



Craneware plc Interim Report

H1 2011



About Craneware

Founded in 1999, Craneware has headquarters in Edinburgh, Scotland with offices in Atlanta, Arizona, Massachusetts and Tennessee employing more than 200 staff. Craneware is the leader in automated revenue integrity solutions that improve financial performance and mitigate risk for healthcare organisations. Craneware's market-driven, SaaS solutions help hospitals and other healthcare providers more effectively price, charge and code for services and supplies associated with patient care. These optimise reimbursement, increase operational efficiency and minimise compliance risk. By partnering with Craneware, clients achieve the visibility required to identify, address and prevent revenue leakage. To learn more, visit craneware.com and stoptheleakage.com.

Financial and Operational Highlights

Financial

- Strong revenue and profit growth
 - 25% increase in revenues to \$16.6m (H110: \$13.3m)
 - EBITDA¹ increased 35% to \$4.6m (H110: \$3.4m)
 - Profit before taxation increased by 31% to \$4.3m (H110: \$3.3m)
 - EBITDA¹ margin increased to 28% (H110: 26%)
 - Basic EPS increased by 37% to \$0.126 (H110: \$0.092)
- Cash at period end increased by 16% to \$31.2m (H110: \$26.9m) and from \$29.4m at end June 2010
- Interim dividend of 4.0p per share (FY10 interim dividend 4.7p; FY10 total dividend 8.0p), re-phasing the interim and final dividend payments, total dividends for FY11 expected to be in line with stated progressive dividend policy

¹EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments

Operational

- Launch and first sale of Value-based Pricing Analyzer™
- Strong first full year of Supplies ChargeLink® sales
- Increase in average annualised hospital value
- Increased product attachment rate to 1.7 (H110: 1.5)
- Acquisition of ClaimTrust completed post-period end; increasing market share, adding new product family and additional domain expertise

Quick Facts — Financial

35%

increase in EBITDA¹

25%

increase in revenues

37%

increase in basic EPS

16%

increase in cash at period end

1.7

product attachment rate

Craneware Innovation

Craneware introduced the industry's original automated chargemaster management solution more than eleven years ago. Today, Craneware Revenue Integrity Solutions™ have grown to include four product families: Strategic Pricing, Revenue Cycle, Supply Management, and Audit and Revenue Recovery. Craneware SaaS solutions provide a level of visibility that allows US hospitals and other healthcare provider organisations to identify the root causes of their revenue leakage and more accurately price, charge and code for patient care services and supplies.

Craneware innovation is market-driven, meaning we look to the market in order to identify opportunities where automation can help healthcare provider organisations improve financial performance. Then, we work with clients to bring those solutions to the industry that meet actual needs. Through Craneware User Groups, the Craneware Client Advisory Council, and the online client community, clients participate in a collaborative network, where they engage in sharing best practices while enhancing existing and influencing new products and services. This network is a resource for ongoing dialogue. Clients are so passionate about their business process improvements and results achieved using Craneware solutions that they regularly appear alongside Craneware experts at industry trade shows and events.

Craneware continues to invest in innovating new solutions for clients. The most recent solution announced that helps US hospitals improve financial performance is Value-based Pricing Analyzer™. Value-based Pricing Analyzer simplifies and automates the price-modeling process, providing the speed and flexibility hospitals need to adapt to dynamic market conditions. With Value-based Pricing Analyzer, hospitals can readily assess the potential impact of changes, such as revenue shortfalls, as well as ensure their pricing is transparent, defensible and competitive.

What is Driving Our Growth?

The US healthcare industry's reimbursement is unlike any in the world – highly complex with ever-growing regulatory requirements. Today, among US healthcare payors, almost 40 percent of healthcare costs are paid by the government and the rest is paid by private insurers. All of these payors expect different criteria to be met for payment. The complex rules are continually changing on what insurers and the government will pay. For this reason, we believe only healthcare organisations with software can maintain charge compliance now and into the future. If insurers don't pay, then the hospital must collect that money from patients, which requires additional administrative cost and effort.

Healthcare providers' focus has always been on quality patient care. In today's evolving business climate, they must also give significant focus toward achieving the revenue integrity requirements of accurate reimbursement, operational efficiency and compliance. Craneware helps healthcare provider organisations navigate this complex environment successfully, with solutions that help ensure they price, charge and code correctly and compliantly for patient care services and supplies, so they can get paid accurately.

Craneware solutions support healthcare organisations to both achieve revenue integrity and sustain it. Accurate and efficient business processes are critical components in sustaining revenue integrity. Craneware Revenue Integrity Solutions provide hospitals with visibility into their business processes. It is necessary to have such visibility in order to identify the specific causes of revenue leakage. Once these root causes are identified, revenue leakage can be prevented.

Even a medium-size hospital can have as many as 100 different systems. Most of these systems don't efficiently share consistent data to "talk" to each other. This makes it easy for essential business information to fall through the cracks. Craneware makes the right connections between previously siloed systems so hospitals can ensure they're not doing anything incorrectly that would prevent them from being paid.

