Craneware plc Interim Report

H1 2012

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 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.

Financial and Operational Highlights

Financial

- Revenue increased 13% to $18.8m (H111: $16.6m)
- Adjusted EBITDA[1] at $4.7m (H111: $4.6m)
- Profit before tax $3.8m (H111: $4.3m)
- Adjusted basic EPS decreased 11% to 11.2 cents (H111: 12.6 cents)
- Cash at period end $23.6m (H111: $31.2m), from $24.2m at 30 June 2011
  - Over $4m cash collected since period end
- Proposed interim dividend of 4.8p per share (H111: 4.0p)

[1] EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments and transaction related costs

Operational

- New partnership signed at end of period
- Further significant partnership announced
  - Mitigates the $0.7m financial impact to EBITDA[1] in the period of third party contract loss previously announced
  - Extends market opportunities for all Craneware products
  - Further underlines the Board's confidence in current year
- Signs of increased activity post 31 December 2011, the US Government's Electronic Health Records Incentive Payments claims deadline
- Renewal levels remain strong at over 100% of dollar value
- Craneware InSight integration ahead of schedule and first cross-sales delivered
- Increasing collaboration with partners presents enlarged market opportunity
- Leading indicator, the Recovery Auditor programme (previously RAC programme) continues to accelerate

Quick Facts — Financial

$18.8m
Revenue

$4.7m
EBITDA[1]

$23.6m
Cash

4.8p
Interim Dividend

1.6
Product Attachment Rate

Craneware Innovation

Craneware introduced the healthcare industry's original chargemaster management solution more than twelve years ago. For the last six years, Craneware's Chargemaster Toolkit® has ranked number one in the Chargemaster Management category in the "Best in KLAS Awards" report, the leading independent source of healthcare IT performance metrics. This year, Craneware's Bill Analyzer solution was named number one in its Revenue Cycle market category in this KLAS Awards report.

Craneware SaaS solutions provide the data visibility that US hospitals and healthcare organisations need to identify the specific causes of revenue leakage. By partnering with Craneware, hospitals can more accurately price, charge, and code for patient care services and supplies, as well as retain more earned revenue.

Craneware's innovation is market-driven, meaning we look to the market in order to identify opportunities where automation can help healthcare organisations improve financial performance. Then, we work with customers to bring those solutions to the industry that exactly address healthcare organisations' actual needs. Through Craneware User Groups, the Craneware Client Advisory Council, and the online customer community, customers participate in a collaborative network where they engage in sharing best practices whilst enhancing existing and influencing new products and services. This network is a resource for ongoing dialogue. In addition, Craneware has launched an online resource for ongoing dialogue, stoptheleakage.com, where healthcare revenue integrity professionals download whitepapers, read case studies and participate in blog posts written by Craneware thought leaders. One result of our engagement with the marketplace is that customers are so passionate about their business process improvements and results achieved using Craneware solutions that they regularly appear alongside Craneware experts at industry trade shows and events.

Craneware continues to invest in innovating new solutions for customers. The most recent solutions that help US hospital and healthcare organisations improve financial performance include: Craneware's critical access hospital (CAH) solution package, and Physician Revenue Toolkit® – Corporate. Craneware's CAH solution package is specifically designed to help CAH facilities automate and improve business processes. Craneware's Physician Revenue Toolkit – Corporate enables hospitals to manage multiple physician operations' charges to a corporate standard for optimal earned reimbursement, reduced compliance risk and greater operational efficiency. By enabling clients to align their business processes with best practices for compliance and reimbursement using our software, Craneware has become a trusted healthcare business partner known for our track record of successful innovation, industry expertise and a deep commitment to helping hospitals improve financial performance through revenue integrity.

What is Driving Our Growth?

Craneware operates in one of the largest markets in the world, which is forecast to grow whilst undergoing significant structural change. Healthcare is one of the largest segments of the US economy, with healthcare expenditure in 2012 forecast to reach $3 trillion, and expected to grow at a rate of 4% a year. In addition, the US is at the beginning of a long and extensive investment in healthcare reform which seeks to increase access to quality healthcare and related data whilst reducing the overall financial burden. Technologies like Craneware's solutions are central to the ability of healthcare organisations to achieve required improvements in financial performance, operational efficiency, and compliance in an environment of changing rules and regulations.

The US healthcare industry's reimbursement procedures are highly complex, and governed by ever-growing regulations. As a result, the need of hospitals and healthcare organisations for software to maintain charge compliance continues to intensify. Craneware helps healthcare provider organisations navigate this complex environment successfully, with solutions that help ensure correct, compliant pricing, charging, and coding. In addition, Craneware Revenue Integrity Solutions™ help healthcare organisations to successfully defend earned revenue, enabling them to achieve and sustain revenue integrity.

The American Hospital Association estimates there are 5,754 registered hospitals in the US. At present, fewer than half of these use chargemaster management software, such as Craneware's Chargemaster Toolkit; however, changes to the US healthcare system are making it nearly impossible for healthcare organisations to successfully manage charging and coding for reimbursement without products such as Craneware's.

