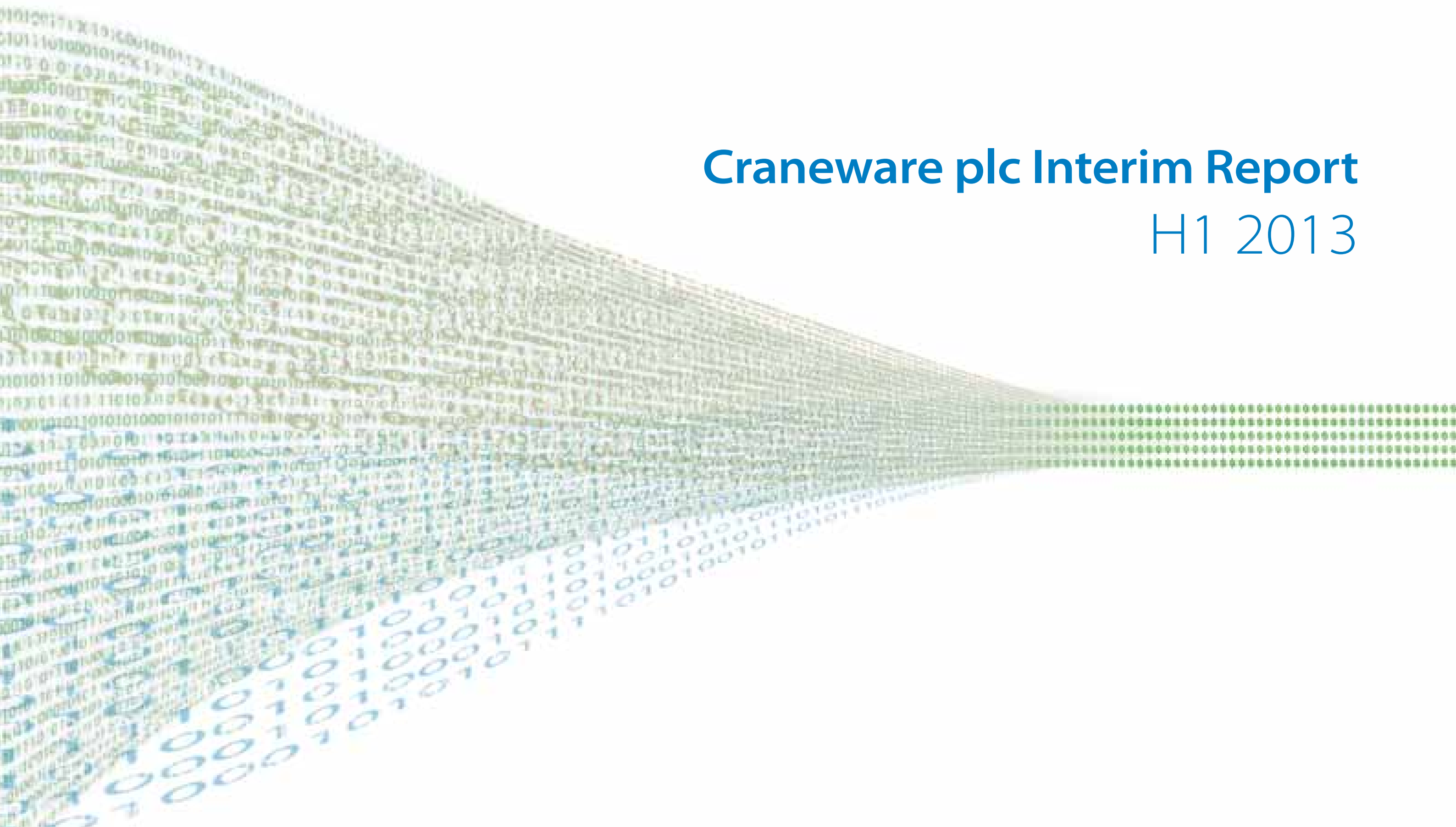
Craneware

Craneware plc Interim Report

H1 2013



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 healthcare provider organisations more effectively price, charge, code and retain earned revenue for patient care services and supplies. This optimises reimbursement, increases operational efficiency and mitigates 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 7% to $20.1m (H112: $18.8m)
- Adjusted EBITDA[1] increased 15% to $5.4m (H112: $4.7m)
- Profit before tax $4.5m (H112: $3.8m)
- Adjusted basic EPS increased 18% to 13.2 cents per share (H112: 11.2 cents)
- Cash at period end $28.6m (H112: $23.6m) from $28.8m at 30 June 2012
- Proposed interim dividend of 5.2p per share (H112: 4.8p)

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

Operational

- 2012 Best in KLAS Awards: Software & Services
- Particularly strong performance from InSight Audit
- Supportive market environment, including anticipated extension of lookback period for government audits of hospitals from three to five years from 2014 onwards.
- Good revenue visibility over the remainder of the year

Quick Facts — Financial

$20.1m
Revenue

$5.4m
EBITDA[1]

$28.6m
Cash

5.2p
Interim Dividend

1.6
Product Attachment Rate

Innovation is central to Craneware's business: developing software that helps US healthcare organisations at the points in their system where clinical data transforms into financial transactions. Craneware introduced the healthcare industry's original chargemaster management solution more than thirteen years ago. Today one quarter of all US hospitals use Craneware Revenue Integrity Solutions® and recognition of the company's leadership has grown as well. For the last seven years, KLAS — the leading independent source of healthcare IT performance metrics — has ranked Craneware's flagship product Chargemaster Toolkit® number one in the Chargemaster Management category in the, "Best in KLAS Awards: Software and Services," report. This year, Craneware's Bill Analyzer solution was named number one in its Revenue Cycle market category in this KLAS Awards report for the second consecutive year.