Craneware's software and workflow are central to effective collaborative business processes, enabling accurate cooperative decision-making by guiding information-flow among clinical and financial staff. It provides the current relevant decision-support needed for accurate charging, as well as valuable documentation necessary to defend revenue in an audit. Using automation like Craneware's to assure revenue integrity is integral to optimal financial performance in US healthcare now and in the future.

When hospitals use Craneware Revenue Integrity Solutions to improve reimbursement, they find the greatest rewards in improved reimbursement for outpatient encounters. Outpatient revenue has grown in importance for hospitals: outpatient revenue was 28% of hospitals' gross revenue in 1994. In 2009 the outpatient contribution had risen to 41% of hospitals' gross revenue. Many healthcare provider organisations are looking to further expand outpatient services for their greater profitability.

The February 2011 acquisition of ClaimTrust was a major step forward for Craneware. With its Insight Revenue Cycle Solution®, ClaimTrust – now known as Craneware® InSight – solutions has helped hospitals manage the Recovery Audit Contractor (RAC) process to win more than twice as many appeals as their peers and defend millions of dollars in Medicare RAC denials.

To "do more with less" requires that healthcare organisations accurately capture all revenue to which they are entitled while ensuring compliance. Craneware helps them efficiently achieve these critical demands.

Craneware and Real-world Results

St. Joseph Healthcare, a 112-bed acute care community hospital in Bangor, Maine, began using Bill Analyzer for advanced claims analysis and benchmarking

Results: \$153,000 of additional net revenue identified on the first day Bill Analyzer was used, from a single CPT code; clinical staff empowered to improve charge capture performance; increased reimbursement levels

Kingman Regional Medical Center, a 235-bed not-for-profit hospital in Kingman, Arizona installed Pharmacy ChargeLink®

Results: Identified and corrected more than \$1 million in annualised lost revenue due to incorrectly prorated billing of pharmaceutical charges

Caritas Christi Health Care/Steward Health Care, serving more than one million patients annually, went from manual processes to using Craneware's Chargemaster Corporate Toolkit®

Results: Standardizing chargemasters across six hospitals resulted in an estimated \$1.6 million annualised net revenue, improved reimbursement, easier compliance and reduced staff workload by about 15 percent

What Craneware Clients are Saying

“We’re saving money by making sure billing goes out correctly the first time.”

Robert A. Pascasio, FACHE, Administrator CEO,
Bayside Community Hospital, Anahuac, Texas

“We needed standardisation and centralisation of the chargemaster. We now have an automated system that connects all of our revenue management processes, providing visibility to ensure charge code accuracy and operating efficiency across facilities. We are starting to close gaps that led to leakage in the past.”

Todd Craghead, Vice President, Revenue Cycle Organization,
Intermountain Healthcare, Salt Lake City, Utah

“Many hospitals wonder if the revenue is really there to be recovered. Our experience at St. Joseph proves that it is.”

Lisa Killam , Reimbursement Charge Supervisor,
St. Joseph Hospital, Bangor, Maine



Craneware Revenue Integrity Solutions™

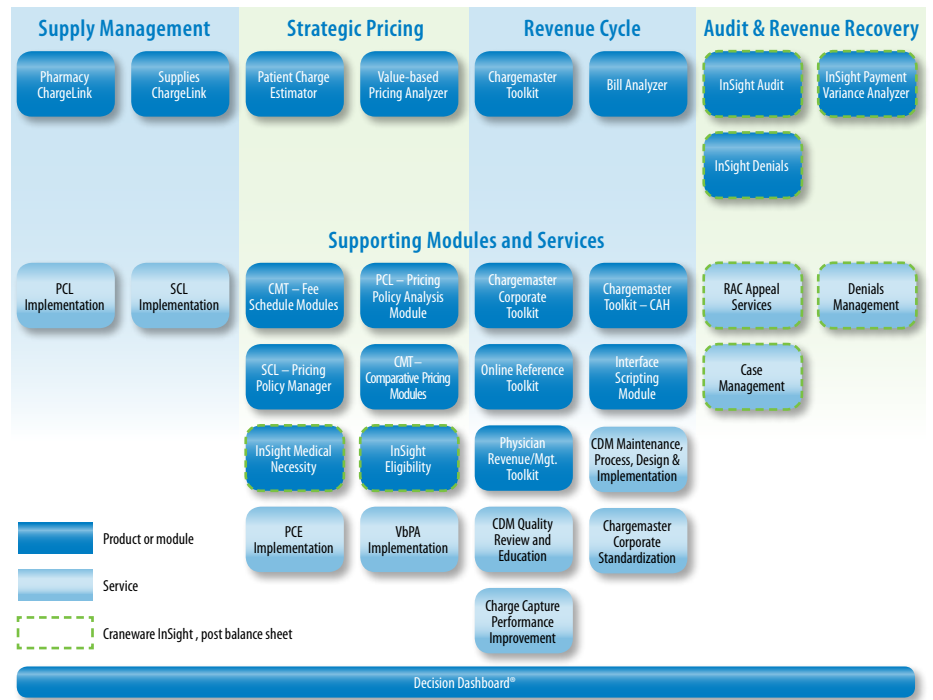
Quick Facts — The Technology

Craneware solutions are based on an annuity subscription model. Craneware products employ a mix of traditional client/server Windows applications and hosted ASP technologies to provide a comprehensive enterprise solution for healthcare financial performance management. Client data is always kept secure within healthcare facilities' own networks, compliant with US Health Insurance Portability and Accountability Act (HIPAA) regulations related to sensitive patient information.

