



Craneware plc  
Interim Report 2008

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## Revenue Cycle Software for Healthcare

Craneware plc is a leading supplier of business intelligence and revenue cycle software to the US Healthcare provider market.

Craneware's Chargemaster management software and products are designed to optimise legitimate reimbursements and assist in managing the revenue cycle within US hospitals through better information, workflow, pricing strategy, capture of lost revenue and best practice modeling. Craneware's innovative, scalable products, and a talented mix of employees from the healthcare industry, software engineering, business consulting, customer support, and training, provide a perfect blend to ensure that clients have the information they require to succeed in healthcare financial management.

Based in Livingston, Scotland, with offices across the US. Craneware delivers unparalleled solutions to the problems facing healthcare financial managers every day.

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### History of Craneware

Craneware, founded in May 1999, launched its first software product in October 1999 having signed its first customer contract in September 1999 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 R&D and customer support functions are also located. The Group opened its first U.S. sales office in Orlando, Florida, in January 2001 followed by Scottsdale, Arizona and in July 2006 it opened an office in Kansas City.

In September 2007 Craneware listed on the AIM market of the London Stock Exchange, raising \$20.5m.

## Financial and Operating Highlights

### Financial

- 24% increase in first half revenues from \$7.0m to \$8.7m over the equivalent period last year
- 21% increase in profit before share-based payments, depreciation and amortisation from \$1.68m to \$2.03m
- 111% increase in profit before tax from \$766k to \$1.62m
- Increase in basic and diluted earnings per share from 2.6 cents to 6.4 cents, and 2.3 cents to 6.0 cents respectively
- Cash resources of \$18.9m

### Operational

- Number of hospitals using Craneware's software has increased to 878, following 96 new hospitals taken on in the first half, an increase in 50% over the equivalent period last year.
- Two new product launches:  
— Patient Charge Estimator™ and Pharmacy ChargeLink™
- Craneware's flagship product, Chargemaster Toolkit®, was also once again named top in its class by the prestigious industry research house KLAS in the US.

### Admission to AIM

- On 13th September 2007 Craneware was admitted to AIM raising £5.4m of new funds prior to expenses from a total placing of £20.5m, providing a full exit for the company's venture capital investors

### Quick Facts — Financial

**24%**

increase in revenues to \$8.7m

**21%**

increase in operating profit (before share-based payments, depreciation and amortisation) to \$2.0m

**111%**

increase in profit before tax to \$1.6m

**161%**

increase in diluted E.P.S.

**\$18.9m**

cash resources (including \$7.9m net proceeds of placing at IPO)

## About Craneware

### Background

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 878 hospitals in 48 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 2007 KLAS awards, an independent US research house, establishing Craneware as a leader in this area.

### What is driving the growth?

#### Government Legislation

Significant fines are also being placed upon providers for billing errors. In July 2006, a major healthcare provider consented to pay \$900m to the federal government for its role in manipulating the Medicare system via bill padding, kickbacks, and upcoding. Another large for-profit hospital chain in the USA also agreed to pay the federal government \$631m in civil penalties and damages to address false claims that were submitted to Medicare and other federal health programmes. There is therefore a significant regulatory stimulus for the uptake of automated products.

Use of the Craneware products therefore has three key benefits for the clients:

- » **enhanced operational efficiency**
- » **positive impact on profitability**
- » **raised compliance levels with regulatory initiatives**

### Quick Facts - Operational

**5,756** hospitals  
in the USA of which the Directors  
believe less than half have purchased  
a technology-based CDM solution.



### Chargemaster Toolkit® Facts

**878** hospitals  
using our software in the USA

**48** states  
using our software in the USA

**96** client wins  
over the last 6 months



## Our Products

### Quick Facts — The Technology

Craneware products employ a mix of traditional client/server windows applications and hosted ASP technologies to provide a comprehensive enterprise solution for healthcare revenue cycle management. Client data is always kept secure within healthcare facilities own networks, compliant with US HIPAA (Health Insurance Portability and Accountability Act) regulations on sensitive patient information. Users only requiring access to Craneware’s extensive knowledge base and regulatory products can use any available browser with internet access.

This allows Craneware’s software to be rolled out to a number of staff within a facility requiring different levels of interaction with minimal impact to resource strained IS teams and busy users.

### Chargemaster Toolkit® Suite

**Chargemaster Toolkit®**  
The original CDM-management solution and ranked No. 1 in KLAS Revenue Management category for the last two years.

**Chargemaster Corporate Toolkit®**  
A version of Chargemaster Toolkit® with the added capability of managing multiple CDMs, enterprise-wide.

