Craneware plc

("Craneware", "the Group" or the "Company")

Interim Results

11 March 2014 - Craneware plc (AIM: CRW.L), the market leader in automated revenue integrity solutions for the US healthcare market, announces its unaudited results for the six months ended 31 December 2013.

Financial Highlights (US dollars)

- Revenue increased 5% to $21.1m (H1 2013: $20.1m)
- Adjusted EBITDA[1] increased 6% to $5.7m (H1 2013: $5.4m)
- Profit before tax increased 7% to $4.8m (H1 2013: $4.5m)
- Adjusted basic EPS increased 8% to 14.3 cents per share (H1 2013: 13.2 cents per share)
- Cash at period end $30.6m (H1 2013: $28.6m and $30.3m at 30 June 2013)
- Proposed interim dividend of 5.7p per share (H1 2013: 5.2p per share)

1. Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments, released deferred consideration and transaction related costs

Operational Highlights

- Good sales performance driven by incremental increases in the number of deals, in the size of hospital groups, the overall deal size and the number of longer-term contracts
- 2013 Best in KLAS Awards: Chargemaster Toolkit and Bill Analyzer
- Good growth in InSight Audit supporting the 'Gateway Products' strategy
- Supportive market environment – The Affordable Care Act, new billing models, healthcare consumerisation, RAC and third party payor audits, market consolidation and affiliations
- Strong revenue visibility over the remainder of the year and beyond

Keith Neilson, CEO of Craneware commented:

"Craneware remains at the forefront of providing solutions to US healthcare providers so they can achieve the revenue integrity required to support improved patient care and outcomes. We have seen a continued increase in sales during the period, to progressively larger hospital groups. The US Healthcare market seems to be settling as strategies are developing to support the need for change and deal with the uncertainties of the Affordable Care Act. With a strong product suite, clear strategic direction and high levels of revenue visibility, we are confident of continued future growth."

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About Craneware

Craneware is the leader in automated revenue integrity solutions that improve financial performance and mitigate risk for US healthcare organisations. Founded in 1999, Craneware has its headquarters in Edinburgh, Scotland with offices in Atlanta, Boston, Nashville and Phoenix employing more than 200 staff. Craneware's market-driven, SaaS solutions help hospitals and other healthcare providers more effectively price, charge, code and retain earned revenue for patient care services and supplies. This optimises reimbursement, increases operational efficiency and minimises 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

Chairman's Statement

I am pleased to report that the first half of the year has seen a continued increase in the level of signed sales contracts, with the other underlying sales metrics trending in a positive direction. Sales have been delivered across a mix of hospital types, including, as predicted, increasingly larger hospital groups, reflecting the natural progression of the sales cycle and the ongoing investment we have made in our sales operation and its growing maturity.

Revenues increased by 5% to $21.1m, adjusted EBITDA increased by 6% to $5.7m and adjusted EPS increased by 8% to 14.3 cents. The Company continued to benefit from strong operational cash flow, closing the period with a cash balance of $30.6m (31 December 2012: $28.6m). Visibility over revenue for FY14 has increased to $41.7m (31 December 2012: $36.7m), providing the Board with increased confidence in continued growth.

We were pleased to welcome Ms Colleen Blye to the Board as Non-Executive Director during the period. Ms Blye is the Executive Vice President and Chief Financial Officer for Catholic Health Systems of Long Island, an integrated healthcare delivery system which incorporates six hospitals, three nursing homes, a community-based agency for persons with special needs, and a regional home care and hospice group. Ms Blye's greater than 20 years' experience across senior positions within the US healthcare industry is providing us with valuable insight as we seek to further develop our market positioning and long term strategy.

With an underlying base of annuity revenue, continued high customer retention rates and a quarter of all US hospitals as customers, we are confident that Craneware has a strong foundation for success. Our products consistently outperform our competitors' solutions, delivering transparent and highly measurable return on investment, as well as efficiencies to our customers. With a high proportion of the market still relying on manual processes and an ever-increasing level of auditing pressure on hospitals, the Board is confident of Craneware's ability to grow its revenues and profits.