Only registered users can access Craneware's extensive knowledge base and regulatory products through available hospital-based browsers with Internet access. This allows Craneware's software to be rolled out to a number of staff within a facility, permitting different prescribed levels of interaction with minimal impact to resource-strained IS teams and busy users.

Craneware's Revenue Integrity Solutions are divided into four product families – Supply Management, Strategic Pricing, Revenue Cycle and Audit & Revenue Recovery –with corresponding modules and services, plus Decision Dashboard® spanning across all families.

Craneware and Craneware InSight Products and Services



Craneware's 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 2010. www.KLASresearch.com.
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Healthcare Financial Management Association staff and volunteers determined that Craneware's Chargemaster Toolkit®, Chargemaster Corporate Toolkit®, Bill Analyzer, Online Reference Toolkit®, and Interface Scripting Module have met specific criteria developed under the HFMA Peer Review Process. HFMA does not endorse or guarantee the use of these products.



Craneware is a Microsoft Gold Partner which recognises the highest level of technologies certifications, equipment laboratories and customer experience.

Craneware Revenue Integrity Solutions [Cont'd.]

Supply Management

Pharmacy ChargeLink® (PCL)

Pharmacy supply application for improving charge capture, pricing and cost management, establishing and maintaining a connection between a hospital's pharmaceutical purchases and its chargemaster.

Supplies ChargeLink® (SCL)

Supplies software solution for optimising reimbursement by establishing and maintaining a connection between a hospital's supply purchase history and its chargemaster, helping to ensure accurate pricing, coding and billing of chargeable supplies.

Strategic Pricing

Value-based Pricing Analyzer™ (VbPA)

Software that simplifies the price modeling process to ensure pricing is transparent, defensible and competitive.

Patient Charge Estimator® (PCE)

Software that supports defensible and transparent pricing, and simplifies providing estimates for inpatient and outpatient services.

Supporting Modules

Comparative Pricing Modules

Comparison modules for benchmarking a facility's current prices against those of similar organisations based on information derived from Medicare.

Fee Schedule Modules

Fee schedule applications for viewing and comparing a facility's current pricing against published state and national rates.

Pricing Policy Analysis Modules

Analysis modules that establish the accurate price for medications based on actual acquisition costs and proposed reimbursement in accordance with established mark-up formulas.

Revenue Cycle

Chargemaster Toolkit®, Chargemaster Corporate Toolkit® and Chargemaster Toolkit® - CAH

Toolset for capturing legitimate reimbursement by automating chargemaster management processes, customisable for organisations from small community hospitals to large healthcare networks.

Bill Analyzer

Software for improving charge capture processes by identifying lost revenue and categorising areas of risk, resulting in cleaner, more compliant, claims.

Supporting Modules

Online Reference Toolkit®

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

Interface Scripting Module

Software for ensuring items are billed accurately by automatically uploading chargemaster changes to the patient billing system.

Physician Revenue Toolkit® and Physician Management Toolkit

Software for managing a physician group's charges, codes, RVUs, fee schedules and related information – also includes Online Reference Toolkit for physician

billing and, optionally, can track key financial and operational drivers through data trending with the addition of Decision Dashboard®. Decision Dashboard provides decision makers with actionable financial information by monitoring key performance indicators.

Audit & Revenue Recovery

InSight Audit

A comprehensive, Web-based audit management tool that empowers healthcare organizations to manage RAC and other medical claims audits and workflows from one central location.

InSight Payment Variance Analyzer

A Web-based tool that uncovers payor underpayments by analysing all 835 remittance data and comparing actual reimbursements to the contracted rates for each payor.

InSight Denials®

The most powerful denials-management tool available today for drilling into a hospital's 835 remittance data and uncovering the root causes that lead to denials.

Supporting Services

The Craneware Professional Services and Craneware InSight Consulting Services provide companion implementation and consulting services to help facilities apply best practices and achieve a fast, sustainable return on investment. Craneware augments initial product training with live web-based training, self-led computer training and optional fee-based training offered through the Craneware Performance Center.



Revenue Integrity

As a pioneer in automated revenue integrity solutions, Craneware has long been a thought leader in the market. Finding and preventing revenue leakage – the disparity between the amount of revenue that providers are entitled to and the amount of reimbursement eventually received – is a key part of revenue integrity.

Stop the Leakage is the company's campaign, spanning print, web and social media, to increase awareness of revenue integrity challenges and solutions while strengthening the power and authority of the brand.

Chairman's Statement



“The strength of our expanded footprint, the growth in our key metrics, our strong financial position and excellent sales pipeline provide...a great deal of confidence.”