US healthcare organisations also face pressure to meet technology mandates ahead of competitors and grow their patient market share. Some organisations are using their own wherewithal to achieve these goals. For other organisations, merging with a larger system can help with their capital needs, technology and infrastructure upgrades, as well as patient market share. In 2011, there were 86 hospital merger and acquisition deals, up from 77 in 2010, according to Irving Levin Associates, Inc. Hospitals in the competitive US market are actively positioning themselves to succeed whilst many facets of US healthcare reform are yet being defined.

Changing requirements from the Centers for Medicare & Medicaid Services (CMS), the US federal agency that provides health coverage for 100 million people through Medicare, Medicaid, and the Children's Health Insurance Program, are driving mergers and acquisitions of both hospitals and physician practices, as well as adoption of additional business automation.

During the integration phase of a healthcare acquisition, standardisation of organisation-wide pricing, charging, and coding protocols offers opportunities to optimise revenue and reduce compliance risks. Craneware's market-leading tools help organisations normalise data across disparate hospitals and physician groups to reach a high corporate revenue integrity standard, enabling a more accountable and compliant way of doing business.

Healthcare fraud prevention and enforcement efforts are ramping up , and US hospitals face a myriad of audits from state, federal, and private entities. In CMS' FY 2011, a record of nearly $4.1 billion in healthcare fraud was recovered by the federal government. Along with the growing need for strict regulatory compliance, hospitals are also facing financial pressure from ongoing audits that target past reimbursements made to healthcare providers. These auditors can make determinations that a hospital was previously overpaid and then retroactively recoup the overpayment amount. Often these auditors make incorrect overpayment determinations, forcing healthcare providers to appeal in court and legally fight for revenue that is rightfully theirs. The most well-known of these is the Medicare Fee-for-Service Recovery Audit Program. In 2011, Recovery Auditors identified over $1.2 billion in total corrections from hospitals and healthcare providers – nearly a seven-fold increase from 2010. Recovery Audit take-backs have grown by 53% on average each quarter since late 2010, setting a new record every quarter. Hospitals are responding to the financial and administrative burden by focusing on improving compliance, reducing risk, and streamlining audit management.

Over the years, Craneware has cultivated an extensive network of healthcare business relationships. Among these allies are industry leaders in hospital information systems, patient accounting systems, and Group Purchasing Organisations (GPOs). These relationships provide Craneware with a competitive advantage in maximising opportunities to provide Craneware Revenue Integrity Solutions and to deliver compelling value to customers.

Our view is toward delivering long-term value and partnership, and we have devoted ourselves to building strong customer relationships, from implementation and training to business process advancement. Customers value Craneware not only for the effectiveness of our industry-leading software, but for the partnership we offer them. This is a key reason why renowned healthcare organisations have entrusted Craneware over the years with increasing contracts for additional software and services. We take great pride in the quality of our products, the calibre of our people and the track record they represent.

Craneware's innovations help US healthcare organisations drive business improvements that will ultimately result in better financial health for patients and institutions alike. The need for innovation and quality in a changing and complex environment and our determination to respond to this need will continue to drive our growth in the future.

What Craneware Clients are Saying

"Within six months, the software paid for itself many times over. With Craneware's help, we made a dramatic financial turnaround in time to help save our hospital."

Scott D. Smith, CFO
Adams County Medical Center, Seaman, Ohio

"Craneware's customer service is unsurpassed, and the education provided by Professional Services is phenomenal. I've never seen a company more dedicated to making sure clients get the most from their products, including a quick return on investment."

Doug Barry, Vice President of Revenue Cycle
Glens Falls Hospital, Glens Falls, New York

Quick Facts — The Technology

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

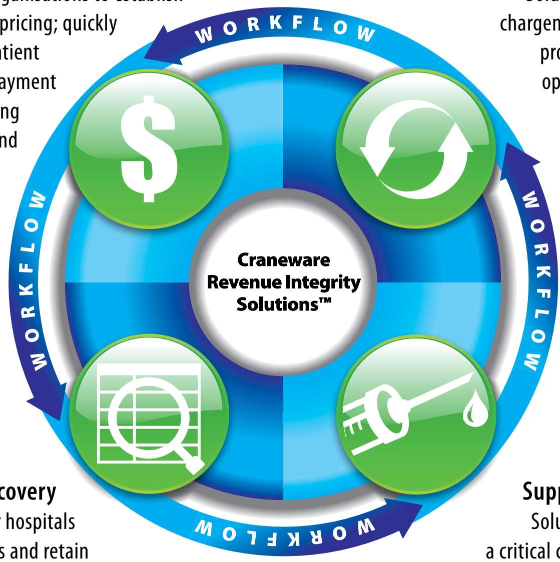
Only registered users can access Craneware's extensive knowledge base and regulatory products through available hospital-based browsers with Internet access. This allows Craneware's software to be rolled out to a number of staff in a facility, permitting different prescribed levels of interaction with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

Craneware Revenue Integrity Solutions encompass four product families – Access Management & Strategic Pricing, Revenue Cycle, Supply Management, and Audit & Revenue Recovery – with corresponding modules and services.