The commitment and enthusiasm of our staff continues to be the basis of our success. I would like to thank them for their efforts and our shareholders for their continued support during the period.

George Elliott
Chairman
10 March 2014

Operational Review

Introduction

This has been a positive first half for Craneware. The sales activity seen in recent periods has, as expected, translated into increasing levels of new sales. While some of the revenue from these long term contracts will flow through into the second half of the current year, our revenue recognition policy means that the majority of the impact will be felt in future years, adding to our high levels of revenue visibility.

We previously reported that in the second half of the last financial year sales to small and medium individual hospitals accounted for the majority of new contracts signed in that period and that we anticipated that larger hospitals and hospital groups would take longer to follow suit due to the comparative complexity of their buying cycles. We are pleased to report that we have seen this expected progression in the size of new deals, with an increased level of sales to larger individual hospitals and increasing sizes of hospital groups. A number of contracts were signed in the period, which would previously have been considered material due to their size, but no longer meet our announcement criteria as a result of the increasing overall size of the Company.

We fully expect this trend to continue as the longer buying cycles of the larger hospital groups catch up with the rest of the market in due course.

We enter the second half of the year in a strong position. The Company has increased revenue visibility, strengthened the management team and increased domain and industry expertise at Board level which is keenly monitoring the building sales momentum and future pipeline.

Our focus in the second half of the year will be on addressing the growing number of opportunities we have to help our customers address their challenges and continued sales execution.

Market Developments

Recent reports from the Centers for Medicare and Medicaid Services state that US healthcare spending in 2012 showed its fourth consecutive year of growth, albeit growing modestly slower than the economy as a whole in 2012. Overall healthcare spending increased at a rate of 3.7 percent to $2.8 trillion in 2012. The share of the US economy devoted to healthcare was therefore 17.2 percent in 2012.

With six main trends affecting US healthcare reimbursement, the main priority of our customers continues to be providing quality care to their patients against the background of continuing cuts in Medicare reimbursements, imposed restructuring of their business models and increased pressure from payor auditors. These are discussed in more detail below;

The Affordable Care Act

Although the Affordable Care Act may well evolve again in the future, the first tangible signs of its implementation are already being seen. The online Health Insurance Exchanges established under the Act, which allow individuals and small businesses to purchase private health insurance, saw very low levels of registration at first. However, recent reports state that nearly 2.2 million people have now signed up. December's enrollment (1.8 million) jumped nearly five times from the number who enrolled in October and November combined (364,000). Hospitals will shortly begin to see large numbers of these patients in a setting that will be covered by at least a basic level of insurance where previously many hospitals would have been forced to see these patients and write off much of the treatment costs as charity care. Future supply and demand curves for hospitals are predicted to remove any current perceived spare capacity in the industry.

New Billing Models

As part of the Affordable Care Act, healthcare providers and payors have been asked to consider and implement many new business models for reimbursement and to reduce their dependence on fee for service only style payments. This new world may involve reimbursement coming from a variety of business models alongside Fee for Service such as Fee for Outcome, Bundled Payments, Accountable Care organizations and Population Health Management models. These multiple billing models, move risk more to the Healthcare provider, therefore creating a greater dependency for them to claim reimbursement correctly, requiring the accuracy of data both clinically and financially within their systems to make accurate assessment of the acquired risk.

Healthcare Consumerisation

With rising costs in Healthcare being transferred disproportionately from the government and the employer to the consumer, hospitals have seen more than a trebling of their reimbursement coming directly from the consumer in the last ten years. This drive to consumerism and the relative lack of certainty of payment for the Provider that this brings with it has resulted in a technology backed focus on correct and efficient patient registration with payment collections before treatment has been provided.

RAC and third party Payor Audits

The audit program looks to intensify in the near term with an additional RAC created in the recent retendering process and the imminent release of the names of the new successful RAC Auditors who will carry out this work for the next five years reinforcing how much pressure is on Healthcare Providers to make sure they are running this non-core but critical area of their operations correctly. New rules that state the number of medical chart requests that a RAC can audit from any one hospital is reduced in proportion to the number of denials that a hospital has had historically will be introduced when the new RAC's are in place. This is widely expected to drive technology solutions elsewhere in the revenue cycle particularly in charge master and denials management, to deal with revenue integrity and ultimately attempt to mitigate the hospitals' exposure to RAC audit risk by correcting things the first time around.