George Elliott, Chairman

This has been a half of significant activity and progress for Craneware. We have continued on our path of strong growth, with a 25% increase in revenues and 35% increase in profits compared to H1 2010. This is testament to the success of the initiatives begun several years ago which saw the expansion of our product set and investment into our sales teams.

It is not just in the strong fundamental financials of the business that this progress is being demonstrated. We have once again received the highest ranking for overall product and customer service for our ChargeMaster Toolkit in a report by industry research house KLAS; we have opened a new US HQ in Atlanta, positioning us at the heart of the US healthcare industry; and, have successfully launched and recorded the first sale for our sixth product, Value-based Pricing Analyzer.

Our sales pipeline is strong and we continue to build sound relationships with some of the leading constituents of the US healthcare industry. Our products are integrated into the offerings of both McKesson and Premier while some of the largest hospital systems, such as Catholic Healthcare West and Catholic Health East, are now seeing the tangible benefits our solutions bring.

As already reported, hospitals in the US are facing increasing pressure to deliver quality healthcare at a reduced cost. The first fines from the introduction of the Medicare Recovery Audit Contractors (RAC) programme in January 2010 have now been imposed. This is creating a high level of concern among hospitals whose finances are already stretched. We continue to invest in product development to meet these growing requirements and we are particularly pleased to have completed the acquisition of ClaimTrust, Inc. post period end. The acquisition will provide, amongst other things, a new product family for Craneware – Audit and Revenue Recovery.

Founded in 1998, ClaimTrust's management team, over 50 employees and approximately 275 customers are now a valuable part of the expanded Craneware group. Now named Craneware InSight, Inc., the team is actively demonstrating the significant benefits which implementation of the new Craneware InSight products can bring to our customer base.

The strength of our expanded footprint, the growth in our key metrics, our strong financial position and excellent sales pipeline provide the Board with a great deal of confidence in our ability to deliver continued high levels of growth.

I would like to take this opportunity to once again welcome the Craneware InSight team and customers into Craneware and thank all our people, customers and partners for their ongoing support.

George Elliott, Chairman

25 February 2010

Operational Review



“A strong start to the year, delivering growth throughout our business... combined with...nearly \$90m of revenue...under contract for future years.”

Keith Neilson, CEO and co-founder



“Revenues in the period increased 25% to \$16.6m which has resulted in a 35% increase to \$4.6m in our reported EBITDA¹.”

Craig Preston, CFO

Introduction

We have delivered another period of sustained growth in the half year, which has seen the fundamentals of our business continue to strengthen. The strong organic growth combined with the acquisition of ClaimTrust means we now have four product families, from which nine products have been rolled out to customers; we have over 200 employees, increasing from just over 150 at the start of the period; we have five offices in the US and UK; and our customer base is rapidly approaching 1,500 hospitals.

The first half of the year has delivered organic growth in both revenue and profits, with revenues increasing 25% to \$16.6m and EBITDA¹ growing 35% to \$4.6m. With the addition of ClaimTrust and the added benefits the combined product sets will provide to our customers, we believe we are well placed to capitalise on our increased and growing market opportunity.

We saw a strong performance from our sales force in the period, with 33% more non-renewal contracts being signed than in the prior period. This success has, however, been masked by the expected lower number of customers due to renew their multi-year contracts in the period, as well as the timing of both large system sales and the signing of new channel partners. Whilst the revenue under contract for future years remains at nearly \$90m, we expect this to increase in the coming months as we sign up larger systems, new channel partner deals and begin to cross sell into our newly acquired customer base. Our pipeline of new opportunities has never been so strong.

The strength of, and reason for, our annuity SaaS business model is that we are not susceptible to these short term changes to the sales mix. It allows us to accommodate the needs of our clients and invest in the future growth of the business, whilst still delivering c.35% growth in profitability in the period.

Our focus in the second half of the year will be on the continued execution of sales, the integration of the ClaimTrust product set and the provision of outstanding service to our customers, helping them navigate their businesses through an unprecedented time of change in the US healthcare market. The fundamental market drivers for Craneware continue to be very positive and we believe we are in a strong position.

Market Developments

US Healthcare reform continues to be high on the news agenda on an almost daily basis, and whilst there is yet to be clarity on the shape these reforms will take, it is clear that reform will occur. US hospitals continue to have to cope with an increasing population, all of whom are demanding higher levels of healthcare, without seeing comparable increases in budgets.

As the US reshapes its healthcare system, new structures, tools and processes are increasingly needed to ensure hospitals invoice and collect all revenue to which they are entitled whilst managing their costs. If they are to deliver the enhanced quality care demanded, hospitals must be able to pinpoint sources of revenue leakage in their organisations so that losses can be prevented. To survive, healthcare organisations are increasingly focused on improving standardisation and collaboration around industry best practices. Workflow technology like Craneware's is the backbone of process automation, effectively building a safety net around administrative processes while facilitating collaboration and process standardisation.