Craneware and Craneware InSight Products and Services

Access Management & Strategic Pricing
Solutions that enable organisations to establish transparent, defensible pricing; quickly and accurately assess patient benefits; and manage payment responsibility – improving cash flow, compliance and patient satisfaction

Revenue Cycle
Solutions that automate chargemaster management processes – increasing operational efficiency, minimising risk and helping to prevent revenue leakage



Audit & Revenue Recovery
Solutions that empower hospitals to manage payor denials and retain more cash in the face of retrospective claims audits – ensuring that they collect and retain all the revenue to which they are entitled

Supply Management
Solutions that establish a critical connection between pharmaceutical and supply purchases and billing – improving charge capture, coding and financial performance

KLAS®

Craneware's Chargemaster Toolkit® is ranked No. 1 in the Revenue Cycle – Chargemaster Management market category and Bill Analyzer is ranked No. 1 in the Revenue Cycle – Other market category in the "2011 Best in KLAS Awards: Software & Services" report, published December 2011. www.KLASresearch.com.

PEER REVIEWED by HFMA®

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

Microsoft Partner
Silver Independent Software Vendor (ISV)

Craneware is a Microsoft Silver Independent Software Vendor.

Access Management & Strategic Pricing

Pricing Analyzer®
software simplifies the price modeling process to ensure pricing is transparent, defensible and competitive.

Patient Charge Estimator®
software supports defensible and transparent pricing, and simplifies providing estimates for inpatient and outpatient services.

InSight Medical Necessity®
provides all-payor medical necessity validation and Advance Beneficiary Notice (ABN) creation, which reduces accounts-receivable days by preventing medical necessity denials, and facilitates payment communication with patients.

Supply Management

Pharmacy ChargeLink®
improves charge capture, pricing and cost management, establishing and maintaining a connection between a hospital's pharmaceutical purchases and billing.

Supplies ChargeLink®
helps optimise reimbursement for chargeable supplies by establishing and maintaining a connection between a hospital's supply purchase history and its chargemaster, which helps ensure accurate pricing, coding and billing of these supplies.

Revenue Cycle

Chargemaster Toolkit®, Chargemaster Corporate Toolkit® and Chargemaster Toolkit® - CAH
automate chargemaster management processes for capturing optimal legitimate reimbursement for hospitals. The Toolkit is customisable for any organisation, from small community hospitals to large healthcare networks.

Bill Analyzer
is HFMA Peer-Reviewed software that improves charge capture processes by identifying lost revenue and categorising areas of risk resulting in more accurate and compliant claims.

Physician Revenue Toolkit®, Physician Management Toolkit and Physician Revenue Toolkit® – Corporate
are for managing physician group charges, codes, RVUs, fee schedules, and related information – includes Online Reference Toolkit® for physician billing. The corporate version manages charges to a corporate standard. The management version includes Decision Dashboard® that tracks Key Performance Indicators (KPIs) for strategic physician group management.

Supporting Modules

Online Reference Toolkit®
is an HFMA Peer-Reviewed web-based tool for reducing risk by providing access to reference and regulatory resources.

Interface Scripting Module
is HFMA Peer-Reviewed software that automatically uploads chargemaster changes to the patient billing system for accurate billing.

Audit & Revenue Recovery

InSight Audit™
software is a comprehensive, web-based audit management tool that empowers healthcare organisations to manage Recovery Auditors and other retrospective claim audit workflows from one central location.

InSight Payment Variance Analyzer™
identifies, tracks and helps eliminate revenue lost in the form of underpaid claims.

InSight Denials®
analyses, tracks, trends and reports on denial data, providing workflow tools to distribute denied claims to the right departments and staff for resubmission.

Supporting Services

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

Revenue Integrity

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

Stop the Leakage is one of the company's thought leadership efforts, increasing awareness of revenue integrity challenges and solutions whilst strengthening the power and authority of the brand.

Chairman's Statement

"Craneware is well positioned… as we capitalise on what we believe to be a significant and growing market opportunity."

George Elliot, Chairman

The Group reported revenue growth of 13% to $18.8m (H1 FY11:$16.6m) and adjusted EBITDA held steady at $4.7m (H1 FY11:$4.6m). These results include, for the first time, a full six months contribution from Craneware InSight, Inc. Excluding Craneware InSight, adjusted EBITDA for the period would have increased by over 15%. Whilst the results for the first half of the year have been impacted by a combination of two factors, as is explained in more detail in the Operational Review, there is evidence that both are moving towards a positive resolution in the second half.

The integration of Craneware InSight, the wholly owned subsidiary of Craneware plc acquired on 17 February 2011, is well advanced with the introduction of consistent branding across the organisation, new amalgamated products in development and significant sales pipeline opportunities for both product sets into the respective customer bases. Initial cross-sales into the existing Craneware customer base have been achieved. The partnership deal announced with these results in February 2012 includes the Craneware InSight product range and reinforces the Board's confidence in the value of the new solutions to the Craneware suite and the addition of the Craneware InSight team.

