in the term sheet attached to the agreement, following a due diligence exercise and based on a purchase price of \$10,000,000 payable as to \$7,000,000 in cash and an amount equal to \$3,000,000 Ordinary Shares of Craneware. The term sheet allows for the purchase price to be adjusted in certain circumstances. The term sheet provides that representations and warranties to be contained in the purchase agreement will be customary in scope and nature for a transaction of that type.

14.3 *ADP TotalSource*

Craneware Inc. has entered into a Professional Employer Organisation ("PEO") relationship with ADP TotalSource and as such is co-employer of the US employees of the Group.

This PEO relationship allows ADP TotalSource to provide HR administration support only in the area of employment administration for the US employees of the Group, in particular to 401K, payroll and tax and general administration of employment legislative requirements.

Under this agreement Craneware Inc. retains the ability to manage, recruit and terminate all staff and ADP TotalSource have no input into this process or the other activities of the company.

15. Mandatory bids, squeeze out and sell out rules

15.1 *Mandatory bid*

The Takeover Code applies to the Company. Under the Code, if an acquisition of Ordinary Shares were to increase the aggregate interest in shares of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per

cent, but not more than 50 per cent, of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

15.2 *Squeeze-out rules*

Under the Companies Act 2006, if a person who has made a general offer to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. in value of the Ordinary Shares which are the subject of such offer and 90 per cent. of the voting rights carried by those shares, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders before the end of the 3 month period beginning on the day after the last day on which the offer can be accepted. The notice must be made in the prescribed manner. Six weeks later, the offeror would send a copy of the notice to the Company together with an instrument of transfer executed in respect of the outstanding Ordinary Shares on behalf of the holder in favour of the offeror and pay the consideration for those Ordinary Shares. The Company would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

15.3 *Sell-out rules*

15.3.1 The Companies Act 2006 gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 15.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. in value of the Ordinary Shares and those shares carry not less than 90 per cent. of the voting rights in the Company, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares.

15.3.2 The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The rights of minority shareholders to be bought out are not exercisable after the period of three months after the end of the acceptance period or a later date specified in the notice given by the offeror. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

16. **Consents**

16.1 KBC Peel Hunt of 111 Old Broad Street, London EC2N 1PH, is regulated by the Financial Services Authority for the conduct of investment business in the UK. KBC Peel Hunt has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

16.2 PricewaterhouseCoopers LLP of 209 West George Street, Glasgow G2 2LW, has given and has not withdrawn its written consent to the inclusion of its Accountants’ Report set out in Section A of Part III: Historical Financial Information of this document in the form and context in which it appears and has authorised the contents of that part of the document which comprises its Accountants’ Report for the purpose of Schedule Two of the AIM Rules for Companies.

17. **General**

17.1 Save as set out below or otherwise in this document, no person (excluding professional advisers and trade suppliers or otherwise disclosed in this document) has received, directly or indirectly, within the twelve months preceding the application for Admission or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;

- (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

Matrix Trading Systems Limited, the company providing the services of Neil Heywood as a non-executive director, is entitled to receive an additional fee in respect of the additional advisory work undertaken by Mr Heywood in preparing for the Placing and Admission in the amount of £192,000.

Darice Grzybowski is the vice president of marketing of the Group and has been paid consultancy fees totalling \$223,200 from Craneware Inc.

- 17.2 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 17.3 Of the price being paid to the Company for the Placing Shares 1 pence represents the nominal value and 127 pence represents premium.
- 17.4 The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared in respect of Ordinary Shares after Admission.
- 17.5 There are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 17.6 Save as disclosed in paragraphs 13.1 and 17.1 of Part IV of this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 17.7 There have been no significant recent trends in production, sales and inventory and costs and selling price since 30 June 2007.
- 17.8 There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 17.9 Save as set out in paragraph 17.1 of this Part IV the following related party transactions have been entered into by the Company, at arms length, since 1 July 2004.

Investor monitoring fees have been charged to the Company by 3i at a cost of \$21,344 in each of the financial years ended 30 June 2005, 2006 and 2007.

Investor monitoring fees have been accrued in respect of SEP in the sum of \$9,000 in each of the financial years ended 30 June 2005, 2006 and 2007 but such fees remain unclaimed.

Fees for the services of Kevin Lyon as a non-executive director of the Company were paid in the sum of \$53,725 in the financial year ended 30 June 2007, \$53,703 in the financial year ended 30 June 2006 and \$7,431 in the financial year ended 30 June 2005.

Matrix Trading Systems Limited, which provides the services of Neil Heywood as a non-executive Director, have been paid in the sum of \$43,919 in the financial year ended 30 June 2007, \$25,422 in the financial year ended 30 June 2006 and \$26,639 in the financial year ended 30 June 2005.