The increased news coverage of recent times has also brought greater scrutiny to bear on the accuracy of healthcare organisations' pricing, charging and coding. Managing the increasing volume and complexity of regulations requires consistent controls in a fluid environment. The increase in compliance audits and non-compliance penalties ranging from loss of payment to stiff fines and incarceration, all make reliance on individual best effort for compliance extremely risky.

Operational Review [Cont'd.]

As expected, the fundamental changes to public law, coupled with expanded fraud and abuse statutes, are now in place and give very little tolerance to errors in outpatient claims data. We have seen a significant increase in the number of auditors registered to start recovering Medicare and Medicaid funds, which is forcing hospitals to dedicate considerable resources to defend revenue. This makes it more critical than ever before that an accurate claim is submitted first time. Craneware's Bill Analyzer, Chargemaster Toolkit and Craneware Insight Audit tool are all being implemented by our customers to manage their Recovery Audit Contractor (RAC) process and appeals.

It is evident that the US healthcare market is only at the very first stages of reform. Regardless of the various options that the reform may take, this catalyst for change combined with key industry trends continue to drive the need for Craneware's solutions. Our expanded product offering is well-placed to meet the growing needs of our customers and become the technology of choice to deliver revenue integrity to healthcare organisations.

Acquisition of ClaimTrust

We were delighted to have completed the acquisition of ClaimTrust on the 17 February 2011. This is the first acquisition for Craneware and one which the Board believes to be strategically valuable, bringing new areas of expertise into the Group, adding a new product family and increasing our market share with the addition of 275 hospitals.

The acquisition, via a merger agreement, provides for the purchase of the entire issued and to be issued share capital of ClaimTrust from the vendors for a maximum total consideration (included a deferred compensation component of \$4.5 million subject to performance criteria and working capital adjustments) of up to \$19.5 million. Initial consideration of \$15 million will be satisfied by \$9 million of cash and \$6 million of new Craneware shares.

ClaimTrust has now become Craneware Insight, Inc., a wholly-owned subsidiary of Craneware plc. Based in Nashville, the division will be run by ClaimTrust CEO, Joe Ferro who becomes Executive Vice President, Craneware Insight. Craneware co-founder and CTO, Gordon Craig has relocated to the US to oversee the product integration, moving into the role of President of Craneware US operations, whilst retaining his CTO responsibilities.

All of ClaimTrust's products are applicable to the Craneware customer base and target audience, and as such significantly expand Craneware's market opportunity. ClaimTrust has built a powerful underlying dataset, which will be combined with the Craneware dataset to further enhance our product range. ClaimTrust's five core products are complementary to Craneware's existing product suite, and will be integrated, via the addition of one further product family, into Craneware's current product set. We are already in discussions with a number of existing Craneware customers and Channel partners regarding the potential addition of ClaimTrust products to their current Craneware product sets.

Sales and Marketing

Following the investment we have made in our sales structure, we have successfully launched our Client Sales Management and Assistant Sales Management teams. These teams work alongside our existing Territory Sale Managers and have been developed to allow us to maximise our opportunity for further cross-sales from our enlarged product set and expanded customer base. With less than 40% of our current customers having more than two products, we expect to see further growth in these teams in the coming years as we continue with our cross-sell marketing initiatives.

In addition to our internal sales teams, Craneware continues to partner with numerous industry-leading hospital information systems, patient accounting systems and GPOs. These alliances both extend

Craneware's market reach and the range of solutions we offer clients.

The average length of new customer contracts continues to be stable at approximately five years. Where we enter into new product contracts with our existing customers, these contracts are typically made co-terminus with the customer's existing contracts, and as such the average length of these contracts is three years, in line with our expectations. Where customers come to the end of their multi-year contracts, we have made a strategic decision to trial the move to "Evergreen" contracts, consistent with other large healthcare IT vendors in the US. This should provide our sales team with a greater opportunity to cross-sell the Craneware product family, with customers expected to be more receptive to new products where their existing contract is structured as rolling rather than multi-year. We are pleased to have seen the average number of products per customer increase to 1.7 from 1.5 in the comparable period.

Product Development

Product development continues to sit at the heart of Craneware's success as we build our portfolio of products sitting in and around the point where clinical data turns into financial data.

The end of the period saw the successful launch and first sale of the latest product within our Strategic Pricing family, Value-based Pricing Analyzer. Replacing consultants and manual processes, Value-based Pricing Analyzer helps hospitals more effectively, accurately and sustainably manage their pricing strategies for services, drugs and supplies, optimising their financial performance while making strategic decisions in both a transparent and defensible manner. Customers can use Value-based Pricing Analyzer to balance the reimbursement, cost and market considerations that drive pricing. The tool allows hospitals to create multiple pricing scenarios detailed down to the service level, or aggregated to the facility or care network as a whole.

Operational Review [Cont'd.]

Our focus for the remainder of the year and into the next will be maximising the benefit customers can drive through the use of the newly acquired ClaimTrust's InSight Revenue Cycle Solution™, alongside Craneware's existing Craneware Revenue Integrity Solutions™, ensuring a seamless user experience.