**Chargemaster Toolkit — CAH**  
A version of Chargemaster Toolkit® designed and priced expressly for Critical Access Hospitals.

**Online Reference Toolkit®**  
A comprehensive source of clinical, coding, financial, regulatory and reference resources.

**Bill Analyzer**  
A tool that can be used pre-bill or post-bill to ensure hospitals capture all legitimate charges after hard and soft coding is complete.

**Interface Scripting Module**  
Software that automates the transfer of chargemaster changes to the hospital’s financial system.

### Physician Practice

**Physician Revenue Toolkit®**  
Used for managing fee schedules and charges and reducing compliance risk around physician billing practice.

**Physician Management Toolkit**  
A fully integrated package consisting of Physician Revenue Toolkit; Online Reference Toolkit for physicians; and physician-specific KPIs powered by Craneware Decision Dashboard™.

### Patient Charge Estimator™

**Patient Charge Estimator™**  
A tool that helps hospitals respond efficiently to the growing number of requests they are receiving for charge estimates, after calls for hospital pricing transparency from President George Bush.

### Pharmacy ChargeLink™

**Pharmacy ChargeLink™**  
Helps hospitals ensure that dispensed medications are accurately priced, billed and reimbursed at an optimal level.

## ◀ No.1 in KLAS

Chargemaster Toolkit® is ranked No. 1 in the Revenue Cycle-Chargemaster Management market category in the “Top 20 Best in KLAS Awards” report, published December 2007.

## Chairman's Statement



I am delighted to be able to report that Craneware has delivered according to its plan at the time of IPO in September last year. The transformation into a public company has served to strengthen our position within the market.

The increase in customer numbers during the period is of course especially encouraging, with Craneware's software now in operation in 878 hospitals across 48 states. This spread illustrates the significant market presence of the Company, and is a testament to the quality of our Chagemaster Toolkit® which is a market leading product in the US healthcare industry. The potential for further growth continues to be significant with legislative changes and fiscal pressures on hospitals meaning that billing procedures in the healthcare industry are facing more scrutiny than ever.

These market drivers combined with strong H1 figures, in particular the 50% increase in new business wins, means that Craneware is on track for a successful year and we expect to see this momentum continue into 2009 and beyond. The Board would like to take this opportunity to thank our teams in Scotland and the US for their continued hard work and dedication, without which our evolution into a successful public company would not have been possible.

**“market drivers combined with strong H1 figures, in particular the 50% increase in new business wins, means that Craneware is on track for a successful year and we expect to see this momentum continue into 2009 and beyond.”**

**George Elliot, Chairman**

## CEO Review



**“As planned we have expanded our customer base, grown our market share and recently launched new products to support future growth.”**

**Keith Neilson, Chief Executive**

### Introduction

In these interim results, our first since our successful IPO last year, we are pleased to report that we have made significant headway in all areas of the business. As planned we have expanded our customer base, grown our market share and recently launched new products to support future growth.

### The Market

Legislative changes and fiscal pressures on healthcare costs continue to be the key drivers of growth in our target market of US hospitals. Most recently, Medicaid and Medicare have announced new measures requiring every US state to have a Recovery Audit Contractor (RAC) in place by 1st of January 2010 who will have powers to audit hospital claims back to the 1st October 2007 looking for errors. Given the logistical problems inherent in attempting to comply with such regulations in a timely and accurate manner Craneware's software solutions are becoming an increasingly compelling proposition for the greater than 50% of US hospitals that still do not have a technology based solution to this issue. We therefore expect this legislation to continue to drive growth at a steady rate through 2010 and beyond.

### Sales and Marketing

The sales and marketing function of the business has performed very well in the period with the end result being a like for like increase of 50% in contract wins over the comparable period last year. This is in terms of both dollar value and number of new hospitals under contract.

Over the last three years, our Marketing Group has been working closely with our customers on many projects for future product development. The culmination of two of those projects has seen the recent introduction of two new product families to the Craneware brand. Ahead of schedule, the first two products of these families were launched at the end of H1

We continue to sell to the same demographic in the market and whilst the absolute number of hospitals is stable across the US, there are many which still do not have a technology solution and in those that do we are well positioned to increase the level of penetration in each hospital given our broadening capabilities and product range.

## CEO Review

The pricing environment continues to be supportive and we are pleased to report that our market driven price increases have been accepted.

Given our success in sales and marketing we believe we are continuing to outsell our competition and increase our market share.