ICD 10 Coding Transition

From October 2014, hospitals will have to report their claims with an International Classification of Diagnosis Code Version 10 (ICD 10) replacing the simpler US Version 9 which is currently mandated. This conversion, although very large in its magnitude and increased complication for providers, has been scheduled for a long time (originally scheduled to be implemented 2013) and therefore the majority of hospitals have detailed and advanced plans to deal successfully with this conversion. Although getting these codes wrong on a claim could have a catastrophic effect on a hospital's reimbursement, the number of hospitals that appear to have not been successfully testing their claims with this data set is limited and therefore should not substantially result in a diversion for hospitals, as long as the payor systems are equally robust. At the recent Health Information Management Systems Society Annual convention, ICD 10 conversion was likened to the Y2K problem. Although potentially critical in nature, few people had a great deal of remaining exposure to this risk.

Consolidation and Affiliation

As reported in previous periods the increasing trend for healthcare providers to consolidate and affiliate to share economies of scale has not abated.

The competitive landscape remains largely unchanged, with new entrants to the market generally seeking to establish partnerships or joint go-to-market strategies. Management believes Craneware has the most extensive suite of revenue integrity solutions to address the aforementioned healthcare trends and is confident of its growing prominence within the US healthcare market as it continues to further develop and enhance in the areas of Patient Access, Data for Population Health and other business models, Revenue Cycle, Supply chain and Audit.

Sales and Marketing

The Company delivered a good sales performance in the first half of the year. This in part reflects the anticipated development of the natural buying cycle, which saw initial sales to the smaller more flexible, independent hospitals in the prior year, develop to now include larger hospitals and larger sized hospital groups. As previously stated we expect this development of hospital buying cycles to continue, with the increasing engagement of larger hospital groups and their inherently more complex buying decisions.

An example of a hospital group signing in the period was Avera Health, a large health network of hospitals and clinics in South Dakota, North Dakota, Minnesota, Iowa and Nebraska, which purchased InSight Medical Necessity® for implementation at 28 of their 33 hospital organisations to provide automated, real-time, validation of medical necessity.

The investments made in the prior and current period to our sales team have also added to the sales performance. Reinvigorated sales management, with the support of the Operations Board, has reorganised the sales incentivisation structures taking advantage of recent market conditions to add additional high caliber people across the sales organisation. These combined with the growing maturity of the entire sales team leaves us well positioned to respond to our increasing market opportunity.

The average length of new customer contracts continues to be in-line with our historical norms of approximately five years, although we have seen the return of 7 and 9 year contracts in the period which is reflective of the increasing market confidence. Where Craneware enters into new product contracts with its existing customers, contracts are typically made co-terminus with the customer's existing contracts, and as such, the average length of these contracts is greater than three years, in-line with our expectations.

'Renewal rates by dollar value' is a financial metric which specifically ties to the revenue visibility for future years This metric at 94%, is within the historical norms and is reviewed in the Financial Review section.
The sales mix remained fairly constant throughout the period, resulting in no change to the overall product attachment rate, which remained steady at approximately 1.6 products per customer.

Our Gateway product strategy continues to be positively received. The increased focus on these products during initial customer discussions has led to both new hospital sales as well as the cross sell of the newer Gateway products to our original customer base. We are seeing evidence that the successes of the Gateway products leads to customers instigating sales discussions for other products. In the second half of the prior Financial Year we identified InSight Audit as the Gateway product for the Audit and Recovery Product Family. This decision has been supported by the continued increase of sales of this product, with the number of products sold in the period now reaching the level of sales achieved by our original Gateway Product 'Chargemaster Toolkit'. We continue to look at options for a Gateway product in the Access Management and Strategic Pricing family and continue to assess the opportunities for this product family.

A focus of our marketing in the period has been to widen our marketing to increasingly target the "C suite" and not just the CFO. The importance of revenue integrity to all healthcare providers is gaining increasing exposure at the top tier management of these organisations. We are now seeing acknowledgment across the "C Suite" that financial and clinical operations have to be aligned to achieve better quality in healthcare and outcomes.