New Product Family - Audit Revenue and Recovery

The acquisition has provided a new product family for Craneware - Audit and Revenue Recovery. The first product to be offered to our customer base from this new product family will be Insight Audit™ a tool used by hospitals to manage their Recovery Audit Contractor (RAC) process and appeals for medical claim audits. ClaimTrust developed this tool following its instrumental support of hospitals involved in the demonstration stage of the Medicare Recovery Audit programme, helping these customers win more than twice as many appeals than their peers nationally and defending millions of dollars in unnecessary Medicare RAC denials.

Financial Review

Following on from our trading update on 25 January 2011, we are pleased to report that revenues in the period have increased 25% to \$16.6m (H110: \$13.3m), which has resulted in a 35% increase to \$4.6m in our reported EBITDA¹ (H110: \$3.4m).

Figure 1: As of 1 January 2011, we have 93% of the current year market expectations for revenue under contract (H110: 92%). We have \$87.9m of future revenue under contract (FY10: \$89.8m) of which \$16.0m of this is already invoiced and recorded as deferred revenue in the Balance Sheet.

¹EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments

An expected element of this reduction in the future revenue under contract related to the number of customers due to renew in the period. The number of renewals available in any specific period will always be a consequence of the dates customers come to the end of their current multi-year contracts. Fewer customers were due to renew in this period and this, combined with the strategic decision to allow more of the renewal customers to move to "Evergreen" contracts, has resulted in a c.\$4 million reduction in the value of renewal contracts written in the period.

A further element contributing to the lack of growth in the future revenue under contract figure is the inherent short-term timing difficulty in signing large system sales and new channel partner agreements in any given period, despite the strength of the current pipeline in these areas. This is one of the reasons the Company developed its annuity SaaS business model, to ensure these short-term timing issues do not produce undesirable volatility in any relevant financial reporting period whilst maintaining highly predictable future growth of the annuity base of the Company.

Continued control over costs throughout the Company has resulted in net operating expenses increasing by only \$1.98m to \$10.89m (H110: \$8.91m) allowing us to increase our EBITDA¹ margins to 28% (H110: 26%) whilst making the appropriate investment for future growth. With the acquisition of ClaimTrust completing post the Balance Sheet date, all costs in respect of this acquisition have been deferred and will be charged against profit in the second half of the year.

We have continued to deliver our high levels of operating cash conversion. This has resulted in an increase in the Group cash position to \$31.2m

(H110: \$26.9m) from \$29.4m at 30 June 2010. These significant cash balances combined with our rigorous controls over working capital help to maintain the Group's strong balance sheet and provide the opportunity to continue to invest both organically and through acquisition.

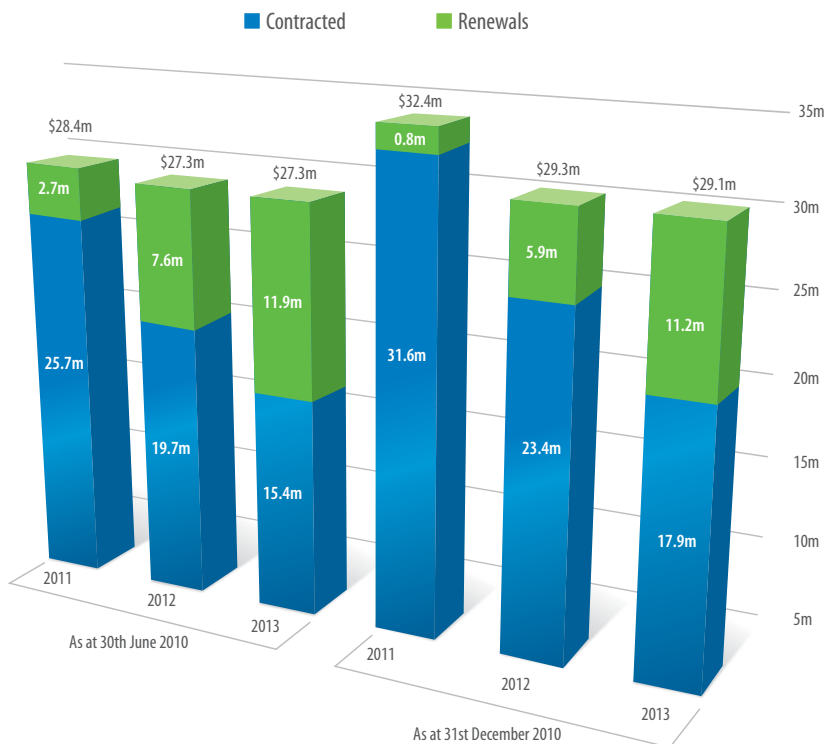
We continue to report the results (and hold the cash reserves) of the Group in US Dollars. As a result we have seen a small benefit from the strengthening Dollar during the period on our UK purchases including the salary costs of our UK based employees. The average conversion rate for the Company during the reporting period was \$1.57/£1 as compared to an average conversion rate in the corresponding period last year of \$1.64/£1.

