Craneware

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

Final Results

21 September 2020 - Craneware (AIM: CRW.L), the market leader in Value Cycle software solutions for the US healthcare market, announces its audited results for the year ended 30 June 2020.

Financial Highlights (US dollars)

- Revenue of $71.5m (FY19: $71.4m)
- Adjusted EBITDA[1.] increased 5% to $25.2m (FY19: $24.0m)
- Profit before tax increased 5% to $19.3m (FY19: $18.3m)
- Basic adjusted EPS[2.] increased 3% to $0.654 (FY19: $0.633) and adjusted diluted EPS increased to $0.644 (FY19: $0.620)
- Basic EPS increased 12% to $0.628 (FY19: $0.561) and diluted EPS increased 13% to $0.619 (FY19: $0.550)
- Three Year Total Visible Revenue[3.] of $200.1m (FY19 same 3 year period: $197.5m)
- Operating cash conversion[3.] at 92% of Adjusted EBITDA, (FY19: 63%)
- Cash at year-end of $47.9m (FY19: $47.6m) after having returned $9.1m to shareholders via dividends
- Proposed final dividend of 15p per share (18.45 cents) (FY19: 15.0p, 19.05 cents) giving a total dividend for the year of 26.5p per share (32.60 cents) (FY19: 26.0p, 33.02 cents)

[1.] *Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, exceptional items and share based payments.*
[2.] *Adjusted Earnings per share (EPS) calculations allow for the tax adjusted acquisition costs and share related transactions together with amortisation on acquired intangible assets.*
[3] *Refer to the Financial Review section of the Strategic Report for further details.*

Operational Highlights

- Rapid implementation of our business continuity plan and the transition of employees to remote working with minimal disruption to customers
- Total Sales[4] for the year of $65.4m (FY19: $63.1m)
- Total Sales to 31 March 2020 tracking 30% ahead of same period in FY19, impacted in the final quarter by COVID-19
- Sales of Trisus Enterprise Value Platform products represented 14% of New Sales in the year (FY19: 13%)
- Healthy sales mix, with 90% of sales being to existing customers or new hospitals within existing healthcare system customers, demonstrating the successful execution of our land and expand strategy
- Continued investment in R&D and innovation to capitalise on growing market opportunity

[4.] *Total Sales refers to the total value of contracts signed in the year.*

Outlook

- Strong sales momentum in Q1, with ongoing sales discussions with hospitals across the US
- Board cautiously optimistic we are seeing the first signs of sales cycles slowly normalising, however, we remain cognisant of the ongoing macro uncertainties
- Long-term transition to value-based care provides ongoing basis for growth

Keith Neilson, CEO of Craneware plc commented,

"Craneware made good progress in the year despite the difficulties imposed by the COVID-19 pandemic in the final quarter. While we as a business were relatively insulated from the direct impacts of the

pandemic, our customers were on the front-line, selflessly serving their communities. Supporting them and the phenomenal work their teams have done has been, and will continue to be, our top priority.

"Our passion and purpose is to impact healthcare profoundly by improving healthcare providers' operational efficiency and margin, so they can continue investing in providing quality care for their communities. The challenges hospitals are currently facing, combined with the ongoing transition to value-based reimbursement, means this has never been more relevant, or important, and we will do all we can to support our customers through this time.

"We have experienced strong sales momentum in Q1 and continue to have sales discussions with hospitals across the US. We are cautiously optimistic we are seeing the first signs of sales cycles slowly normalising; however, we remain cognisant of the ongoing macro uncertainties.

"We continue to benefit from a strong balance sheet and high levels of recurring revenue, entering the new financial year with an annuity revenue base of over $65m, providing us with a strong foundation for future growth."

For further information, please contact:

Craneware plc	**Peel Hunt (NOMAD & Joint Broker)**	**Investec Bank (Joint Broker)**	**Alma (Financial PR)**
+44 (0)131 550 3100	+44 (0)20 7418 8900	+44 (0)20 7597 5970	+44 (0)203 405 0205
Keith Neilson, CEO	Dan Webster	Patrick Robb	Caroline Forde
Craig Preston, CFO	George Sellar	Sebastian Lawrence	Robyn Fisher
	Andrew Clark	Henry Reast	Helena Bogle

About Craneware

Craneware (AIM: CRW.L), the leader in automated value cycle solutions, collaborates with U.S. healthcare providers to plan, execute and monitor value-based economic performance. Founded in 1999, Craneware is headquartered in Edinburgh, Scotland with offices in Atlanta and Pittsburgh employing over 350 staff. Craneware's value cycle management suite includes charge capture, strategic pricing, patient engagement, claims analytics, revenue recovery and retention, and cost and margin intelligence solutions.

Learn more at www.craneware.com.

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Chairman's Statement

This is the first full year I am reporting on as Chairman, and whilst it has not been the year we would have been anticipating 12 months ago, it has been a year of growth, development and learning. The pressures faced by the world's healthcare industries since the outbreak of the COVID-19 pandemic have been considerable, and I am proud of the support the Craneware team has provided to our customers in the US during this time.

COVID-19 had an unprecedented impact on our customers, with their operations disrupted and repurposed in order to maximise capacity to deal with the incredibly high demand for emergency services. During this time, our efforts were focused on supporting our customers whilst they met the needs of their communities and managed the impact, to them, of the cessation of elective procedures and associated income. The swift implementation of our business continuity plan and the transition of employees to remote working enabled the Group to continue operating with minimal disruption to customers and I would like to thank all employees for their utmost professionalism and commitment.

In the first nine months of the year to 31 March 2020, Total Sales were tracking over 30% higher than in the prior year, demonstrating a considerably improved performance and strong sales of both our existing and newly developed cloud-based Trisus applications.

In addition to the impact to our customers, the travel restrictions and lockdowns imposed due to COVID-19 particularly impacted our sales and professional services teams' ability to close sales, deliver their projects and complete renewals with the associated up-sales in the final quarter. Despite this challenging environment, Total Sales for the year were ahead of the prior year at $65.4m (FY19: $63.1m). Recognised revenue was consistent with the previous year at $71.5m (FY19: $71.4m) and adjusted EBITDA increased to $25.2m (FY19: $24.0m), reflecting both the impact of IFRS 16 and the Group's ongoing careful management of costs and reduction in certain discretionary spend, such as travel costs in the final quarter. Capitalised R&D in the period decreased to $9.3m (FY19: $9.6m) despite an overall increase in our R&D spend, in line with our continued commitment to invest in innovation, to capture the sizeable opportunity ahead.