Awards

We are pleased to report that once again two of our solutions ranked first in two distinct revenue cycle categories in the annual "2013 Best in KLAS Awards: Software & Services" report, published January 2014. In this new KLAS report, Craneware's flagship product, Chargemaster Toolkit®, earned the #1 ranking in the KLAS "Revenue Cycle – Chargemaster Management" market category for the eighth consecutive year, and Craneware's Bill Analyzer software ranked #1 in the "Revenue Cycle – Charge Capture," winning a Category Leader award for the third year running.

Product Development

Our strategy is to provide software solutions that help customers at the points in their systems where clinical and operational data transform into financial transactions. Our solutions automate data normalisation, combining disparate data sets while maintaining the localised context. This produces valuable, actionable information and creates organisation-wide visibility and accountability. We consistently receive feedback from our customers that through the implementation of our software they are able to rapidly identify significant amounts of dollars in missed revenue, overspend or incorrect billing which could lead to lost income and indeed fines.

Product development continues to be focused on supporting this long term strategy. During the period we have progressed the initiatives that were launched in the prior year. These include: continuing to enhance the functionality of current products whilst investigating the opportunities that integration of current offerings into new innovative combinations could present; maintaining the focus on external integration with Healthcare Information Systems, such as the EPIC patient accounting system, to ensure we can fully support all our Customers should they decide to replace their current systems. In conjunction with and in support of these initiatives we have continued development of our common software framework, this will provide the foundation for our future development efforts, significantly decreasing our time to market. During the period we have neared completion of the development of a set of hybrid solutions, which combine services with some of our core products which enables them to be implemented at smaller hospitals that do not have their own internal revenue integrity teams. We expect these solutions to be released in the second half of the year.

Financial Review

For the six month period to 31 December 2013, we are reporting a 5% growth in revenues to $21.1m (H113:$20.1m) and a resulting 6% increase in adjusted EBITDA[1] to $5.7m (H113: $5.4m).

The majority of the Group's revenue is recognised under the Annuity SaaS revenue recognition model. This model sees software licence revenue recognised over the life of the underlying contract (which as detailed earlier for new hospital sales is an average of 5 years) with any associated professional service revenue recognised as we deliver the services. As a result of this conservative revenue recognition model, sales made in any single period will not contribute significantly to revenues in that period, instead they will add to 'revenue visibility for future years' i.e. support and add confidence to the future years growth rates of the Group. The strategy behind the Group's business model and revenue recognition policies are to ensure the long term growth and stability of the Group.

In the period under review, we have seen increasing sales momentum delivering incremental levels of sales together with a sales mix which, when compared to last year, includes an increase in sales to large hospitals and small to medium size hospital groups and also includes contracts signed for up to 9 years. As a result of our revenue recognition model, however, we do not see a significant short term increase in revenue instead we will see the vast majority of these sales convert to revenue in future years providing the foundation for further growth in those years.

As a means of demonstrating the growth in this future years revenue, at the end of each financial year, the Company reports its 'Three Year Visible Revenue' KPI which identifies the amount of visible revenue either contracted or highly likely to be booked in the next three year period. This KPI helps to demonstrate how the underlying annuity base of revenue is building each year. This though is a three year 'snapshot' and does not fully represent the benefit of new contracts signed for up to 9 years.

At the interim reporting date, the Company reports how that metric, for the same three year period has moved on i.e. incorporating the results of the first six months of the three year KPI. This shows both how renewals have flowed through and how sales of new products have affected new contracted revenue across the three years. The total visible revenue for the three year period 1 July 2013 to 30 June 2016 has grown during this six month period to $114.4m from $109.5m at 30 June 2013. This comprises $79.5m revenue under contract, $29.7m renewal revenue and $5.2m revenue identified as recurring in nature (previously referred to as Claimtrust Legacy Revenue) (at 30 June 2013: $60.6m, $40.8m and $8.1m respectively).