Dividend

The Board has resolved to pay an interim dividend of 4.0p per ordinary share of the Company (FY10 Interim 4.7p: Total Dividend FY10 8.0p) on 21 April 2011 to those shareholders on the register as at 25 March 2011. The Company intends to propose a final dividend correcting the phasing of interim to final dividend, such that the total dividend for the FY11 is in line with its stated "progressive" dividend policy. The ex-dividend date is 23 March 2011.

The interim dividend of 4.0p per share is capable of being paid in US dollars subject to a shareholder having registered to receive their dividend in US dollars under the Company's Dividend Currency Election, or who register to do so by the close of business on 25 March 2011. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 25 March 2011.

Figure 1.
93% visibility of 2011 expected revenue*



*Consensus analyst forecasts

Outlook

We have recorded a strong start to the year, delivering growth throughout our business. The market drivers for Craneware remain positive and we have seen an increase in our average annualised hospital value due to a larger percentage of cross-sell of our enlarged product set, pointing to the success of our newly launched products and investment in our Client Sales Teams. The robustness of our business model, and its relative immunity to sales mix and contract renewal timing, continues to deliver high quality visibility of our results.

Debate continues regarding the shape of healthcare reform in the US, but we believe that no matter what the final form, the drivers for Craneware's products will be strong. The US has an ever-growing hospital population looking for greater levels of healthcare at a time when overall healthcare costs need to be managed. This will continue to drive hospitals to seek greater efficiencies and endeavour to recover all the revenue to which they are entitled. We are committed to supporting them in achieving this and believe our ability to do so has been strengthened yet further post period end through the acquisition of ClaimTrust.

These factors, combined with the strong visibility over revenues in the coming period and nearly \$90m of revenue that we have under contract for future years, mean we continue to be extremely positive regarding the outcome for the year and the future growth prospects for Craneware.

Keith Neilson, Chief Executive Officer
Craig Preston, Chief Financial Officer
 25 February 2011

Consolidated Statement of Comprehensive Income

	Notes	unaudited H1 2011 \$'000	unaudited H1 2010 \$'000	audited FY 2010 \$'000
Revenue		16,560	13,256	28,397
Cost of sales		(1,409)	(1,160)	(2,553)
Gross profit		15,151	12,096	25,844
Net operating expenses		(10,891)	(8,906)	(18,781)
Operating profit		4,260	3,190	7,063
Analysed as:				
Operating Profit before share-based payments, depreciation and amortisation		4,608	3,417	7,622
Share-based payments		(72)	(46)	(114)
Depreciation of plant and equipment		(103)	(97)	(192)
Amortisation of intangible assets		(173)	(84)	(253)
Finance income		74	110	195
Profit before taxation		4,334	3,300	7,258
Tax charge on profit on ordinary activities		(1,093)	(965)	(1,733)
Profit for the period		3,241	2,335	5,525

The results relate to continuing operations.

Earnings per share for the period attributable to equity holders

- Basic (\$ per share)	1a	0.126	0.092	0.218
- Diluted (\$ per share)	1b	0.124	0.089	0.210

Consolidated Statement of Changes in Equity

	Share Capital \$'000	Share Premium \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2009	511	9,251	3,123	5,791	18,676
Share-based payments	-	-	46	436	482
Retained Profit for the period	-	-	-	2,335	2,335
Dividend	-	-	-	(1,220)	(1,220)
At 31 December 2009	511	9,251	3,169	7,342	20,273
Share-based payments	-	-	68	293	361
Options Exercised	1	(1)	-	-	-
Retained Profit for the period	-	-	-	3,190	3,190
Dividend	-	-	-	(1,772)	(1,772)
At June 2010	512	9,250	3,237	9,053	22,052
Share-based payments	-	-	72	(535)	(463)
Options Exercised	10	-	-	1,498	1,508
Retained Profit for the period	-	-	-	3,241	3,241
Dividend	-	-	-	(1,333)	(1,333)
At 31 December 2010	522	9,250	3,309	11,924	25,005

Consolidated Balance Sheet as at 31 December 2010

	Notes	unaudited H1 2011 \$000	unaudited H1 2010 \$000	audited FY 2010 \$000
ASSETS				
Non-Current Assets				
Plant and equipment		467	309	281
Intangible assets		1,528	1,475	1,474
Deferred tax		1,441	1,223	1,521
Trade and other receivables		-	25	-
		3,436	3,032	3,276
Current Assets				
Trade and other receivables		10,685	7,576	8,596
Cash and cash equivalents		31,234	26,917	29,442
		41,919	34,493	38,038
Total Assets		45,355	37,525	41,314
EQUITY & LIABILITIES				
Non-Current Liabilities				
Deferred income		3	11	218
		3	11	218
Current Liabilities				
Deferred income		15,985	13,171	13,660
Trade and other payables		4,362	4,070	5,384
		20,347	17,241	19,044
Total Liabilities		20,350	17,252	19,262
Equity				
Called up share capital	2	522	511	512
Share premium account		9,250	9,251	9,250
Other reserves		3,309	3,169	3,237
Retained earnings		11,924	7,342	9,053
Total Equity		25,005	20,273	22,052
Total Equity and Liabilities		45,355	37,525	41,314