The Company continues to seek similar alliances which will broaden its market reach. We were delighted to secure a significant new partnership at the end of the first half which will see Craneware's proprietary technology and data sold to new areas within hospitals in a non-competitive parallel segment to that in which Craneware operates. This agreement includes a significant minimum payment for software licenses to be paid to Craneware for each of the next three years, to be recognised in the second half of this fiscal year and beyond.

Following the passing of the first Electronic Health Records (EHR) Incentive Payments deadline on 31 December 2011, we have seen an increase in hospital activity in the first two months of the second half. Whilst it is still too early to see if sales cycles have returned to more normal levels, pressure is mounting on all US hospitals to rectify the underlying causes of the Recovery Auditors' findings. In the 12 months to 31 December 2011, Medicare's Recovery Auditor programme identified over $1.2bn in total corrections, nearly a seven fold increase on the amount identified in the previous 12 months. The Board believes the focus of hospitals has once again returned to Revenue Integrity Solutions which provide the underlying return on invested capital for EHR.

We continue to make progress with several other large channel partner opportunities, which combined with the two announced in recent weeks underpin our confidence in the current year. Moreover, the growing interest from third parties wishing to integrate their offerings with ours gives us confidence that Craneware is well positioned to deliver continued growth as we capitalise on what we believe to be a significant and growing market opportunity.

We would like to take this time to thank our customers for their loyalty and our hard-working staff for their passion and commitment which enables Craneware to maintain its market leading position.

George Elliott, Chairman
27 February 2012

"We have continued to build on the fundamentals within our business during the period…"

Keith Neilson, CEO and co-founder

"With the new channel partner deal, visibility of revenue for the…period… to 30 June 2014 has now increased to $111.4m."

Craig Preston, CFO

Introduction

We have continued to build on the fundamentals within our business during the period, from increasing the value of Craneware (and our solutions) to our customers, to augmenting our sales team, enhancing our products and extending our addressable market through partnerships. Against a backdrop of continued changes in the manner of healthcare delivery and increasing pressures on US healthcare providers themselves, our vision is to be the partner that healthcare providers can rely on to improve and sustain strong financial performance through revenue integrity.

The ongoing development of our market-leading products and the provision of high levels of customer support remain central to achieving this vision. Our leading position in the revenue integrity market was underlined once again during the period by the prestigious KLAS awards, with our core product, Chargemaster Toolkit, being named number one in its category for the sixth year running. Additionally, in an excellent endorsement of one of our newer products, Bill Analyzer was named as a new KLAS revenue cycle market category leader in its first year of entry into the awards. The KLAS awards are based entirely on independent user feedback and demonstrate the continued high quality of Craneware's product offerings.

The financial results in the period include, for the first time, a full six months contribution from our acquisition of ClaimTrust, Inc. (now Craneware InSight, Inc). Including Craneware InSight, the Group increased revenue by 13% to $18.8m (H1 FY11: $16.6m) and delivered adjusted EBITDA of $4.7m (H1 FY11: $4.6m).

These results were impacted primarily by two factors, the first being the cessation of a third-party contract that has now been fully mitigated and the opportunity extended by the channel partner agreement announced alongside the results. The second factor, EHR Certification, is discussed in more detail in the Financial Review section.

We have continued to make significant progress with our channel partner development work in the period. As a result, two significant deals have now come to fruition; the first we announced in January 2012 and the second was announced with these results at the end of February 2012. These channel partner agreements not only provide for guaranteed minimum levels of revenue in the current and future years, but more importantly open new market opportunities for Craneware. In addition to these announced deals there are currently a number of other channel partner deals in process.

As the Recovery Auditor programme (formerly known as the RAC programme) gathers momentum, so too does the importance of revenue integrity and the number of businesses seeking to partner with Craneware in this area. Through our extensive customer base and acknowledged product leadership, we have secured a valuable position at the centre of this expanding market. Our focus in the second half will be the continued execution on these opportunities.

Market Developments

With US healthcare expenditure in 2012 forecast to reach $3 trillion (approaching 20% of US GDP), Craneware operates in one of the largest markets in the world, and one which is subject to continuous change and ever increasing complexity. The US is at the beginning of a long and extensive investment in healthcare reform which seeks to increase access to quality healthcare whilst reducing the overall financial burden on the State. Technologies like Craneware's solutions when combined with better data sources such as Electronic Health Records, are central to the ability of healthcare organisations to achieve required improvements in financial performance, operational efficiency, and compliance within an environment of changing rules and regulations.

Changes to the US healthcare system will make it increasingly difficult for healthcare organisations to manage coding and reimbursements without products such as Craneware's. Yet, of the 5,754 registered US hospitals, at present fewer than half use chargemaster management software such as Craneware's award-winning Chargemaster Toolkit.

During the period the impact of the 31 December 2011 deadline for obtaining the 'meaningful use' certificate to qualify for the 2011 government funded Electronic Health Records Incentive Payments programme was not predicted by many in the sector, including Craneware. Industry commentators have estimated that approximately 60% of all healthcare institutions registered to obtain their certificate by the time of the deadline, a percentage that was projected to be 10-15%. Now that this initial deadline has passed, we are confident hospitals will now turn their attention to solutions that will leverage their investments in EHRs by ensuring they aid revenue integrity and protect against loss of revenue whilst improving the quality of care they ultimately deliver.