### Product Development

The main focus in the period with regards to product development was the launch of two major new product lines as part of the next generation of Craneware's range of software. In November, we launched **Patient Charge Estimator™**, which enables hospitals to efficiently and accurately provide prospective patients with estimates of procedural charges. Hospitals are then able to use this information to obtain prepayments thereby reducing their bad debt provisions from those patients. In January, just post the close of the half, we launched **Pharmacy ChargeLink™** enabling hospitals to improve the buying, billing and reimbursement of pharmacy items. The first stage of the integration of these products into our marketing strategy is underway, and will be completed by the end of 2008. These products are taking the Company into parallel areas giving us the opportunity to tackle new areas within our market. Further improvements in functionality across the product range have

also boosted our position in the market and we were delighted that during the period our flagship product, **Chargemaster Toolkit®**, was also once again named top in its class by the prestigious industry research house KLAS in the US.

We have carried out additional improvements to our software to aid integration, particularly in enabling our software to "talk to" a number of other software products commonly in use across multiple hospital departments. This has broadened the appeal of our offering and we have also white-labelled some of our products during the period. We continue to investigate other ways in which to integrate our software with third party products.

### Channel Partners

We continue to pursue the development of our third party channels to market and have made significant progress in the period. Amerinet continues to deliver leads and sales and we saw our first sales coming through our partner Premier during the period. Since the period end, we also saw our first sale come through Cerner Corporation, a leading US supplier of healthcare IT systems. We will continue to explore opportunities with regards to additional partnerships.

### Management Change and Appointments

Whilst there have been no major structural changes to our business we were very pleased in the half to announce the promotion of James Wilson to President of Craneware, Inc. our US subsidiary.

### Outlook

We are very pleased with the performance of the Company having executed on our plan and positioned ourselves well for future growth. We have attained, and maintained, a number one position in the market, significantly grown our customer base and delivered new products into the market. These are being well received and the broadening of the product range coupled with our improved sales execution means we are expanding our footprint within each customer and across the market as a whole. Recent legislative changes have and will continue to work in our favour. Our pipeline is strong and we are therefore confident of a successful outcome for the year.

### Financial Review

On 13th September 2007, the Group raised £5.4 million (prior to expenses of £1.6m) through a placing by KBC Peel Hunt of 4,247,830 new Ordinary Shares at the Placing Price of 128p per share. The funds raised via the Placing have been utilised to strengthen the balance sheet in order to

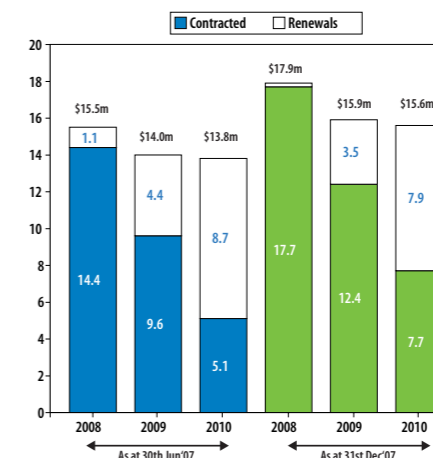
## CEO Review

facilitate continued product development and future strategic acquisitions.

As reported in our H1 Trading Update on 11th January 2008, we increased new sales bookings and hospital wins by approximately 50% over the comparable period last year, whilst launching two new product families ahead of plan and expectations. We continue to be satisfied that the level of renewals continues exceed 90% for hospitals whose multi-year contracts expired during the first half of the year. With an annuity revenue recognition model, the highly predictable and favourable effect of higher new business levels has allowed us to accelerate our investment in promoting and further developing our customer support and sales infrastructure for PCE and PCL.

As regards revenue visibility, the Group had \$32.9m of future revenue under contract at 30th June 2007. New business and renewal activity in H108 added \$12.9m, whilst \$8.7m revenue was recognised through the Income Statement during the period. This has increased future revenue under contract to \$37.1m at 31st December 2007, of which \$10.2m is shown as deferred revenue with the balance of \$26.9m to be invoiced in future periods. Of the future revenue under contract as at 31st December 2007, the directors consider that \$17.7m

will be recognised during FY08 with a further \$12.4m and \$7.7m respectively to be recognised in FY09 and FY10. In addition, assuming all contracts renew with no cancellations, \$0.2m revenues will be recognised from renewal activity during H208, with a further \$3.5m and \$7.9m respectively in FY09 and FY10 relating to contracts due for renewal from H208 to the end of FY10. The following chart shows the comparable position as at 30th June 2007.



Under IFRS 2 "Share-Based Payments" the Group's earnings have now reflected most of the charge in FY07 and H108 relating to share options which existed at IPO. The lower tax charge, and related reduction in tax payable, reflects the tax deductions originating from the exercise of such options during H1.