Although it is clear COVID-19 held back the Group's financial growth in the final quarter of the year, there are many positives to point to in the financials – with customer churn remaining very low, at less than 10%, and the Group exiting the year with Total Visible Revenue for the next three years of $200.1m. We maintain a strong balance sheet with no debt and cash reserves consistent with the end of the previous year of $47.9m (30 June 2019: $47.6m).

In the second half of the year, we welcomed Alistair Erskine and David Kemp to the Board as Independent Non-Executive Directors. Both bring significant experience and expertise to the Board and I am confident their blend of extensive industry knowledge and Board experience will be extremely valuable in helping the Group fulfil its growth ambitions. The Company also wished all the best to outgoing Chairman, George Elliott, who stepped down from his position following the AGM, after over 12 years' outstanding service. As previously announced, current long-standing Non-Executive Director Ron Verni will not be standing for re-election at the forthcoming AGM, due to his length of tenure with the Company, and we thank him for all his guidance and support.

Following the period end, in August 2020, the Company successfully launched a placing to take advantage of a small number of identified acquisition opportunities. Despite the placing seeing strong oversubscription from both new and existing investors, the Board ultimately took the difficult decision, not to proceed with the proposed fundraise following the news that the principal acquisition target had agreed terms with a third party. Whilst a disappointing outcome, we are very grateful for the support shown by our existing and those new potential investors. The potential for accelerated growth through M&A activity remains in place and continues to be assessed by the Board. The Group's strong balance sheet and undrawn debt facilities provide the Company with the ability to continue its investment strategy whilst executing on any market opportunities that arise. Whilst acquisitions are very much part of our long-term strategy, we are still first and foremost focused on delivering against our considerable organic growth opportunity.

Despite the challenges we have had to navigate over the course of the year, and into the current financial year, the Group continues to make strides towards its long-term vision of becoming a leader in Value Cycle software solutions to US hospitals. The pandemic has reinforced the requirement for useable financial and operational data, to enable healthcare providers to respond swiftly to change and continue to deliver outstanding healthcare services, while ensuring the financial health of their operations. Craneware's long-term objective remains intact: to provide the tools to support US healthcare providers in their mission to deliver increased value in healthcare. The encouraging sales pipeline we have seen over the year combined with the significant market opportunity give me confidence that the Group is on the right trajectory for continued and sustained growth.

I would like to thank all employees across the UK and US for their unwavering support and hard work throughout the year, especially during these particularly trying times. It is evident I have joined a company with a strong set of core values, clear vision and supportive customer base, and I look forward to being part of its growth journey going forward.

Will Whitehorn

Chairman

18 September 2020

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Strategic Report

Introduction

Our Trading update provided on 8 July 2020 referred to the bravery and dedication of our customers, who were and are at the forefront of dealing with the pandemic; and we again pay tribute to them for selflessly serving their communities.

The Group's continued progress made throughout this year, despite challenges imposed by the COVID-19 pandemic in the final quarter, was reassuring. While we as a business were relatively insulated from the direct impacts of the pandemic, our customers were on the front-line. Supporting them and the phenomenal work their teams have done has been, and will continue to be, our top priority.

Following a strong first nine months sales performance, the impact of COVID-19 delayed our return to growth, however the strength of our underlying recurring revenue model and high levels of cash conversion place the Group in a strong ongoing financial position. We continue to make excellent progress on the execution of our growth strategy and I am pleased to report we are on track for all our product suite to be live on the Trisus platform during 2021. This is a significant milestone that we believe will be key to unlocking the benefits of the Trisus platform for both our customers and Craneware.

Our purpose, to profoundly impact healthcare by improving healthcare providers' operational efficiency and margin, so they can continue investing in providing quality care for their communities has never been more important. The global pandemic has highlighted the importance of usable financial and operational data and our customers continue to take steps to create further resilience across their financial operations. We are committed to partnering with them by providing the platform, regulatory information and data to enable them to do so. We believe that both the Group and our customer base are strongly placed to deal with the future impacts of the pandemic and for our products to be part of the solution in terms of helping hospital preparedness.

Market – the move to value-based care

The US healthcare market continues to transition from a fee-for-service reimbursement model, towards value-based care, aiming to redress the current imbalance in the US between spend and outcomes. The US has the highest health spending per capita in the world with one of the lowest life expectancies in the developed world.

Payors (insurance companies, charities, individuals, and Government) are exerting considerable pressure on US Healthcare providers to deliver better health outcomes and manage cost. This has brought pressure to move towards value-based care – a healthcare delivery model in which providers, including hospitals and physicians, are paid based on patient health outcomes. A hospital's ability to participate in a value-based care system is dependent on the collection of granular data and the use of insightful analytics to understand the opportunity to deliver better value. As a result, the North American healthcare analytics market is forecast to grow 29.54% CAGR from US$3bn in 2020 to US$11bn[1] by 2025. This presents a large, growing opportunity for the Group given Craneware's specialism in helping hospitals better understand and manage revenue and cost through data-driven solutions.

[1] North American Healthcare Analytics by Market Data Forecasts.

Growth Strategy

Craneware develops and provides financial and operational optimisation software and analytics, for US hospitals and clinics, using aggregated anonymised data. Our on-premise and cloud-based software solutions sit at the heart of our customers' operations, helping them to optimise their financial performance. We are helping to drive a shift in healthcare delivery and reimbursement through the use of data with powerful and insightful analytics.

Our long-term strategic aim is to become ubiquitous in US hospitals. Functioning as the intelligence layer sitting across all other administrative and financial systems, we aim to deliver the information required to improve financial and operational performance.

To date, our growth has been driven through increases in market share and product set penetration (land and expand). In recent years, we have invested in the development of a cloud-based platform; Trisus, a sophisticated cloud data aggregation and intelligence platform which will allow us to migrate our existing products to the cloud, leverage our data assets to expand our offering, integrate third party solutions to the platform and benefit from the scalability of cloud-technology.

Three Growth Pillars

Our growth strategy has three fundamental growth pillars:

- The transition of our customers to cloud-based versions of our existing on-premise solutions, to act as a gateway to the benefits and additional applications on the Trisus platform.
- To continue to enhance the capabilities of the platform through the addition of new technology layers and applications, developed through both internal R&D and selective M&A. Our investment in R&D will continue to grow, in line with revenue growth, as we fulfil our vision for Trisus.
- To grow our customer footprint, through increasing the attractiveness of our offering and acquiring non-overlapping customers, which in turn provides further cross-sale opportunities.

The Trisus platform, our wealth of proprietary data collected over our 20 years' of servicing the US healthcare industry and our breadth of customer base, differentiate us from other healthcare solutions vendors, providing substantial benefits for our customers and making a meaningful impact on the value of healthcare as a whole. This will result in extensive improvements to the financial and operational effectiveness of US hospital providers and thereby drive significant customer demand for Craneware solutions in the future.