The Recovery Auditor programme is now permanent and ramping up the efforts to take back payments from heathcare providers. In the 12 months to 31 December 2011, the programme identified over $1.2bn in total corrections, nearly a seven fold increase on the amount identified in the previous 12 months. We continue to believe this is a strong leading indicator of future demand for Craneware solutions as healthcare providers focus on addressing the underlying causes of the corrections identified.

Craneware's solutions help US healthcare providers drive business improvements that will result in better financial health, allowing them to focus and invest in their primary purpose of delivering quality patient care. The need for continued innovation and product quality in this changing and complex environment will continue to drive Craneware's growth in the future.

Integration of Craneware InSight and Channel Partner Contract Win

Since the acquisition in February 2011 of ClaimTrust Inc., now renamed Craneware InSight ("InSight"), we have made significant progress with the integration, which is well advanced and ahead of schedule. There is consistent branding across the enlarged organisation, the first three of the ClaimTrust products have been fully integrated into our core offering as the "Audit and Revenue Recovery" product family, new amalgamated products are in initial stages of development and significant sales pipeline opportunities have been identified for both product sets into the respective customer bases, as well as with new customers.

Craneware has entered into a new channel partner agreement and although specific terms of the reseller agreement are confidential, Craneware will receive from the channel partner guaranteed minimum payments of $7,500,000 between now and 30 June 2014. The channel partner will use multi-year licenses for all of the Craneware solutions in its work with Federal and State healthcare facilities and projects. Following the end of the minimum period, Craneware will continue to license its solutions to those facilities that have been signed during the period of the agreement and recognise revenue on a normal basis until the end of the individual multi-year contracts.

The Audit and Revenue Recovery product family was not immune to the slowdown experienced due to the 31 December 2011 EHR meaningful use deadline. However, we remain confident that the potential for these products is significant as the Recovery Audit programme gathers pace through the current year and into 2013.

Craneware InSight is a leader in the newly formed Electronic Submission of Medical Documentation (esMD) task force, a government sponsored initiative to speed the transit of medical records between providers and Medicare auditors such as the Recovery Auditors. Craneware InSight is one of only a small number of vendors participating in this pilot programme.

The value of the product set was further underlined in February 2012 by the award of platinum-level status for Craneware InSight Audit™, the highest level of integration certification from Executive Health Resources, a leading provider of medical necessity compliance and appeals management solutions.

Sales and Marketing

We have completed the geographical alignment of our sales team across the US, which began in the prior year, and have in place experienced Regional Vice Presidents to head-up each of our three geographical regions. Furthermore, as part of this programme we have undertaken extensive training of all our sales personnel – with a particular focus on the enlarged product set and increasing market opportunities presented by US healthcare reform. Where appropriate, we have also added additional personnel at senior levels to our sales teams and strengthened our Sales Support function.

The average length of new customer contracts continues to be in-line with our historical norms of approximately five years. 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. We are pleased to have seen renewals during the period return to levels of greater than 100% by dollar value, as well as the average number of products per customer increase to 1.6 at 31 December 2011 from 1.5 at 30 June 2011. Average facility value has significantly spiked in the period, however with the smaller number of contracts signed in the first half we do not believe this trend is meaningful.

Product Development

Product development efforts during the period have been focussed on leveraging the best of innovative combinations of the Craneware and Craneware InSight enlarged product set, whilst ensuring that the direction of all products is consistent with the long-term strategic positioning of the Company as the partner that healthcare providers rely on to improve and sustain strong financial performance through revenue integrity.

Financial Review

Further to the trading update on 10 January 2012, we are reporting an increase in revenues in the period of 13% to $18.8m (H111:16.6m) and an adjusted EBITDA[1] of $4.7m (H111: $4.6m). For the first time, these results include a full six months contribution from our acquisition of Craneware InSight Inc. (completed on 17 February 2011).

As outlined above, the results for this period have been impacted by a combination of two factors, both of which we expect to be short-term in nature. The first of these two factors relates to the cessation of a Craneware InSight contract administered through a third party. This was a direct consequence of the third party losing its contract with its end hospital network. This had an impact of approximately $0.7m on EBITDA[1] reported in the period by InSight. Without this, the Group would have reported an increase in EBITDA[1] in the period of over 15%.

The channel partner deal announced with the results at the end of February has not only replaced and potentially extended this original opportunity, but ensures the financial impact from the cessation of the original contract is mitigated and is limited to only these interim results.

[1]EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments and transaction related costs

The second factor impacting the half year results was the extension of sales cycles as a consequence of the unexpectedly high percentage of healthcare providers choosing to focus on achieving the 31 December 2011 deadline for the first Electronic Health Records Incentive Payments. We have seen an increase in hospital activity since 31 December; however it is still too early to predict if sales cycles have subsequently returned to more normal levels.