'Revenue under contract'; relates to revenues that are supported by underlying contracts. 'Renewal revenue'; at the start of the year, we 'look forward' and calculate the amount of revenue which is potentially available to be recognised in each of the three years but that requires an underlying contract to be renewed. In calculating this, we assume a 100% dollar value renewal level. As the renewals occur, the aggregated related revenue for all of the three years, moves from 'renewal revenues' to 'revenue under contract'.

The final element is revenue identified as recurring in nature; this was previously called ‘Claimtrust Legacy Revenue’ as it related to our February 2011 acquisition. This was revenue that was subject to long term contracts, but had shortterm break clauses and was usually invoiced on a monthly basis, however due to the nature of the underlying services provided, we expected it to be recurring in nature. Since the integration of Claimtrust we have been, where possible, refocussing these services towards annuity contracts. In the period we implemented a significant step in this transition redeploying the highly skilled healthcare consultants from more traditional services work to ‘contracted engagements’ directly supporting existing customers and potential new software sales. This results in engagements which are shorter term in nature and therefore this small element no longer appears in revenue visibility for future periods. As discussed at the time of our FY13 results this element of revenue visibility will now be labeled Other Recurring Revenue. This better aligns these consultants to the long term strategic aims of the Group.

Our renewal rates by dollar value are subject to period to period fluctuations, however over the course of a full year we historically see these renewal rates return to over 100% by dollar value. In the current period we have again seen our renewal rates dip to 94%. We have witnessed this previously and we do not believe this is representative of a longer term trend. The financial effect of the periods renewal rate is fully reflected in each of the years forming our ‘three year visible revenue’ KPI above.

Within our operating expenses we have continued to invest as appropriate for the future growth of the Group. The increased level of sales in the period combined with the changes made to the sales incentive structure has and will have an impact on the gross profit margins, however this investment has been balanced against investments in other areas. As a result, our adjusted EBITDA margin for the period is 27% as compared to 26.8% in the same period in the prior year.

Ultimately the increase in EBITDA, as well as a small beneficial effect from the reduction in corporation tax rates in the UK, has resulted in the adjusted basic EPS increasing by 8% to $0.143 per share (H113 : $0.132) and adjusted diluted EPS increasing to $0.142 (H113: $0.131).

The Group continues to maintain a strong balance sheet, with no debt and significant cash reserves of $30.6m ($28.6m at 31 December 2012 and $30.3m at 30 June 2013). The cash levels reported are after returning $2.8m to shareholders by way of dividends and tax payments of $1.2m in the period. The increase in cash balances is in contrast to prior years, where the combination of dividends and tax payments combined with cash cycles in the run up to 31 December has resulted in a reduction in the cash balances. Continued healthy cash collections since the period end ensures the Group retains healthy cash reserves which in turn provides for further future investment including potential ‘bolt on‘ acquisitions should such opportunities arise.

We continue to report the results (and hold the cash reserves) of the Group in US Dollars, whilst having approximately twenty five percent of our costs, being our UK employees and purchases, denominated in Sterling. The average exchange rate for the Company during the reporting period was $1.58/£1 which was comparable to the corresponding period last year.

Dividend

The Board has resolved to pay an interim dividend of 5.7p (9.44 cents) per ordinary share in the Company on 25 April 2014 to those shareholders on the register as at 28 March 2014 (FY13 Interim dividend 5.2p). The ex-dividend date is 26 March 2014.

The interim dividend of 5.7p 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 has registered to do so by the close of business on 28 March 2014. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 28 March 2014. The interim dividend referred to above in US dollars of 9.44 cents is given as an example only using the Balance Sheet date exchange rate of $1.6563/£1 and may differ from that finally announced.

Outlook

Craneware remains at the forefront of providing solutions to US healthcare providers so they can achieve the revenue integrity required to support improved patient care and outcomes.

We have seen a continued increase in sales during the period, to progressively larger hospital groups. The US Healthcare market seems to be settling as strategies are developing to support the need for change and deal with the uncertainties of the Affordable Care Act. With a strong product suite, clear strategic direction and high levels of revenue visibility, we are confident of continued future growth.