We are on track to transition all our core products to the Trisus platform during 2021, meaning we are near the completion of the fundamental building blocks of the next stage of our growth strategy.

M&A

While organic growth remains a priority, as we have publicly stated, we continue to evaluate the market and will continue to pursue strategically aligned companies that will accelerate our growth strategy. This is underpinned by four key acquisition criteria of which target companies must fit into at least one, being:

1. the addition of data sets;
2. the extension of the customer base;
3. the expansion of expertise;
4. the addition of applications.

In evaluating acquisition opportunities, the Board implements a strong valuation discipline seeking to maintain its prudent approach to preserving balance sheet strength and efficiency for the long-term. Targets that are profitable with recurring revenue models that provide earnings accretion within the first 12 months of ownership are prioritised.

Product Roadmap

We are executing on a roadmap to migrate all our solutions onto the Trisus platform and continue to look for innovative combinations of our data sets into new unique product offerings.

We are particularly pleased to note how both our existing customer base and the wider healthcare provider market have responded positively to the technological evolution of the Craneware solution set, delivered on the Trisus platform, with over 300 of our customers already utilising one or more of the native Trisus applications and almost the entirety of the remainder connecting to it via the Trisus Bridge; this is the first step for significant migration to the platform from within our user base.

Trisus Chargemaster and Trisus Pharmacy

We are excited to now be at the stage to start the roll out of the Trisus versions of our two core product offerings: Trisus Chargemaster, the upgrade version of our Chargemaster Toolkit, and Trisus Pharmacy, a new product which in stage one will sit alongside our on-premise Pharmacy ChargeLink, and subsequently be expanded to include all Pharmacy ChargeLink functionality.

We will commence the staged migration of our customer base to Trisus Chargemaster from September this year with customers able to elect, via their existing installation, whether to remain using the on-premise for a period of time, or switch to the cloud version.

Both Pharmacy ChargeLink and Trisus Pharmacy will be available to new and existing customers for the next year, with customers able to select which application best suits their needs.

Sales and Marketing

As highlighted previously, the Company enjoyed positive sales activity in the first nine months of the year, with Total Sales tracking 30% ahead of the prior year. We signed contracts with hospitals of all sizes and for all segments of our product offering, with a particularly strong performance from Chargemaster Toolkit and encouraging sales of Trisus applications.

Expansion Sales, being new sales made either to existing hospitals, or to new hospitals within an existing hospital system customer, accounted for the biggest component of new sales, representing 90%. This demonstrates our ability to deliver on our "land and expand" strategy, cross selling further solutions to our extensive customer base, driven by compelling ROIs for our customers.

Consistent with the prior year, Trisus products represented 14% of our New Sales in the year (FY19: 13%). All customers who have signed new contracts for Chargemaster Toolkit in the year have an understood migration plan to Trisus Chargemaster, which will be rolled out through the course of 2021, and recognise this as an easy entry to the Trisus platform.

An increased number of hospitals renewed their contracts during the year, which when netted off against those lost in the period resulted in a consistent customer retention rate of over 90%. Many of the renewals due in Q4 which were delayed due to COVID-19 travel restrictions have now successfully taken place.

Financial Review

Since the first Financial Review we published as a listed company back in 2008, we have regularly referred to our prudent business model, the Annuity SaaS business model, which is focused on long-term sustainable growth, our healthy, cash positive balance sheet and our prudent approach to cost management whilst balancing investment for the future. These concepts, which we have followed throughout our growth as a Group, have served us well as we have navigated the global uncertainty the COVID-19 pandemic has caused.

The Trading update provided on 8 July 2020 outlined, how, when considering the financial performance of the Group, the year ended 30 June 2020 should be viewed in two parts. While the first nine months of trading saw Total Sales tracking over 30% ahead of the prior year, the final three months saw our teams' activities pivot towards the enhanced support of our customers (and non-customers) as they focused on their mission.

There is no doubt COVID-19 has impacted the financial results for the current year. For example, the travel restrictions and lockdowns imposed particularly impacted our sales and professional services teams' ability to close sales, deliver their projects and complete renewals with the associated up-sales in the final quarter. However, the concepts I refer to above combined with the hard work and dedication of our employees mean we are able to report on a robust set of financial results and a solid foundation

for future growth as hospitals need for usable financial and operational data intensifies as they look for further resilience across their financial operations post the pandemic.

Revenues remained consistent at $71.5m (FY19: $71.4m) whilst prudent cost management and reductions in certain spend, such as travel, saw adjusted EBITDA increase 5% to $25.2m (FY19: $24.0m). We have also closed the year with $47.9m (FY19: $47.6m) of cash reserves and visible revenue to be recognised over the next three years of $200.1m (FY19 same 3 year period: $197.5m).

Underlying these results are the total value of contracts signed in the year ("Total Sales"). As detailed, whilst Total Sales had been tracking 30% above the prior year, we ultimately closed the year marginally ahead at $65.4m (FY19: $63.1m). As a result of our business model, "sales" and "revenue" have very different meanings and are not interchangeable. In fact, only a small proportion of the revenue resulting from the sales made in the year is recognised in the current year's reported revenue, instead the vast majority of the associated revenue is recognised in future years, which delivers the Group's long-term visibility over future revenues.

The Annuity SaaS Business Model

The new contracts we sign with our customers provide a licence for the customer to access specified products throughout their licence period. A new customer will, on average, sign a four year contract and this average is calculated up to the first renewal point/break clause for any specified product. At the end of an existing customer's initial licence period, or at a mutually agreed earlier date, we look to renew these contracts with our customers. By renewing these contracts, we are sustaining our underlying annuity revenue base, which means sales of new products to existing customers or sales to new hospital customers are adding to this annuity revenue.

Under the Group's business model, we have always recognised software licence revenue and any minimum payments due from our 'other route to market' contracts evenly over the life of the underlying contract term.

In addition to the licence revenues recognised in any year, we also expect between 10% to 20% of revenue recognised to be from services. The services we provide generally accompany a new licence sale and are focused on embedding the software within the customers' core processes to maximise the value the software can bring to them. This service is typically separately identifiable from the licence and the associated revenue is recognised as we deliver the service to the customer, usually on a percentage of completion basis. However, the nature and scope of these engagements will vary depending on both our customers' needs and which of our solutions they have contracted for. As a result, the period over which we deliver the services and consequently recognise the associated revenue will vary.

Sales, Revenue and Revenue Visibility

Our Total Sales is broken down into the total value of contracts with new customers or new products to existing customers at some time in their existing contract ("New Sales") and the total value of contracts of customers renewing their existing products at the end of their current contract terms ("Renewals").