Consolidated Statement of Cash Flow for the six months ended 31 December 2010

	Notes	unaudited H1 2011 \$000	unaudited H1 2010 \$000	audited FY 2010 \$000
Cash flows from operating activities				
Cash generated from operations	3	4,320	3,123	8,906
Interest received		74	110	195
Tax paid		(763)	(851)	(2,188)
Net cash from operating activities		3,631	2,382	6,913
Cash flows from investing activities				
Purchase of plant and equipment		(289)	(60)	(127)
Capitalised intangible assets		(227)	(354)	(521)
Net cash used in investing activities		(516)	(414)	(648)
Cash flows from financing activities				
Dividends paid to company shareholders		(1,333)	(1,220)	(2,992)
Paid up ordinary share capital		10	-	-
Net cash used in financing activities		(1,323)	(1,220)	(2,992)
Net increase in cash and cash equivalents		1,792	748	3,273
Cash and cash equivalents at the start of the period		29,442	26,169	26,169
Cash and cash equivalents at the end of the period		31,234	26,917	29,442

Notes to the Interim Financial Statements

1 Earnings per Share	unaudited H1 2011	unaudited H1 2010	audited FY 2010
(a) Basic			
Profit attributable to equity holders of the Company (\$'000)	3,241	2,335	5,525
Weighted average number of ordinary shares in issue (thousands)	25,662	25,298	25,315
Basic earnings per share (\$ per share)	0.126	0.092	0.218
(b) Diluted			
Profit attributable to equity holders of the Company (\$'000)	3,241	2,335	5,525
Weighted average number of ordinary shares in issue (thousands)	25,662	25,298	25,315
Adjustments for: - share options (thousands)	438	982	1,005
Weighted average number of ordinary shares for diluted earnings per share (thousands)	26,100	26,280	26,320
Diluted earnings per share (\$ per share)	0.124	0.089	0.210

2 Called up share capital	unaudited Number	H1 2011 \$000	unaudited Number	H1 2010 \$000	audited Number	FY 2010 \$000
Authorised						
Equity share capital						
Ordinary shares of 1p each	50,000,000	1,014	50,000,000	1,014	50,000,000	1,014
Allotted called-up and fully paid						
Equity share capital						
Ordinary shares of 1p each	25,964,950	522	25,297,750	511	25,365,850	512

Notes to the Interim Financial Statements [Cont'd.]

	unaudited H1 2011 \$000	unaudited H1 2010 \$000	audited FY 2010 \$000
3 Consolidated Cash Flow generated from operating activities			
Reconciliation of profit before tax to net cash inflow from operating activities:			
Profit before tax	4,334	3,300	7,258
Finance income	(74)	(110)	(195)
Depreciation on plant and equipment	103	97	192
Amortisation on intangible assets	173	84	253
Share-based payments	73	46	114
Movements in working capital:			
Increase in trade and other receivables	(2,091)	(2,390)	(3,385)
Increase in trade and other payables	1,802	2,096	4,669
Cash generated from operations	4,320	3,123	8,906

4 Basis of Preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined in S435 of the Companies Act 2006. These statements have been prepared applying accounting policies that were applied in the preparation of the Group's consolidated accounts for the year ended 30 June 2010. Those accounts, with an unqualified audit report, have been delivered to the Registrar of Companies.

5 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.

6 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 (\$1.5657/£1). Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the balance sheet date, are included within the related category of expense where separately identifiable, or 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, professional services (included installation), support services and distribution agreements. 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

Notes to the Interim Financial Statements [Cont'd.]

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, which generally is over the period of the underlying contract.

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

Software and distribution agreements with third parties are recognised in accordance with the underlying contractual agreements. Where separate services are delivered, revenue is recognised on delivery of the service.

The excess of amounts invoiced and future invoicing over revenue recognised, is included in Deferred Income. 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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and short term highly liquid investments. For the purpose of the statement of Cash Flow, 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 appropriately amended. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

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. A compensation expense is recorded in the Group's statement of comprehensive income over the period from the grant date to the vesting date of the relevant options. As there is a

temporary difference between the accounting and tax bases a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the statement of comprehensive income. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity against retained earnings.

7 Events after the Balance Sheet date

On the 17 February 2011, the Group acquired, via merger agreement, the entire share capital of ClaimTrust, Inc. a Software-as-a-Service ("SaaS") revenue cycle technology solutions provider for an initial consideration of \$15m and a maximum consideration of \$19.5m, subject to certain performance criteria and working capital adjustments. Initial consideration of \$15m will be satisfied by \$9 million of cash and \$6m of new Craneware shares.

ClaimTrust is a SaaS provider with 100 % of revenues from healthcare providers in the US and Puerto Rico. Its software is delivered via multi-tenant platform hosted in ClaimTrust's own, scalable data centre in Nashville. ClaimTrust has over 275 customers and approximately 10% of these overlapping with the current Craneware customer base.

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