Fees for the services of William McCall as a non-executive director of the Company in the amount of \$32,718 were paid by the Company in the financial year ended 30 June 2005.

Fees for the provision of services of Colin McCulloch as a non-executive director were paid by the Company in the sum of \$4,410 in the financial year ended 30 June 2005.

Investor monitoring fees have paid to LIFE in the sum of \$3,000 in the financial year ended 30 June 2007, \$2,125 in the financial year ended 30 June 2006 and \$600 in the financial year ended 30 June 2005.

Sales commission has been paid by the Company to Craneware Inc. in the sum of \$6,402,959 in the financial year ended 30 June 2007, \$4,974,054 in the financial year ended 30 June 2006 and the sum of \$4,592,593 in the financial year ended 30 June 2005.

17.10 The Company has entered into an agreement with the American Medical Association (“AMA”) for the licence of material published by AMA for the purposes of reporting health care services for the period between 1 October 2006 and 20 September 2007 (“the Current AMA Agreement”).

The content licensed under the Current AMA Agreement (“Editorial Content”) includes:

- (i) the print publication of the fourth edition of Current Procedural Terminology; and
- (ii) the data file of Current Procedural Terminology published by the AMA in the English language as used in the United States.

The Company has the right to use the Editorial Content in electronic copies (including use via the Internet) of the products Chargemaster Toolkit and Physician Revenue Toolkit (“the Products”). The Agreement can be amended to include additional products by written notification from the Company to AMA and determination by AMA that the proposed product complies with the criteria for the licence.

The Company is authorised to sub-license the Products to end users for their own internal use provided that end users enter into agreements on the terms of an end user agreement attached to the Current AMA Agreement. Additional provisions may be included provided that they do not conflict with the terms of the Current AMA Agreement or expose AMA to any liability and do not jeopardise any of AMA’s rights.

AMA will make updates of Editorial Content available to the Company for its customary fee whenever the AMA makes them available to the public. The Company is obliged to revise the Products in the next release, at its own expense and offer the availability of the updated Products.

The Current AMA Agreement may be terminated early:

- (i) by the Company upon written notice to AMA; or
- (ii) by AMA if a government prohibition or restriction renders it unlawful or jeopardises AMA’s rights or if the Company fails to fulfil a material obligation and continues to do so for 30 days after notice from the AMA.

The Company assigns any derivative works to AMA and waives moral rights in association with the Editorial Content. The Company retains other rights including copyright in the Products. Both parties agree to take reasonable efforts to prevent infringement of the rights in the Editorial Content and the Products respectively and to reasonably co-operate with each other in respect of any claim subject to costs being paid by the party taking action. The Company is obliged to protect, at its own expense, AMA’s copyright in the Editorial Content arising from the licensing, distribution or use of the Products outside the United States.

The Current AMA Agreement is governed by the laws of the State of Illinois and the courts of the State of Illinois and/or the United States District Courts for the Northern District of Illinois shall have exclusive jurisdiction over any action.

Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts that are of fundamental importance to the Company’s business.

17.11 The total costs and expenses (including professional fees, printing and advertising costs and the amounts payable pursuant to the Placing Agreement) of the Placing and Admission are estimated to amount to £1.4 million, excluding VAT, and are payable by the Company. In addition certain employee tax liabilities of £0.2 million will be paid with the proceeds to which these employees are entitled to under the 2006 Share Option Plan. Accordingly the net proceeds which the Company is expected to raise by the Placing is £3.8 million.

17.12 There has been no significant change in the financial or trading position of the Group since 30 June 2007, the date to which the Historical Financial Information on the Group set out in Section B of Part III of this document was prepared.

- 17.13 The principal activities of the Group are as described in Part I of this document. Save as disclosed in this document, there are no exceptional factors which have influenced the Group's activities.
- 17.14 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares on any such exchange.
- 17.15 The accounting reference date of the Company is 30 June.
- 17.16 All the information provided in this document has been sourced from the Company and the Company's other advisers named on page 3 of this document. All such information has been accurately reproduced and so far as the Company is aware and is able to ascertain no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information set out in this document has been sourced from a third party the Company confirms that this information has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.17 The auditors of the Company are PricewaterhouseCoopers LLP of Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH regulated by the Institute of Chartered Accountants of England and Wales.
- 17.18 Save as set out in paragraph 13.1 of Part IV of this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 17.19 No paying agent has been appointed by the Company.
- 17.20 There are no investments in progress, and there are no future investments on which the Directors have already made firm commitments, which are significant to the Group.

18. Availability of Admission Document

Copies of this document are available free of charge from the registered office of the Company and from the office of KBC Peel Hunt, 111 Old Broad Street, London, EC2N 1PH during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and will remain available for at least one month following the date of Admission.