The table below shows the total value of contracts signed in the relevant years, split between New Sales and Renewals and how these sales have translated into reported revenue in the corresponding year.

Fiscal Year	**2016**	**2017**	**2018**	**2019**	**2020**
	$m	$m	$m	$m	$m
Reported Revenue	49.8	57.8	67.1	71.4	71.5
New Sales	58.6	35.4	71.3	33.3	30.4
Renewals**	23.7	18.6	27.3	29.8	35.0
Total Sales	82.3	54.0*	98.6*	63.1*	65.4*

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* During the product migration to the Trisus Platform we anticipate and have experienced variability in the average contract length in any single reporting period which will impact the Total Sales reported
** As the Group signs new customer contracts for between three to nine years, the number and value of customers' contracts coming to the end of their term ("renewal") will vary in any one year. This variation, along with whether customers auto-renew on a one-year basis or renegotiate their contracts for up to a further nine years, will impact the total sales value of renewals in that year

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

The Three-Year Revenue Visibility KPI is a forward looking KPI and therefore will always include some judgement. To help assess this, we separately identify different categories of revenue to better reflect any inherent future risk in recognising these revenues. This Three-Year Visible Revenue metric includes:

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

Future revenue under contract is, as the title suggests, subject to an underlying contract and therefore once invoiced will be recognised in the respective future years (subject to future collection risk that exists with all revenue). Renewal revenues are contracts coming to the end of their original contract term (e.g. four years) and will require their contracts to be renegotiated and renewed for the revenue to be recognised. To appropriately represent the quantum of revenue within this category we present the total of revenue subject to renewal (i.e. 100% of dollar value). The final category 'other recurring revenue', is revenue that we would expect to recur in the future but is monthly or transactional in its nature and as such there is increased potential for this revenue not to be recognised in future years, when compared to the other categories.

To ensure the representation of renewal revenues are reasonable in our visible revenue KPI, we monitor the long-term average renewal rate to ensure it remains above 100%. In assessing this long-term average, we would normally expect this metric to be between 85% and 115%, but recognise a result outside of this range (both above and below) in a single year is unlikely to materially impact the long-term average. We reported at the interim results this metric was below this range at 73% following the loss of a larger customer. Whilst we have seen this metric increase to 80% for the full year, the impact on sales since March caused it to remain marginally below our expected range, with certain contract renewal discussions still ongoing.

The Group's total visible revenue for the three years, as at 30 June 2020 (i.e. visible revenue for FY21, FY22 and FY23) identifies $200.1m of revenue which we reasonably expect to benefit the Group in this next three year period. This visible revenue breaks down as follows:

- future revenue under contract contributing $141.9m of which $62.7m is expected to be recognised in FY21, $47.4m in FY22 and $31.8m in FY23
- revenue generated from renewals contributing $57.0m; being $6.2m in FY21, $17.6m in FY22 and $33.2m in FY23
- other revenue identified as recurring in nature of $1.2m

These future revenues, with customers continuing to renew their contracts with us, expand beyond the three-year time horizon we report on, creating a foundation of annuity revenue. This annuity revenue provides the foundation for future financial growth as well as giving increased certainty to the Board when making the annual assessment for the Viability Statement.

Gross Margins

Typically, we expect the gross profit margin to be between 90% to 95% reflecting the incremental costs we incur to obtain the underlying contracts, including sales commission contract costs which are charged in line with the associated revenue recognition. The gross profit for FY20 was $67.0m (FY19: $67.0m) representing a gross margin percentage of 94% (FY19: 94%) which continues to be within our historical range. This reflects the correct matching of these incremental costs with the associated revenue being recorded.

Earnings

The Group presents an adjusted earnings figure as a supplement to the IFRS based earnings figures. The Group uses this adjusted measure in its operational and financial decision-making as it excludes certain one-off items, so as to focus on what the Group regards as a more reliable indicator of the underlying operating performance. We believe the use of this measure is consistent with other similar companies and is frequently used by analysts, investors and other interested parties.

Adjusted earnings represent operating profits excluding costs incurred as a result of acquisition and share related activities (if applicable in the year), share related costs including IFRS 2 share based payments charge, interest, depreciation and amortisation ("Adjusted EBITDA").

No costs were identified as exceptional in the current year. However in the prior year we incurred $1.2m of professional and other fees relating to a significant proposed acquisition that ultimately the Board decided not to enter into in that year, as such these costs were adjusted from earnings in presenting Adjusted EBITDA in that year.

Adjusted EBITDA has grown in the year to $25.2m (FY19: $24.0m) an increase of 5%. This reflects an Adjusted EBITDA margin of 35% (FY19: 34%). This is consistent with the Group's continued approach to making investments in line with the revenue growth, prudent cost management and reductions in certain spend, such as travel during the pandemic.

IFRS16 "Leases"

In the year, we have adopted IFRS 16 Leases (using the modified retrospective application approach). Under this approach, the impact of initially applying the standard has been reflected as an adjustment to the opening balance of retained earnings and, as such, the prior period comparatives have not been restated. However, in summary, IFRS 16 requires leases to be recognised as an asset and a corresponding liability. At transition, leases previously classified as operating leases (under IAS 17) have been measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate. As a result of adopting IFRS 16, during the period, the Group charged $916,978 of depreciation and $94,193 of interest costs against profit. Under IAS 17, a charge of $726,413 would have been made.

Operating Expenses

Our Purpose is to profoundly impact healthcare by improving healthcare providers' operational efficiency and margin, so they can continue investing in providing quality care for their communities. Through our Value Cycle strategy, the Trisus platform and the applications that sit on it, we are supporting our customers as they tackle the challenges of a market that continues to evolve towards value-based economics and the new reimbursement models. If we are to deliver on our potential to both support our customers in this evolving market place and address the market opportunity available to us, we must ensure we are building a scalable business that can meet the future challenges our growth will bring.

The reduction in net operating expenses (to Adjusted EBITDA) to $41.8m (FY19: $43.0m) reflects continued prudent cost control and reductions in travel spend from March onwards. The Group always looks to invest in all areas of the business in line with revenue growth, and we have adhered to this principle through the current year.

We have remained highly cash generative and as a result we have continued to use our cash reserves (after returning funds to shareholders via dividends) to invest in our future. Product innovation and enhancement continue to be core to this future and our ability to achieve our potential. As such we have continued to invest significant resource in this area as we build out the Trisus platform and the portfolio of products that will be part of this platform. We continue our Build, Buy or Partner strategy to build out this portfolio of products, recognising Build is often the best way forward. We use our Agile development methodology to develop innovative new products whilst maintaining and enhancing our current product offerings and ensuring they remain market-leading. As a result of this investment, the total cost of development in the year was $21.6m (FY19: $20.0m), a 10% increase which is ahead of our revenue growth and reflective of the opportunities in the market for our products.