Keith Neilson
Chief Executive Officer
10 March 2014

Craig Preston
Chief Financial Officer
10 March 2014

Craneware PLC
Interim Results FY14
Consolidated Statement of Comprehensive Income

	Notes	**H1 2014 $'000**	H1 2013 $'000	FY 2013 $'000
Revenue		**21,146**	20,131	41,452
Cost of sales		**(1,199)**	(836)	(2,071)
Gross profit		**19,947**	19,295	39,381
Net operating expenses		**(15,182)**	(14,835)	(28,881)
Operating profit		**4,765**	4,460	10,500
Analysed as:				
Adjusted EBITDA[1]		**5,703**	5,392	12,357
Share-based payments		**(96)**	(95)	(181)
Depreciation of plant and equipment		**(303)**	(305)	(621)
Amortisation of intangible assets		**(539)**	(532)	(1,055)
Finance income		**31**	54	103
Profit before taxation		**4,796**	4,514	10,603
Tax charge on profit on ordinary activities		**(1,223)**	(1,241)	(2,307)
Profit for the period attributable to owners of the parent		**3,573**	3,273	8,296
Total comprehensive income attributable to owners of the parent		**3,573**	3,273	8,296

[1]Adjusted EBITDA is defined as operating profit before*, share based payments, depreciation and amortisation.*

Earnings per share for the period attributable to equity holders

	Notes	**H1 2014**	H1 2013	FY 2013
- Basic ($ per share)	1a	**0.132**	0.121	0.307
- *Adjusted Basic ($ per share)[2]	1a	**0.143**	0.132	0.329
- Diluted ($ per share)	1b	**0.132**	0.121	0.306
- *Adjusted Diluted ($ per share)[2]	1b	**0.142**	0.131	0.328

[2]Adjusted Earnings per share calculations allow for the amortisation on acquired intangible assets to form a better comparison with previous periods.

Craneware PLC
Interim Results FY14
Consolidated Statement of Changes in Equity

	Share Capital $'000	Share Premium $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2012	538	15,408	209	21,282	37,437
Total comprehensive income – profit for the period	-	-	-	3,273	3,273
Transactions with owners					
Share-based payments	-	-	95	52	147
Impact of share options exercised	-	-	(50)	50	-
Dividend	-	-	-	(2,482)	(2,482)
At 31 December 2012	538	15,408	254	22,175	38,375
Total comprehensive income – profit for the period	-	-	-	5,023	5,023
Transactions with owners					
Share-based payments	-	-	86	(37)	49
Impact of share options exercised	1	88	(128)	124	85
Dividend	-	-	-	(2,211)	(2,211)
At 30 June 2013	539	15,496	212	25,074	41,321
Total comprehensive income – profit for the period	-	-	-	3,573	3,573
Transactions with owners					
Share-based payments	-	-	97	-	97
Impact of share options exercised	-	-	(41)	41	-
Dividend	-	-	-	(2,783)	(2,783)
At 31 December 2013	**539**	**15,496**	**268**	**25,905**	**42,208**

Craneware PLC
Interim Results FY14
Consolidated Balance Sheet as at 31 December 2013

	Notes	**H1 2014 $'000**	H1 2013 $'000	FY2013 $'000
ASSETS				
Non-Current Assets				
Plant and equipment		**1,547**	1,834	1,596
Intangible assets		**14,812**	15,481	15,291
Deferred Tax		**1,564**	1,673	1,615
		17,923	18,988	18,502
Current Assets				
Trade and other receivables	2	**17,347**	13,195	15,128
Current tax assets		**377**	428	468
Cash and cash equivalents		**30,628**	28,623	30,277
		48,352	42,246	45,873
Total Assets		**66,275**	61,234	64,375
EQUITY AND LIABILITIES				
Non-Current Liabilities				
Deferred income		**-**	-	30
		-	-	30
Current Liabilities				
Deferred income		**18,362**	15,999	16,419
Current tax liabilities		**983**	1,329	1,055
Trade and other payables		**4,722**	5,531	5,550
		24,067	22,859	23,024
Total Liabilities		**24,067**	22,859	23,054
Equity				
Called up share capital	3	**539**	538	539
Share premium account		**15,496**	15,408	15,496
Other reserves		**268**	254	212
Retained earnings		**25,905**	22,175	25,074
Total Equity		**42,208**	38,375	41,321
Total Equity and Liabilities		**66,275**	61,234	64,375