As reported in the Final Results, the Company's 'Three Year Visible Revenue' KPI stood at $105m at the year end (Figure 1). There has been no significant change to this metric in the period as a number of smaller contract wins have been offset by the cessation of the third party ClaimTrust contract. However, with the new channel partner deal, visibility of revenue for the same period (being 1 July 2011 to 30 June 2014) has now increased to $111.4m with this contract forming part of 'revenue under contract' rather than the 'SaaS revenue' the previous contract was under.

The inclusion of Craneware InSight, combined with the careful investments we continue to make for future growth, has resulted in an increase in our net operating expenses by $3.4m to $14.31m (H111: $10.89m). As expected, the Group's adjusted EBITDA[1] margin has been diluted following the InSight acquisition as we leverage its existing operating base for future growth. However despite this and the factors described above, the Group is reporting EBITDA margins of 25% (H111: 28%).

As reported in our full year results to 30 June 2011 and in-line with our expectations, we have seen the rate of taxation return to more normal levels, reflecting the mix of the Group's profits between the UK and the US. This, combined with the increased number of shares in issue following the InSight acquisition, and Employee share option exercises in the prior year, has had a direct impact on the Adjusted EPS numbers for the half. Adjusted basic EPS has fallen by 11% to $0.112 (H111: $0.126) and Adjusted diluted EPS has fallen by 10% to $0.111 (H111: $0.124).

The Group maintains a strong balance sheet position, with no debt and a significant cash balance of $23.6m ($31.2 at 31 December 2010, $24.2m at 30 June 2011). The movement in this balance is after payment of $2m in dividends to shareholders during the period. As has been experienced in prior years, a combination of the dividend payment and cash cycles in the run up to 31 December year ends has seen a reduction in the cash balance and operating cash conversion. However, with over $4m of cash collected since the period end, the Group retains healthy cash reserves which are available for future investment.

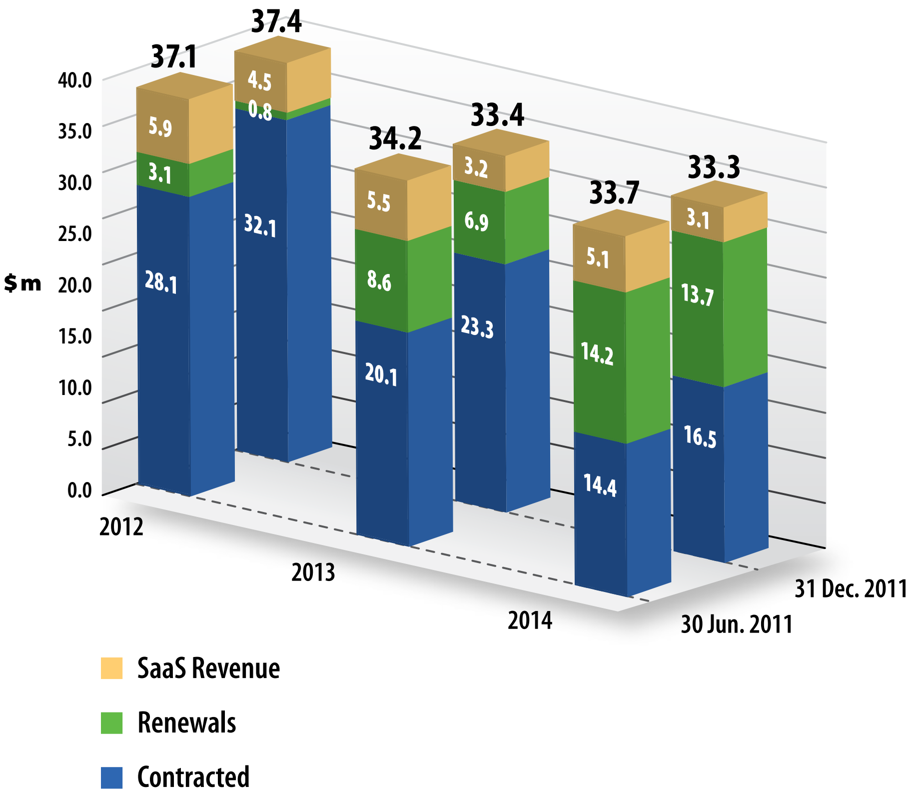
We continue to report the results (and hold the cash reserves) of the Group in US dollars, whilst having approximately 25% of our costs, being our UK employees and purchases, denominated in Sterling. The average exchange rate for the Company during the reporting period was $1.59/£1 as compared to $1.57/£1 in the corresponding period last year.

Dividend

The Board has resolved to pay an interim dividend of 4.8p (7.5 cents) per ordinary share in the Company on 20 April 2012 to those shareholders on the register as at 9 March 2012 (FY11 Interim dividend 4.0p). The ex-dividend date is 7 March 2012.

The interim dividend of 4.8p 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 9 March 2012. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 9 March 2012. The interim dividend referred to above in US dollars of 7.5 cents is given as an example only using the Balance Sheet date exchange rate of $1.5541/£1 and may differ from that finally announced.

Figure 1.