From this total investment we have capitalised projects that will bring future economic benefit to the Group. With the significant increase in our investment into our development and product management teams we have ensured costs relating to expanding and training of the new teams are not capitalised. As a result, the total amount capitalised in the year reduced to $9.3m (FY19: $9.6m).

The amounts we capitalise represent the cash reserves we have utilised in the year, to invest in our future. This is an efficient and cost-effective way to further build out our Value Cycle strategy. We expect to see both the levels of development expense and capitalisation continue as we progress with building out this solution set. As specific products are made available to relevant customers, the associated amounts capitalised are charged to the Group's income statement over their estimated useful economic life, thereby correctly matching costs and the resulting revenues.

In assessing the useful life to correctly match costs and resulting revenues, we must continually apply careful judgement based on past experience, advances in product development and also best practice. During the year, we have re-assessed the estimated useful life of our Intellectual Property (more specifically the Trisus enterprise suite of products), to be between 5 and 10 years (FY19: 5 years). As this is a change in estimate, it has been applied on a prospective basis. The impact of this change has been a reduction in the amortisation charge in the year of $977,008, with the total amortisation charge in the year being $3.2m (FY19: $2.9m).

Cash and Bank Facilities

Cash generation and maintaining cash reserves have always been a focus of the Group, but never more so than through this recent period. Our ability to generate cash has enabled us to navigate the challenges the pandemic brought without the need to rely on government assistance in either geography. We have also been able to provide targeted support to our customers, maintain our investment in our business, continue our investment in development and return funds to shareholders via dividends.

We have always targeted 100% conversion of our earnings into cash. In the current year, we were able to use our cash reserves to provide targeted support to customers who requested it, via payment plans or deferred payment terms and in doing so recognised we were unlikely to meet this target in the current year. We did, however, achieve a 92% conversion of our adjusted EBITDA to cash. Our customers continue to make payments post year end, including those we have agreed payment plans with, and as a result we have collected a further $10.6m.

During the year we have returned $9.1m to our shareholders via dividends. As a result of all these factors, we retain cash reserves of $47.9m (FY19: $47.6m).

This significant level of cash reserves and our balance sheet strength allows us to fund acquisitions should suitable opportunities arise. To supplement these reserves, the Group retains a funding facility from the Bank of Scotland of up to $50m. Whilst no draw down of this facility occurred in the year, the Group continues to investigate strategic opportunities to add to the Value Cycle strategy.

Balance sheet

The Group maintains a strong balance sheet position. Intangible assets have increased by $6.4m to $36.8m (FY19: $30.4m) primarily as a result of capitalised development costs in the year net of the amortisation charged. The level of trade and other receivables has increased in comparison to the prior year. This is a result of the factors identified above that impacted our cash collection in the year.

Deferred income levels reflect the amounts of the revenue under contract that we have invoiced and/or been paid for in the year, but have yet to recognise as revenue. This balance is a subset of the total visible revenue we describe above and reflected through our three year visible revenue metric.

Deferred income, accrued income and the prepayment of sales commissions all arise as a result of our Annuity SaaS business model described above and we will always expect them to be part of our balance sheet. They arise where the cash profile of our contracts does not exactly match how revenue and related expenses are recognised in the Statement of Comprehensive Income. Overall, levels of deferred income are significantly more than any accrued income and the prepayment of sales commissions, we therefore remain cash flow positive in regards to how we account for our contracts.

Currency

The functional currency for the Group, and cash reserves, is US dollars. Whilst the majority of our cost base is US-located and therefore US dollar denominated, we have approximately one quarter of the cost base situated in the UK, relating primarily to our UK employees which is therefore denominated in Sterling. As a result, we continue to closely monitor the Sterling to US dollar exchange rate, and where appropriate consider hedging strategies. The average exchange rate throughout the year being $1.2598 as compared to $1.2945 in the prior year.

Taxation

The Group generates profits in both the UK and the US. The overall levels are determined by both the proportion of sales in the year and the level of professional services income recognised. The Group's effective tax rate remains dependent on the applicable tax rates in these respective jurisdictions. In the current year the effective tax rate has been affected by R&D tax relief of $0.5m (FY19: $0.4m) and share options issued and exercised in the year which reduced the tax charge by $0.8m (FY19: $0.4m). As such the current year effective tax rate is 13% (FY19: 18%).

EPS

In the year being reported, adjusted EPS has seen the benefit of the increased levels of Adjusted EBITDA combined with the effective tax rate reported above, partially offset by an increase in both the amortisation and share based payment charges, and as such has increased 3% to $0.654 (FY19: $0.633) and adjusted diluted EPS has increased to $0.644 (FY19: $0.620).

Dividend

In proposing a final dividend, the Board has carefully considered a number of factors including the impact of the pandemic, the Group's trading performance, our current and future cash generation and our continued desire to recognise the support our shareholders provide. After carefully weighing up these factors, the Board proposes a final dividend of 15p (18.45 cents) per share giving a total dividend for the year of 26.5p (32.60 cents) per share (FY19: 26p (33.02 cents) per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 December 2020 to shareholders on the register as at 20 November 2020, with a corresponding ex-Dividend date of 19 November 2020.

The final dividend of 15p per share is capable of being paid in US dollars subject to a shareholder having registered to receive their dividend in US dollars under the Company's Dividend Currency Election, or who register to do so by the close of business on 20 November 2020. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 20 November 2020. The final

dividend referred to above in US dollars of 18.45 cents is given as an example only using the Balance Sheet date exchange rate of $1.2302/£1 and may differ from that finally announced.

Outlook

While the disruption and stress of the COVID-19 pandemic has eased in some areas, many healthcare providers continue to be under considerable pressure and while a second wholesale lockdown is unlikely, this situation is likely to continue. On the whole, hospitals now have increased clinical capacity and the focus has shifted to ensuring robust operational and financial processes are in place to ensure their financial future.

We have experienced strong sales momentum in Q1 and continue to have sales discussions with hospitals across the US. We are cautiously optimistic we are seeing the first signs of sales cycles slowly normalising; however, we remain cognisant of the ongoing macro uncertainties.

Our passion and purpose is to impact healthcare profoundly by improving healthcare providers' operational efficiency and margin, so they can continue investing in providing quality care for their communities. The challenges hospitals are currently facing, combined with the ongoing transition to value-based reimbursement, means this has never been more relevant, or important, and we will do all we can to support our customers through this time.

We continue to benefit from a strong balance sheet and high levels of recurring revenue, entering the new financial year with an annuity revenue base of over $65m, providing us with a strong foundation for future growth.