Dated 10 September 2007

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“2006 Share Option Plan”	the Craneware plc Employees’ Share Option Plan 2006 adopted by the Board on 11 May 2006
“2007 Share Option Plan”	the Craneware plc Employees’ Share Option Plan 2007 adopted by the shareholders on 6 September 2007
“3i”	3i Group plc
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the Alternative Investment Market of London Stock Exchange
“AIM Rules for Companies”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for companies” publication
“AIM Rules for Nominated Advisers”	the London Stock Exchange’s rules contained in its “AIM Rules for nominated advisers” publication
“A Ordinary Shares”	The 3,927,900 A Ordinary Shares of £0.01 each in the capital of the Company prior to Admission which will convert into Ordinary Shares conditional on Admission
“Articles”	the Articles of Association of the Company
“Board”	the board of directors of the Company
“CDM”	Charge Description Master
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is not in CREST)
“CMT”	Charge Master Toolkit® – Craneware’s core product in the CDM manager software market
“Company” or “Craneware”	Craneware plc, company registered in Scotland with registered number SC 196331
“CREST”	the relevant system (as defined in the CREST Regulations) operated by Euroclear in accordance with which securities may be held or transferred in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CRM”	Customer Relationship Management
“Directors”	the directors of the Company, whose names are set out on page 3 of this document
“EBITDA”	Earnings before Interest, Tax, Depreciation and Amortisation
“Enlarged Issued Share Capital”	the Ordinary Shares in issue immediately following the Placing
“EST”	Eastern Standard Time

“Euroclear”	Euroclear UK & Ireland Limited
“Executives”	Keith Neilson, Sandy McDougall, Gordon Craig, Derek Paterson and Jim Wilson
“GNYHA”	the Greater New York Hospital Association
“Group”	the Company and its subsidiary
“HFMA”	The Hospital Financial Management Association
“Incentive Shares”	Incentive shares of £0.001 each in the authorised but unissued capital of the Company over which options were granted under the 2006 Share Option Plan but which will be lapsed at Admission. Incentive shares forming part of the authorised share capital were consolidated and reclassified as Ordinary Shares conditional on Admission
“ISIN”	International Securities Identification Number
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“KBC Person”	any person being (i) KBC Peel Hunt, (ii) an undertaking which is a subsidiary undertaking of KBC Peel Hunt, (iii) a parent undertaking of KBC Peel Hunt or (other than KBC Peel Hunt) a subsidiary undertaking of any such parent undertaking, or (iv) a director, officer, agent or employee of any such person
“LIFE”	Lothian Investment Fund for Enterprise Limited
“London Stock Exchange”	London Stock Exchange plc
“MediTech”	Medical Information Technology, Inc.
“New Shares”	the 4,247,830 new Ordinary Shares to be placed pursuant to the Placing
“OIG”	the Office of the Inspector General (US)
“Ordinary Shares”	ordinary shares of 1 pence each in the Company with ISIN GB00B2425G68
“OPPS”	the US Outpatient Prospective Payment System
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 September 2007, between the Company, the Directors and KBC Peel Hunt relating to the Placing and Admission, further details of which are set out in paragraph 13.1 of Part IV of this document
“Placing Shares”	the New Shares and the Sale Shares to be placed pursuant to the Placing
“R&D”	Research & Development
“Sale Agreements”	the conditional agreements dated 7 September 2007 between the Selling Shareholders, the Company and KBC Peel Hunt relating

	to the Sale Shares, further details of which are set out in paragraph 13.3 of Part IV
“Sale Shares”	the 11,793,142 Ordinary Shares to be placed pursuant to the Placing comprising existing Ordinary Shares and Ordinary Shares which will, in advance of Admission, have been created by conversion of A Ordinary Shares as described in paragraph 4.9.2 of Part IV
“Selling Shareholders”	3i of 16 Palace Street, London SE1 6XP; SEP of 150 Broomielaw, Atlantic Quay, Glasgow G2 8LU; LIFE of Law House, Fairbairn Place, Livingston EH54 6TN; Colin McCulloch of Seaforth Cottage, 29 York Road, Edinburgh, EH5 3EG; Nora McNeil of 58 Yorkshire Drive, Toms River, New Jersey, United States and John Watson of 1 Marsden Court, Hillfoots Road, Stirling, FK9 5LU
“SEP”	Scottish Equity Partnership
“Shareholders”	holders of Ordinary Shares
“Share Option Plans”	the 2006 Share Option Plan and the 2007 Share Option Plan
“SME”	Small or Medium Enterprises
“Takeover Code”	the UK City Code on Takeovers and Mergers
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

In this document all references to times and dates are in reference to those observed in London, United Kingdom.

In this document the symbols “£” and “p” refer to pounds and pence Sterling, respectively, and “\$” and “c” will refer to US dollars and cents, respectively.



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