Outlook

We are pleased to announce at the same time as the results a significant new partnership that, combined with our growing pipeline, gives us confidence in securing a positive outcome for the year and mitigates the mixed results for the first half of the year which, in management's opinion, were impacted by a combination of temporary factors.

The dramatic upheaval taking place in the US healthcare market continues to present a significant long term opportunity for Craneware. Our vision is to be the partner that healthcare providers rely on to improve and sustain strong financial performance through revenue integrity. With approximately a quarter of US hospitals using one or more of our solutions and many of the largest suppliers to this market seeking to add our software to their offerings, we believe we are well placed to capitalise on this significant opportunity, delivering continued growth and shareholder value.

Keith Neilson, Chief Executive Officer
Craig Preston, Chief Financial Officer
27 February 2012

Consolidated Statement of Comprehensive Income

	Notes	unaudited H1 2012 $'000	unaudited H1 2011 $'000	audited FY 2011 $'000
Revenue		**18,754**	16,560	38,124
Cost of sales		**(658)**	(1,409)	(4,696)
Gross profit		**18,096**	15,151	33,428
Net operating expenses		**(14,312)**	(10,891)	(24,874)
Operating profit		**3,784**	**4,260**	**8,554**
Analysed as:				
Adjusted EBITDA[1]		**4,655**	4,608	10,077
Acquisition costs on business combination		**-**	-	(517)
Share-based payments		**(68)**	(72)	(139)
Depreciation of plant and equipment		**(276)**	(103)	(312)
Amortisation of intangible assets		**(527)**	(173)	(555)
Finance income		**37**	74	99
Profit before taxation		**3,821**	4,334	8,653
Tax charge on profit on ordinary activities		**(1,089)**	(1,093)	(2,638)
Profit for the period attributable to owners of the parent		**2,732**	**3,241**	**6,015**

Earnings per share for the period attributable to equity holders				
- Basic ($ per share)	1a	**0.102**	0.126	0.231
- Adjusted Basic ($ per share)[2]	1a	**0.112**	0.126	0.256
- Diluted ($ per share)	1b	**0.101**	0.124	0.228
- Adjusted Diluted ($ per share)[2]	1b	**0.111**	0.124	0.253

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

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

Consolidated Statement of Changes in Equity

	Share Capital $'000	Share Premium $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2010	512	9,250	3,237	9,053	22,052
Total comprehensive income – profit for the period	-	-	-	3,241	3,241
Transactions with owners:					
Share-based payments	-	-	72	(535)	(463)
Impact of share options exercised	10	-	-	1,498	1,508
Dividend	-	-	-	(1,333)	(1,333)
At 31 December 2010	522	9,250	3,309	11,924	25,005
Total comprehensive income – profit for the period	-	-	-	2,773	2,773
Transactions with owners:					
Share-based payments	-	-	67	287	354
Impact of share options exercised	3	-	(3,074)	3,074	3
Issue of ordinary shares related to business combination	11	5,989	-	-	6,000
Dividend	-	-	-	(1,730)	(1,730)
At 30 June 2011	536	15,239	302	16,328	32,405
Total comprehensive income – profit for the period	-	-	-	2,732	2,732
Share-based payments	-	-	68	(498)	(430)
Impact of share options exercised	2	169	(155)	603	619
Dividend	-	-	-	(2,036)	(2,036)
At 31 December 2011	**538**	**15,408**	**215**	**17,129**	**33,290**

Consolidated Balance Sheet as at 31 December 2011

	Notes	unaudited H1 2012 $000	unaudited H1 2011 $000	audited FY 2011 $000
ASSETS				
Non-Current Assets				
Plant and equipment		**2,182**	467	2,167
Intangible assets		**17,449**	1,528	17,728
Deferred tax		**269**	1,441	-
		19,900	3,436	19,895
Current Assets				
Trade and other receivables		**12,933**	10,685	13,121
Corporation Tax		**-**	320	-
Cash and cash equivalents		**23,621**	31,234	24,176
		36,554	42,239	37,297
Total Assets		**56,454**	**45,675**	**57,192**
EQUITY & LIABILITIES				
Non-Current Liabilities				
Contingent consideration		**954**	-	954
Deferred tax		**-**	-	52
Deferred income		**73**	3	250
		1,027	3	1,256
Current Liabilities				
Deferred income		**15,740**	15,985	15,638
Corporate Tax		**1,060**	-	288
Trade and other payables		**5,337**	4,682	7,605
		22,137	20,667	25,531
Total Liabilities		**23,164**	**20,670**	**24,787**
Equity				
Called up share capital	2	**538**	522	536
Share premium account		**15,408**	9,250	15,239
Other reserves		**215**	3,309	302
Retained earnings		**17,129**	11,924	16,328
Total Equity		**33,290**	**25,005**	**32,405**
Total Equity and Liabilities		**56,454**	**45,675**	**57,192**