Keith Neilson
Chief Executive Officer
18 September 2020

Craig Preston
Chief Financial Officer
18 September 2020

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Consolidated Statement of Comprehensive Income
For the year ended 30 June 2020

	Notes	**Total 2020 $'000**	Total 2019 $'000
Continuing operations:			
Revenue	3	**71,492**	71,401
Cost of sales		**(4,518)**	(4,394)
Gross profit		**66,974**	67,007
Other income		**9**	-
Operating expenses	4	**(47,777)**	(49,003)
Operating profit		**19,206**	18,004
Analysed as:			
Adjusted EBITDA[1]		**25,189**	23,996
Share based payments		**(1,318)**	(1,296)
Depreciation of plant and equipment		**(1,489)**	(603)
Exceptional Aborted Acquisition Costs		**-**	(1,168)
Amortisation of intangible assets		**(3,176)**	(2,925)
Finance income		**192**	318
Finance expense		**(94)**	-
Profit before taxation		**19,304**	18,322
Tax on profit on ordinary activities	5	**(2,468)**	(3,37)
Profit for the year attributable to owners of the parent		**16,836**	14,985
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Currency Translation movement		**26**	28
Total items that may be reclassified subsequently to profit or loss		**26**	28
Total comprehensive income attributable to owners of the parent		**16,862**	15,013

1. *Adjusted EBITDA is defined as operating profit before interest, tax, depreciation, amortisation, exceptional items and share based payments*

Earnings per share for the year attributable to equity holders

	Notes	**2020**	2019
Basic ($ per share)	7a	**0.628**	0.561
*Adjusted Basic ($ per share)	7a	**0.654**	0.633
Diluted ($ per share)	7b	**0.619**	0.550
*Adjusted Diluted ($ per share)	7b	**0.644**	0.620

** Adjusted Earnings per share calculations allow for the tax adjusted acquisition costs and share related transactions (if applicable in the year) together with amortisation on acquired intangible assets.*

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Statement of Changes in Equity for the year ended 30 June 2020

	Share Capital $'000	Share Premium Account $'000	Capital Redemption Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2018	534	19,777	9	2,084	29,242	51,646
Total comprehensive income - profit for the year	-	-	-	-	14,985	14,985
Total other comprehensive expense	-	-	-	-	28	28
Transactions with owners:						
Share-based payments	-	-	-	1,611	(184)	1,427
Impact of share options exercised/lapsed	1	245	-	(146)	146	246
Dividends (Note 6)	-	-	-	-	(8,497)	(8,497)
At 30 June 2019	**535**	**20,022**	**9**	**3,549**	**35,720**	**59,835**
Adjustment on initial application of IFRS 16	**-**	**-**	**-**	**-**	1,070	1,070
Total comprehensive income - profit for the year	-	-	-	-	16,836	16,836
Total other comprehensive income	-	-	-	-	26	26
Transactions with owners:						
Company share movement in employee benefit trust	-	-	-	-	(1,255)	(1,255)
Share-based payments	-	-	-	1,176	(890)	286
Impact of share options and awards exercised/lapsed	1	1,075	-	(577)	175	674
Dividends (Note 6)	-	-	-	-	(9,077)	(9,077)
At 30 June 2020	**536**	**21,097**	**9**	**4,148**	**42,605**	**68,395**

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Consolidated Balance Sheet as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**3,798**	1,274
Intangible assets	8	**36,783**	30,437
Trade and other receivables	9	**3,915**	4,946
Deferred tax		**2,408**	3,244
		46,904	39,901
Current Assets			
Trade and other receivables	9	**21,003**	18,789
Cash and cash equivalents		**47,851**	47,611
		68,854	66,400
Total Assets		**115,758**	106,301
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Lease liability > 1 year		**2,017**	-
Current Liabilities			
Deferred income		**37,155**	38,849
Current tax liabilities		**797**	1,085
Trade and other payables		**7,394**	7,532
		45,346	46,466
Total Liabilities		**47,363**	46,466
Equity			
Share capital	10	**536**	535
Share premium account		**21,097**	20,022
Capital redemption reserve		**9**	9
Other reserves		**4,148**	3,549
Retained earnings		**42,605**	35,720
Total Equity		**68,395**	59,835
Total Equity and Liabilities		**115,758**	106,301

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Statement of Cash Flows for the year ended 30 June 2020

	Notes	**2020 $'000**	2019 $'000
Cash flows from operating activities			
Cash generated from operations	11	**23,134**	15,078
Interest received		**204**	318
Tax paid		**(2,668)**	(1,933)
Net cash from operating activities		**20,670**	13,463
Cash flows from investing activities			
Purchase of plant and equipment		**(187)**	(654)
Capitalised intangible assets		**(9,522)**	(9,780)
Net cash used in investing activities		**(9,709)**	(10,434)
Cash flows from financing activities			
Dividends paid to company shareholders	6	**(9,077)**	(8,497)
Proceeds from issuance of shares		**614**	246
Company share movement in employee benefit trust		**(1,255)**	-
Payment of lease liabilities		**(1,003)**	-
Net cash used in financing activities		**(10,721)**	(8,251)
Net (decrease) / increase in cash and cash equivalents		**240**	(5,222)
Cash and cash equivalents at the start of the year		**47,611**	52,833
Cash and cash equivalents at the end of the year		**47,851**	47,611

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Notes to the Financial Statements

General Information

Craneware plc (the Company) is a public limited company incorporated and domiciled in Scotland. The Company has a primary listing on the AIM stock exchange. The principal activity of the Company continues to be the development, licensing and ongoing support of computer software for the US healthcare industry.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, International Financial Reporting Standards Interpretation Committee (IFRSIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group and Company financial statements have been prepared under the historic cost convention and prepared on a going concern basis. The applicable accounting policies are set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, if relevant.

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

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

1. Selected principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Reporting currency

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

Currency translation

Transactions denominated in currencies other than US dollars are translated into US dollars at the rate of exchange ruling at the date of the transaction. The average exchange rate during the course of the year was $1.2598/£1 (2019: $1.2945/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date $1.2302/£1 (2019 : $1.2695/£1). Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the Balance Sheet date, are included within the related category of expense where separately identifiable, or administrative expenses.

Revenue recognition

The Group follows the principles of IFRS 15, 'Revenue from Contracts with Customers', accordingly revenue is recognised using the five-step model, requiring the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract. Revenue is recognised either when; the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer.

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

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

Revenue from standard licenced products are recognised from the point at which the customer gains control and the right to use our software. This right to use software will be for the period covered under contract and, as a result, the licenced software revenue will be recognised over the life of the contract. This policy is consistent with the Company's products providing customers with a service through the delivery of, and access to, software solutions (Software-as-a-Service ("SaaS")), and results in revenue being recognised over the period that these services are delivered to customers. Incremental costs directly attributable in securing the contract are charged equally over the life of the contract and as a consequence are matched to revenue recognised. Any deferred contract costs are included in both current and non-current trade and other receivables.