R&D expenditure on PCE and PCL continues to be capitalised during H1 with amortisation starting in H2 following initial sales of these new products.

Trade and other payables are relatively constant throughout the period from H107 through FY07 to H108 when the timing effects of Corporation Tax payments are adjusted.

Following the change in pricing model in 2005 the long term element of deferred revenue continues to reduce as such contracts mature. The overall level of deferred revenue has increased from \$9.5m to \$10.2m over H108 following new business wins, impacting favourably upon working capital and cash generated from operations.

The Group continues to hold the IPO proceeds in GBP to meet expected UK costs over the period to June 2009. Nevertheless GBP cash balances require to be re-valued each month-end and this has resulted in a charge of \$129,000 during H1 as the US dollar strengthened to 1.985 at 31st December from 2.028 at IPO on 13th September 2007. The natural hedge position will cause this to unwind by the end of FY09.

	unaudited H1 2008 \$000	unaudited H1 2007 \$000	audited FY 2007 \$000
<b>Consolidated Income Statement</b>			
<b>Revenue</b>	8,693	7,026	15,111
Cost of sales	(587)	(362)	(808)
<b>Gross profit</b>	<b>8,106</b>	<b>6,664</b>	<b>14,303</b>
Net operating expenses	(6,796)	(6,122)	(12,906)
<b>Operating profit</b>	<b>1,310</b>	<b>542</b>	<b>1,397</b>
<b>Analysed as:</b>			
Profit before share-based payments, depreciation and amortisation	2,034	1,680	3,796
Share-based payments	(606)	(1,052)	(2,191)
Depreciation of plant and equipment	(90)	(62)	(152)
Amortisation of intangible assets	(28)	(24)	(56)
Finance income	310	224	446
<b>Profit before taxation</b>	<b>1,620</b>	<b>766</b>	<b>1,843</b>
Tax charge	(150)	(261)	(627)
<b>Profit for the period</b>	<b>1,470</b>	<b>505</b>	<b>1,216</b>

Earnings per share for the period attributable to equity holders

- Basic (\$ per share)	0.064	0.026	0.061
- Diluted (\$ per share)	0.060	0.023	0.054

	unaudited H1 2008 \$000	unaudited H1 2007 \$000	audited FY 2007 \$000
<b>Consolidated Balance Sheet as at 31 December 2007</b>			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	435	492	487
Intangible assets	719	271	434
Deferred tax	300	450	810
Trade and other receivables	75	-	75
	<b>1,529</b>	<b>1,213</b>	<b>1,806</b>
<b>Current Assets</b>			
Inventory	-	88	8
Trade and other receivables	4,804	3,513	4,016
Cash and cash equivalents	18,923	10,184	9,664
	<b>23,727</b>	<b>13,785</b>	<b>13,688</b>
<b>Total Assets</b>	<b>25,256</b>	<b>14,998</b>	<b>15,494</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income	561	1,609	903
<b>Current Liabilities</b>			
Deferred income	9,663	7,516	8,579
Trade and other payables	1,333	2,837	2,261
	<b>10,996</b>	<b>10,353</b>	<b>10,840</b>
<b>Total Liabilities</b>	<b>11,557</b>	<b>11,962</b>	<b>11,743</b>
<b>Equity</b>			
Called up share capital	505	1	1
Share premium account	9,261	1,823	1,823
Other reserves	3,014	1,338	2,477
Retained earnings	919	(126)	(550)
<b>Total Equity</b>	<b>13,699</b>	<b>3,036</b>	<b>3,751</b>
<b>Total Equity and Liabilities</b>	<b>25,256</b>	<b>14,998</b>	<b>15,494</b>

## Consolidated Cashflow Statement for the Six Months Ended 31 December 2007

	unaudited H1 2008 \$000	unaudited H1 2007 \$000	audited FY 2007 \$000
<b>Cash flows from operating activities</b>			
Cash generated from operations	2,205	450	2,626
Interest received	310	224	446
Tax (paid) / refunded	(777)	-	(1,638)
<b>Net cash from operating activities</b>	<b>1,738</b>	<b>674</b>	<b>1,434</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	(58)	(419)	(504)
Capitalised intangible assets	(312)	(238)	(433)
<b>Net cash used in investing activities</b>	<b>(370)</b>	<b>(657)</b>	<b>(937)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	-	-	(1,000)
Gross proceeds from the placing	10,503	-	-
Less costs for the placing	(2,612)	-	-
<b>Net cash used in financing activities</b>	<b>7,891</b>	<b>-</b>	<b>(1,000)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>9,259</b>	<b>17</b>	<b>(503)</b>
Cash and cash equivalents at the start of the period	9,664	10,167	10,167
Cash and cash equivalents at the end of the period	18,923	10,184	9,664