Consolidated Statement of Cash Flow for the six months ended 31 December 2011

	Notes	**unaudited H1 2012 $000**	unaudited H1 2011 $000	audited FY 2011 $000
Cash flows from operating activities				
Cash generated from operations	3	**2,501**	4,320	10,089
Interest received		**37**	74	99
Tax paid		**(689)**	(763)	(1,595)
Net cash from operating activities		**1,849**	3,631	8,593
Cash flows from investing activities				
Purchase of plant and equipment		**(291)**	(289)	(1,790)
Acquisition of subsidiary, net of cash acquired		**-**	-	(8,772)
Capitalised intangible assets		**(248)**	(227)	(247)
Net cash used in investing activities		**(539)**	(516)	(10,809)
Cash flows from financing activities				
Dividends paid to company shareholders		**(2,036)**	(1,333)	(3,063)
Paid up ordinary share capital		**171**	10	13
Net cash used in financing activities		**(1,865)**	(1,323)	(3,050)
Net (decrease)/increase in cash and cash equivalents		**(555)**	1,792	(5,266)
Cash and cash equivalents at the start of the period		**24,176**	29,442	29,442
Cash and cash equivalents at the end of the period		**23,621**	**31,234**	**24,176**

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.

	unaudited H1 2012	unaudited H1 2011	audited FY 2011
Profit attributable to equity holders of the Company ($'000)	**2,732**	3,241	6,015
Weighted average number of ordinary shares in issue (thousands)	**26,905**	25,662	26,079
Basic earnings per share ($ per share)	**0.102**	**0.126**	**0.231**
Profit attributable to equity holders of the Company ($'000)	**2,732**	3,241	6,015
Acquisition costs and amortisation of acquired intangibles ($'000)	**287**	-	664
Adjusted Profit attributable to equity holders ($'000)	**3,019**	3,241	6,679
Weighted average number of ordinary shares in issue (thousands)	**26,905**	25,662	26,079
Adjusted Basic earnings per share ($ per share)	**0.112**	**0.126**	**0.256**

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.

Profit attributable to equity holders of the Company ($'000)	**2,732**	3,241	6,015
Weighted average number of ordinary shares in issue (thousands)	**26,905**	25,662	26,079
Adjustments for: - share options (thousands)	**170**	438	324
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,075**	26,100	26,403
Diluted earnings per share ($ per share)	**0.101**	**0.124**	**0.228**
Profit attributable to equity holders of the Company ($'000)	**2,732**	3,241	6,015
Acquisition costs and amortisation of acquired intangibles ($'000)	**287**	-	664
Adjusted Profit attributable to equity holders ($'000)	**3,019**	3,241	6,679
Weighted average number of ordinary shares in issue (thousands)	**26,905**	25,662	26,079
Adjustments for: - share options (thousands)	**170**	438	324
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,075**	26,100	26,403
Adjusted Diluted earnings per share ($ per share)	**0.111**	**0.124**	**0.253**

2 Called up share capital

	H1 2012		H1 2011		FY 2011	
	unaudited Number	**$000**	unaudited Number	$000	audited Number	$000
Authorised						
Equity share capital						
Ordinary shares of 1p each	**50,000,000**	**1,014**	50,000,000	1,014	50,000,000	1,014
Allotted called-up and fully paid						
Equity share capital						
Ordinary shares of 1p each	**26,987,018**	**538**	25,964,950	522	26,792,681	536

3 Consolidated Cash Flow generated from operating activities

	unaudited H1 2012 $000	unaudited H1 2011 $000	audited FY 2011 $000
Profit before taxation	**3,821**	4,334	8,653
Finance income	**(37)**	(74)	(99)
Depreciation on plant and equipment	**276**	103	312
Amortisation on intangible assets	**527**	173	555
Share-based payments	**68**	73	139
Movements in working capital:			
Decrease/(increase) in trade and other receivables	**238**	(2,091)	(3,353)
(Decrease)/increase in trade and other payables	**(2,392)**	1,802	3,882
Cash generated from operations	**2,501**	**4,320**	**10,089**

4 Basis of Preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined in S435 of the Companies Act 2006. These statements have been prepared applying accounting policies that were applied in the preparation of the Group's consolidated accounts for the year ended 30th June 2011. Those accounts, with an unqualified audit report, have been delivered to the Registrar of Companies.

5 Segmental Information

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

6 Significant Accounting Policies

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

Reporting currency

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

Currency translation

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date ($1.5541/£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.

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.

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. 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 it 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 flows, cash and cash equivalents comprise of cash on hand, deposits held with banks and short term high liquid investments.

Share-Based Payments and Taxation Implications

The Group issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, "Share-Based Payments" equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model as appropriately amended. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

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

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

7 Acquisition of subsidiary: Craneware InSight Inc

On 17 February 2011, the Company acquired 100% of the issued share capital of ClaimTrust Inc. On the date of acquisition the assets and liabilities of ClaimTrust Inc. were merged into the newly created entity, Craneware InSight Inc.

In line with the audited financial statements at 30 June 2011, the initial accounting for the business combination continues to remain incomplete as at 31 December 2011 and is based on provisional amounts. In particular, the directors are still to determine if there is a deferred tax asset in relation to net operating losses carried forward from the acquired business that can be recognised. The final position will be reported in the year-end financial statements.

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