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

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

Should any contracts contain non-standard clauses, revenue recognition will be in accordance with the underlying contractual terms which will normally result in recognition of revenue being deferred until all material obligations are satisfied. The Group does not have any contracts where a financing component exists within the contract.

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

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

Exceptional items

The Group defines exceptional items as costs incurred by the Group which relate to material non-recurring costs. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

Intangible Assets

(a) Goodwill

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

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

(b) Proprietary software

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

(c) Contractual customer relationships

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

(d) Research and Development expenditure

Expenditure associated with developing and maintaining the Group's software products is recognised as incurred. Where, however, new product development projects are technically feasible, production and sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete such projects, development expenditure is capitalised until initial commercialisation of the product, and thereafter amortised on a straight-line basis over its estimated useful life, which has been assessed as five to ten years. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

(e) Computer software

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

Impairment of non-financial assets

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

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

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

Taxation

The charge for taxation is based on the profit for the period as adjusted for items which are non-assessable or disallowable. It is calculated using taxation rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation is computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial

recognition of an asset or liability in a transaction that at the time of the transaction does not affect accounting or taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised.

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

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options and on vesting of conditional share awards under each jurisdiction's tax rules. As explained under "Share-based payments", a compensation expense is recorded in the Group's Statement of Comprehensive Income over the period from the grant date to the vesting date of the relevant options and conditional share awards. As there is a temporary difference between the accounting and tax bases a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the Balance Sheet date) with the cumulative amount of the compensation expense recorded in the Statement of Comprehensive Income. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity against retained earnings.

Share-based payments

The Group grants share options and / or conditional share awards to certain employees. In accordance with IFRS 2, "Share-Based Payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured using the Black-Scholes pricing model or the Monte Carlo pricing model, as appropriately amended, taking into account the terms and conditions of the share-based awards. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity. When the options are exercised and are satisfied by new issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

The share-based payments charge is included in 'operating expenses' with a corresponding increase in 'Other reserves'.

2. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:-

Estimates

- **Impairment assessment**: - the Group tests annually whether Goodwill has suffered any impairment and for other assets including acquired intangibles at any point where there are indications of impairment. This requires an estimation of the recoverable amount of the applicable cash generating unit to which the Goodwill and other assets relate. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the specific cash generating unit using certain key assumptions including growth rates and a discount rate. These assumptions result in no impairment in Goodwill.

- **Useful lives of intangible assets**: - In assessing useful life, the Group uses careful judgement based on past experience, advances in product development and also best practice. During the year, the Group has re-assessed the estimated useful economic life of Intellectual Property (more specifically Trisus enterprise suite of products) to be between 5 and 10 years (2019: 5 years). As this is a change in accounting estimate, it has been applied on a prospective basis. The impact on the year ended 30 June 2020 was a reduction in the amortisation charge of $977,008.

Judgements

- **Provisions for income taxes: -** the Group is subject to tax in the UK and US and this requires the Directors to regularly assess the applicability of its transfer pricing policy.

- **Capitalisation of development expenditure**: - the Group capitalises development costs provided the aforementioned conditions have been met. Consequently, the directors require to continually assess the commercial potential of each product in development and its useful life following launch.

- **Revenue recognition**: - in determining the amount of revenue and related balance sheet items to be recognised in the period, management is required to make a number of judgements and assumptions. These are detailed in Note 1 and the Financial review section of the Strategic report.

3. Revenue

The chief operating decision maker has been identified as the Board of Directors. The Group revenue is derived almost entirely from the sale of software licences and professional services (including installation) to hospitals within the United States of America. Consequently, the Board has determined that Group supplies only one geographical market place and as such revenue is presented in line with management information without the need for additional segmental analysis. All of the Group assets are located in the United States of America with the exception of the Parent Company's, the net assets of which are disclosed separately on the Company Balance Sheet and are located in the United Kingdom.

	2020	2019
	$'000	$'000
Software licencing	**59,390**	60,488
Professional services	**12,102**	10,913
Total revenue	**71,492**	71,401

Contract assets

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

	2020	2019
	$'000	$'000
Prepaid commissions and royalties < 1 year	**2,565**	2,537
Prepaid commissions and royalties > 1 year	**3,915**	4,946
Total contract assets	**6,480**	7,483

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

Costs recognised during the year in relation to assets at 30 June 2019 were $2.5m.

Contract liabilities

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The following table shows both the total contract liabilities and the aggregate transaction price allocated to performance obligations that are partially or fully unsatisfied at 30 June 2020 from software license and professional service contracts:

	2020	2019
	$'000	$'000
Software licencing	**30,329**	33,949
Professional services	**6,916**	3,900
Total contract liabilities	**37,155**	37,849

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

Revenue of $37.2m was recognised during the year in relation to unsatisfied performance obligations as of 30 June 2019.

Management expects that 99% of the transaction price allocated to unsatisfied performance obligations as of 30 June 2020 will be recognised as revenue during the next reporting period ($36.8m).

4. Operating expenses

Operating expenses are comprised of the following:

	2020	2019
	$'000	$'000
Sales and marketing expenses	**7,207**	9,726
Client servicing	**12,330**	14,086
Research and development	**12,266**	10,405
Administrative expenses	**9,980**	8,723
Share-based payments	**1,318**	1,296
Depreciation of plant and equipment	**1,489**	603
Amortisation of intangible assets	**3,176**	2,925
Exceptional aborted acquisition costs*	**-**	1,168
Exchange (gain)	**11**	71
Operating expenses	**47,777**	49,003

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

5. Tax on profit on ordinary activities

	2020	2019
	$'000	$'000
Profit on ordinary activities before tax	**19,304**	18,322
Current tax		
Corporation tax on profits of the year	**2,806**	3,047
Adjustments for prior years	**(446)**	(113)
Total current tax charge	**2,360**	2,934
Deferred tax		
Origination & reversal of timing differences	**108**	323

Adjustments for prior years	**-**	80
Total deferred tax charge	**108**	403
Tax on profit on ordinary activities	**2,468**	3,337

The difference between the current tax charge on ordinary activities for the year, reported in the consolidated Statement of Comprehensive Income, and the current tax charge that would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax, is explained as follows:

Profit on ordinary activities at the UK tax rate 19% (2019: 19%)	**3,666**	3,481
Effects of:		
Adjustment for prior years	**(635)**	(33)
Additional US taxes on profits 25% (2019: 25%)	**700**	54
R & D tax credit	**(490)**	(364)
Expenses not deductible for tax purposes	**181**	17
Origination and reversal of temporary differences	**(161)**	561
Deduction on share plan charges	**(793)**	(379)
Total tax charge	**2,468**	3,337