Craneware PLC
Interim Results FY14
Consolidated Statement of Cash Flow for the six months ended 31 December 2013

	Notes	**H1 2014 $'000**	H1 2013 $'000	FY 2013 $'000
Cash flows from operating activities				
Cash generated from operations	4	**4,601**	4,396	9,891
Interest received		**31**	54	103
Tax paid		**(1,183)**	(2019)	(3,377)
Net cash from operating activities		**3,449**	2,431	6,617
Cash flows from investing activities				
Purchase of plant and equipment		**(254)**	(112)	(190)
Capitalised intangible assets		**(61)**	(4)	(336)
Net cash used in investing activities		**(315)**	(116)	(526)
Cash flows from financing activities				
Dividends paid to company shareholders		**(2,783)**	(2,482)	(4,693)
Proceeds from issuance of shares		**-**	-	89
Net cash used in financing activities		**(2,783)**	(2,482)	(4,604)
Net (decrease)/increase in cash and cash equivalents		**351**	(167)	1,487
Cash and cash equivalents at the start of the period		**30,277**	28,790	28,790
Cash and cash equivalents at the end of the period		**30,628**	28,623	30,277

1. 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 ordinary shares in issue during the period.

	H1 2014	H1 2013	FY 2013
Profit attributable to equity holders of the Company ($'000)	**3,573**	3,273	8,296
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,992	26,998
Basic earnings per share ($ per share)	**0.132**	0.121	0.307
Profit attributable to equity holders of the Company ($'000)	**3,573**	3,273	8,296
Amortisation of acquired intangibles ($'000)	**287**	287	574
Adjusted Profit attributable to equity holders ($'000)	**3,860**	3,560	8,870
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,992	26,998
Adjusted Basic earnings per share ($ per share)	**0.143**	0.132	0.329

(b) Diluted

For diluted earnings per share, the weighted average number of ordinary shares calculated above is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, being those granted to Directors and employees under the share option scheme.

	H1 2014	H1 2013	FY 2013
Profit attributable to equity holders of the Company ($'000)	**3,573**	3,273	8,296
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,992	26,998
Adjustments for: - share options (thousands)	**141**	91	69
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,150**	27,083	27,067
Diluted earnings per share ($ per share)	**0.132**	0.121	0.306

1. Earnings per Share (Cont.)

	H1 2014	H1 2013	FY 2013
Profit attributable to equity holders of the Company ($'000)	**3,573**	3,273	8,296
Amortisation of acquired intangibles ($'000)	**287**	287	574
Adjusted Profit attributable to equity holders ($'000)	**3,860**	3,560	8,870
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,992	26,998
Adjustments for: - share options (thousands)	**141**	91	69
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,150**	27,083	27,067
Adjusted Diluted earnings per share ($ per share)	**0.142**	0.131	0.328

2. Trade and other receivables

	H1 2014 $'000	H1 2013 $'000	FY 2013 $'000
Trade Receivables	**9,215**	6,690	8,448
Less: provision for impairment of trade receivables	**(616)**	(422)	(607)
Net trade receivables	**8,599**	6,268	7,841
Other Receivables	**186**	193	203
Prepayments and accrued income	**8,562**	6,734	7,084
Trade and other receivables	**17,347**	13,195	15,128

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

3. Called up share capital

	H1 2014		H1 2013		FY 2013	
	Number	**$'000**	Number	$'000	Number	$'000
<u>Authorised</u>						
Equity share capital						
Ordinary shares of 1p each	**50,000,000**	**1,014**	50,000,000	1,014	50,000,000	1,014
<u>Allotted called-up and fully paid</u>						
Equity share capital						
Ordinary shares of 1p each	**27,008,763**	**539**	26,998,408	538	27,008,763	539

4. Consolidated Cash Flow generated from operating activities

Reconciliation of profit before taxation to net cash inflow from operating activities:

	H1 2014	H1 2013	FY 2013
	$'000	$'000	$'000
Profit before taxation	**4,796**	4,514	10,603
Finance income	**(31)**	(54)	(103)
Depreciation on plant and equipment	**303**	305	621
Amortisation on intangible assets	**539**	532	1,055
Share-based payments	**96**	95	181
Movements in working capital:			
(Increase)/decrease in trade and other receivables	**(2,693)**	(787)	(2,721)
(Decrease)/increase in trade and other payables	**1,591**	(209)	255
Cash generated from operations	**4,601**	4,396	9,891

5. 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 30th June 2014. Those accounts, with an unqualified audit report, have been delivered to the Registrar of Companies.

6. 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.

7. 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 ($1.6563/£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 is derived from sales of, and distribution agreements relating to, software licenses and professional services (including installation). Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) the customer has access and right to use our software; (iii) the sales price can be reasonably measured; and (iv) collectability is reasonably assured.

Revenue from standard licensed products which are not modified to meet the specific requirements of each customer is recognised from the point at which the customer has access and right to use our software. This right to use software will be for the period covered under contract and, as a result our annuity based revenue model, recognises the licensed software revenue over the life of this contract. This policy is consistent with the Company’s products providing customers with a service through the delivery of, and access to, software solutions (Software-as-a-Service (“SaaS”)), and results in revenue being recognised over the period that these services are delivered to customers.

‘White-labelling’ or other ‘Paid for development work’ is generally provided on a fixed price basis and as such revenue is recognised based on the percentage completion or delivery of the relevant project. Where percentage completion is used it is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Where contracts underlying these projects contain material obligations, revenue is deferred and only recognised when all the obligations under the engagement have been fulfilled.

Revenue from all professional services is recognised as the applicable services are provided. Where professional services engagements contain material obligation, revenue is recognised when all the obligations under the engagement have been fulfilled. Where professional services engagements are provided on a fixed price basis, revenue is recognised based on the percentage completion of the relevant engagement. Percentage completion is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project.

Software and professional services sold via a distribution agreement will normally follow the above recognition policies.

Should any contracts contain non-standard clauses, revenue recognition will be in accordance with the underlying contractual terms which will normally result in recognition of revenue being deferred until all material obligations are satisfied.

The excess of amounts invoiced over revenue recognised are included in deferred income. If the amount of revenue recognised exceeds the amount invoiced the excess is included within accrued income.

Business combinations

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the Statement of Comprehensive Income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill arising on the acquisition is recognised as an asset and initially measured at cost, being the excess of fair value of the consideration over the Group's assessment of the net fair value of the identifiable assets and liabilities recognised.

If the Group's assessment of the net fair value of a subsidiary's assets and liabilities had exceeded the fair value of the consideration of the business combination then the excess ('negative goodwill') would be recognised in the Statement of Comprehensive Income immediately. The fair value of the identifiable assets and liabilities assumed on acquisition are brought onto the Balance Sheet at their fair value at the date of acquisition.

Intangible Assets

(a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is capitalised and recognised as a non-current asset in accordance with IFRS 3 and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that the value might be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Proprietary software

Proprietary software acquired in a business combination is recognised at fair value at the acquisition date. Proprietary software has a finite life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the associated costs over their estimated useful lives of 5 years.

(c) Contractual Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful economic life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship which has been assessed as 10 years.

(d) 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, which has been assessed as 5 years. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

(e) Computer software

Costs associated with acquiring computer software and licensed to-use technology are capitalised as incurred. They are amortised on a straight-line basis over their useful economic life which is typically 3 to 5 years.

Impairment of non-financial assets

At each reporting date the Group considers the carrying amount of its tangible and intangible assets including goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) through determining the value in use of the cash generating unit that the asset relates to. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately. Impairment losses relating to goodwill are not reversed.

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 grants share options 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity. When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

The share-based payments charge is included in net operating expenses 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.

8. Availability of announcement and Half Yearly Financial Report

Copies of this announcement are available on the Company's website, www.craneware.com. Copies of the Interim Report will be posted to shareholders, downloadable from the Company's website and available from the registered office of the Company shortly.