## Notes to the Interim Financial Statements

### 1 Earnings per Share

	unaudited H1 2008 \$000	unaudited H1 2007 \$000	audited FY 2007 \$000
(a) Basic			
Profit attributable to equity holders (\$'000)	1,470	505	1,216
Weighted average number of ordinary shares in issue ('000s)	22,870	19,799	19,799
<b>Basic earnings per share (\$ per share)</b>	<b>0.064</b>	<b>0.026</b>	<b>0.061</b>
(b) Diluted			
Profit attributable to equity holders (\$'000)	1,470	505	1,216
Weighted average number of ordinary shares in issue ('000s)	22,870	19,799	19,799
Adjustments for: - share options ('000s)	1,637	2,524	2,719
Weighted average number of ordinary shares for diluted earnings per share ('000s)	24,507	22,323	22,518
<b>Diluted earnings per share (\$ per share)</b>	<b>0.060</b>	<b>0.023</b>	<b>0.054</b>

### 2 Called-Up Share Capital

	unaudited H1 2008 Number	unaudited H1 2008 \$000	audited H1 & FY 2007 Number	audited H1 & FY 2007 \$000
<b>Allotted called-up and fully paid</b>				
Equity share capital				
Ordinary shares of 1p each	24,963,850	505	50,500*	1
Ordinary A shares of 1p each	-	-	13,093*	-
<b>Authorised</b>				
Equity share capital				
Ordinary shares of 1p each	50,000,000	1,014	9,980,361	165
Ordinary A shares of 1p each	-	-	19,639	-
Incentive shares of 0.1p each	-	-	5,087	-

\*Before 300 for 1 share split.

## Notes to the Interim Financial Statements

### 3 Cash Flow Generated from Operating Activities

	unaudited H1 2008 \$000	unaudited H1 2007 \$000	audited FY 2007 \$000
Reconciliation of profit before tax to net cash inflow from operating activities			
<b>Group</b>			
Profit before tax	1,620	766	1,843
Finance income	(310)	(224)	(446)
Depreciation of plant and equipment	90	62	152
Amortisation of intangible assets	28	24	56
Share-based payments	606	1,052	2,191
<b>Movements in working capital:</b>			
Decrease / (increase) in inventory	8	(69)	11
(Increase) / decrease in trade and other receivables	(414)	(478)	(1,056)
(Decrease) / increase in trade and other payables	577	(683)	(125)
<b>Cash generated from operations</b>	<b>2,205</b>	<b>450</b>	<b>2,626</b>

#### Basis of Preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined in S240 of the Companies Act 1985. These statements have been prepared applying accounting policies that were applied in the preparation of the Group's consolidated accounts for the year ended 30th June 2007. Those accounts, with an unqualified audit report, have been delivered to the Registrar of Companies.

#### Segmental Information

The directors consider that the Group operates in one business segment, being the creation of software sold entirely to the US Healthcare Industry, and that there are therefore no additional segmental disclosures to be made in these financial statements.

The interim report was approved by the Board of Directors on 22nd February 2008.

## Notes to the Interim Financial Statements

#### Significant Accounting Policies

The significant accounting policies adopted in the preparation of these statements are set out below.

#### Reporting Currency

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

#### Currency Translation

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. 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 general and administrative expenses.

#### 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. from consulting engagements when all obligations under the consulting agreement have been fulfilled.

Revenue from installation and training is recognised as services are provided, and 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 rateably over the term of the sub licence agreement. 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.

#### 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.

## Notes to the Interim Financial Statements

The Group considers whether there is any indication that capitalised development expenditure may be 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.

### Cash

Cash and cash equivalents include cash in hand, deposits held with banks and short term highly liquid investments. 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.

### Share-Based Payments and Taxation Implications

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 share options in issue 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'.

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share-based payments", a compensation expense is recorded in the Group's 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.

## Contact Craneware

### Support & Information

**Client support:**  
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### USA Headquarters

**Craneware, Inc.**  
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### Directors and Officials

**Directors**  
G R Elliott [Chairman, non-executive]  
K Neilson  
A M McDougall  
N P Heywood [non-executive]

### Secretary and registered office

**A M McDougall**  
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### Broker and Nominated Advisor

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### Registered Auditors

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### Solicitors

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