6. Dividends

The dividends paid during the year were as follows:-

	2020	2019
	$'000	$'000
Final dividend, re 30 June 2019 – 19.05 cents (15 pence)/share	**5,311**	4,713
Interim dividend, re 30 June 2020 – 15.1 cents (11.5 pence)/share	**3,766**	3,784
Total dividends paid to Company shareholders in the year	**9,077**	8,497

Prior year:
Final dividend 18.48 cents (14 pence)/share
Interim dividend 14.0 cents (11 pence)/share

The proposed final dividend 18.45 cents (15 pence), as noted in the Financial Review section of the Strategic Report, for the year ended 30 June 2020 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2020	2019
Profit attributable to equity holders of the Company ($'000)	**16,836**	14,985
Weighted average number of ordinary shares in issue (thousands)	**26,796**	26,691
Basic earnings per share ($ per share)	**0.628**	0.561
Profit attributable to equity holders of Company ($'000)	**16,836**	14,985
Adjustments* ($'000)	**688**	1,914
Adjusted Profit attributable to equity holders ($'000)	**17,523**	16,899

Weighted average number of ordinary shares in issue (thousands)	**26,796**	26,691
Adjusted Basic earnings per share ($ per share)	**0.654**	0.633

*Relate to aborted acquisition costs, share related activities and amortisation of acquired intangibles if applicable in the year. These adjustments are to focus on what the Group regards as a more reliable indicator of the underlying operating performance and are consistent with other similar companies.

b) Diluted

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

	2020	2019
Profit attributable to equity holders of the Company ($'000)	**16,836**	14,985
Weighted average number of ordinary shares in issue (thousands)	**26,796**	26,691
Adjustments for:- Share options (thousands)	**404**	555
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,200**	27,246
Diluted earnings per share ($ per share)	**0.619**	0.550
Profit attributable to equity holders of Company ($'000)	**16,836**	14,985
Adjustments* ($'000)	**688**	1,914
Adjusted Profit attributable to equity holders ($'000)	**17,523**	16,889
Weighted average number of ordinary shares in issue (thousands)	**26796**	26,691
Adjustments for:- Share options (thousands)	**404**	555
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,200**	27,246
Adjusted Diluted earnings per share ($ per share)	**0.644**	0.620

*Relate to aborted acquisition costs, share related activities and amortisation of acquired intangibles if applicable in the year. These adjustments are to focus on what the Group regards as a more reliable indicator of the underlying operating performance and are consistent with other similar companies.

8. Intangible assets

Goodwill and Other Intangible assets

	Goodwill	**Customer Relationships**	**Proprietary Software**	**Development Costs**	**Computer Software**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost						
At 1 July 2019	11,438	2,964	3,043	23,540	1,910	42,895
Additions	-	-	-	9,328	194	9,522
At 30 June 2020	11,438	2,964	3,043	32,877	2,104	52,426
Accumulated amortisation and impairment						
At 1 July 2019	250	2,701	2,618	5,698	1,200	12,467
Charge for the year	-	263	425	2,096	392	3,176
At 30 June 2020	250	2,964	3,043	7,794	1,592	15,643

Net Book Value at 30 June 2020	**11,188**	**-**	**-**	**25,083**	**512**	**36,783**

Cost						
At 1 July 2018	11,438	2,964	3,043	13,960	1,395	32,809
Additions	-	-	-	9,580	515	10,095
At 30 June 2019	11,438	2,964	3,043	23,549	1,910	42,902
Accumulated amortisation and impairment						
At 1 July 2018	250	2,371	2,189	3,902	830	9,542
Charge for the year	-	330	429	1,796	370	2,925
At 30 June 2019	250	2,701	2,618	5,698	1,200	12,467
Net Book Value at 30 June 2019	**11,188**	**263**	**425**	**17,851**	**710**	**30,437**

In accordance with the Group's accounting policy, the carrying values of Goodwill and other intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill arose on the acquisition of Craneware InSight Inc.

The carrying values are assessed for impairment purposes by calculating the value in use of the core Craneware business cash generating unit. This is the lowest level of which there are separately identifiable cash flows to assess the Goodwill acquired as part of the Craneware InSight Inc purchase.

The key assumptions in assessing value in use are the pre-tax discount rate applied of 14.9% (2019: 15.7%), future growth rate of revenue and the operating margin. After the initial term of 5 years, the Group applied a growth rate in perpetuity of 2% (2019: 2%). These take into account the customer base and expected revenue commitments from it, anticipated additional sales to both existing and new customers and market trends currently seen and those expected in the future.

The Group has assessed events and circumstances in the year and the assets and liabilities of the business cash-generating unit; this assessment has confirmed that no significant events or circumstances occurred in the year and that the assets and liabilities showed no significant change from last year.

After review of future forecasts, the Group confirmed the growth forecast for the next five years showed that the recoverable amount would continue to exceed the carrying value. There are no reasonable possible changes in assumptions that would result in an impairment.

9. Trade and other receivables

	2020	2019
	$'000	$'000
Trade receivables	**18,171**	15,415
Less: provision for impairment of trade receivables	**(1,775)**	(1,246)
Net trade receivables	**16,396**	14,169
Other receivables	**172**	308
Prepayments and accrued income	**2,055**	1,924
Deferred Contract Costs	**6,295**	7,334
	24,918	23,735
Less non-current receivables:		
Deferred Contract Costs	**(3,915)**	(4,946)
Current portion	**21,003**	18,789

Craneware®

10. Share capital

	2020 Number	$'000	2019 Number	$'000
Equity share capital				
Ordinary shares of 1p each	**50,000,000**	**1,14**	50,000,000	1,014

Allotted called-up and fully paid

	2020 Number	$'000	2019 Number	$'000
Equity share capital				
Ordinary shares of 1p each				
At 1 July	**26,698,984**	**535**	26,662,271	534
Allotted and issued in the year on exercise of employee share options	**127,555**	**1**	36,713	1
At 30 June	**26,826,539**	**536**	26,698,984	535

11. Cash flow generated from operating activities

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

	2020 $'000	2019 $'000
Profit before tax	**19,304**	18,322
Finance income	**(192)**	(318)
Finance expense	**94**	-
Depreciation on plant and equipment	**1,489**	608
Amortisation and Impairment on intangible assets	**3,176**	2,925
Share-based payments	**1,318**	1,296
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	**(1,183)**	(5,957)
Increase / (Decrease) in trade and other payables	**(872)**	(1,793)
Cash generated from operations	**23,134**	15,078