This 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 maintains 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's history and strategy are built on the innovation of software solutions that make it easier for US healthcare organisations to improve financial performance, mitigate compliance risk, and increase operational efficiency. Today the company continues to invest in innovating new solutions for customers. Craneware's SaaS solutions connect to the backbone of US healthcare provider organisations' business processes, creating visibility and accountability that is necessary for these organisations' financial health.

Craneware continues to invest in developing innovative new solutions. The October 2012 introduction of smart-phone and mobile-device access to Craneware's Online Reference Toolkit® is delivering greater freedom to revenue and clinical teams, advancing the way charge compliance information is shared amongst these teams, and transforming collaboration between traditionally siloed departments in US healthcare organisations. An integrated component of Craneware's chargemaster solutions, Online Reference Toolkit is used by clinical and financial staff across US healthcare organisations of all sizes.

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 Craneware Clients are Saying

"I'm aware of software implementations of this scale that go on for months and months, typically because of server issues and miscommunication. The key to our quick InSight Audit implementation was a great team and a highly responsive vendor. In addition to regularly scheduled status calls, Craneware was always available with a quick and definitive response to every question from our IT department. It was the beginning of what has proven to be a highly satisfying partnership."

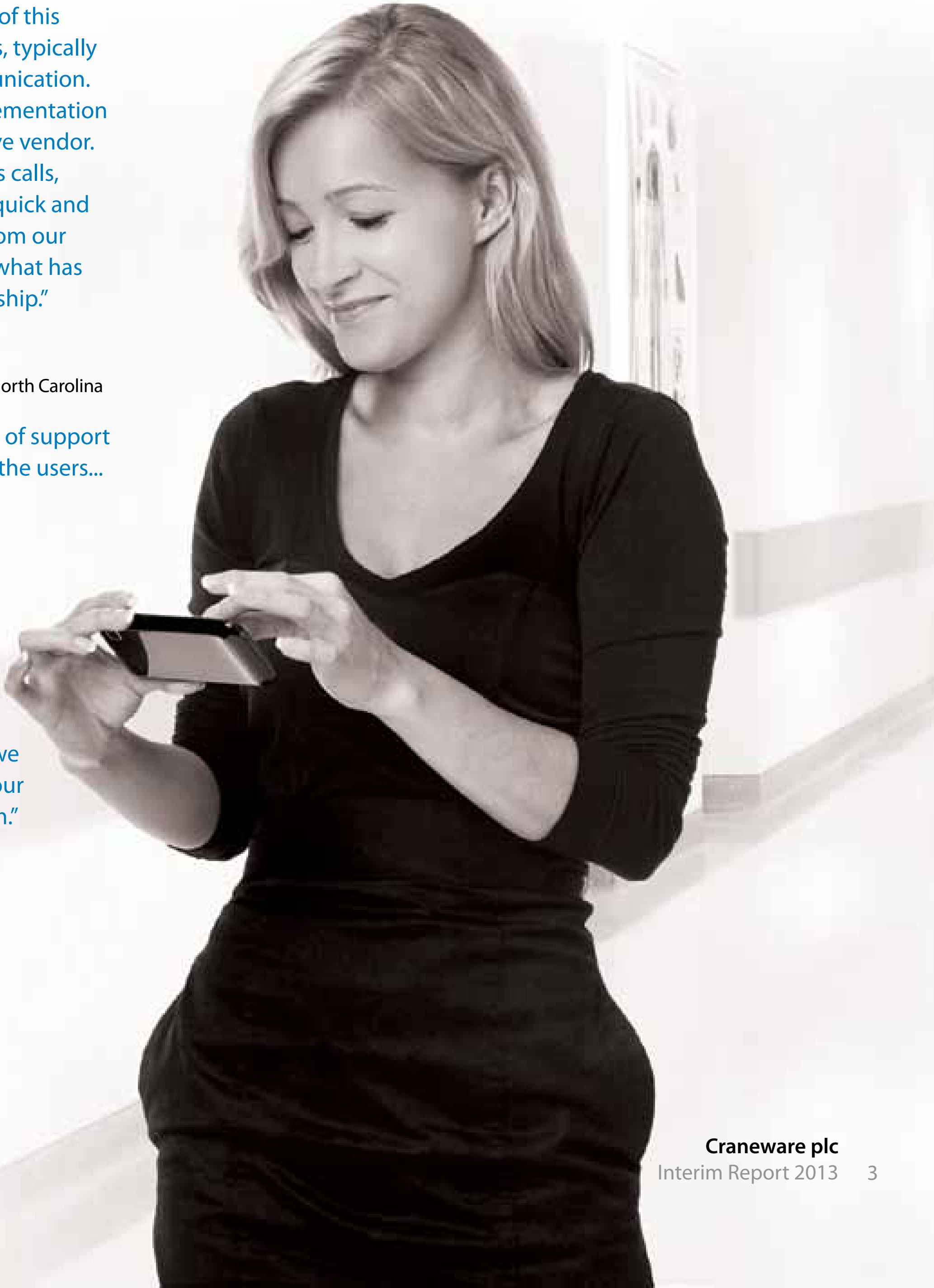
Tasha M. Yoder, Revenue Integrity Analyst and Denials Management Coordinator
Appalachian Regional Healthcare System, Boone, North Carolina

"It's rare to find a company with the type of support Craneware provides. You really listen to the users... Craneware does it right"

Shina Murdock, Hospital Reimbursement Auditor
King's Daughters' Hospital, Madison, Indiana

"We have been using Craneware's chargemaster and audit solutions at our hospitals for over five years...these solutions have been so beneficial to the facilities where they are implemented, we decided to expand the use of them at four additional hospitals in our health system."

David Fielding, Vice President of Finance
Steward Health Care, Boston, Massachusetts



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.

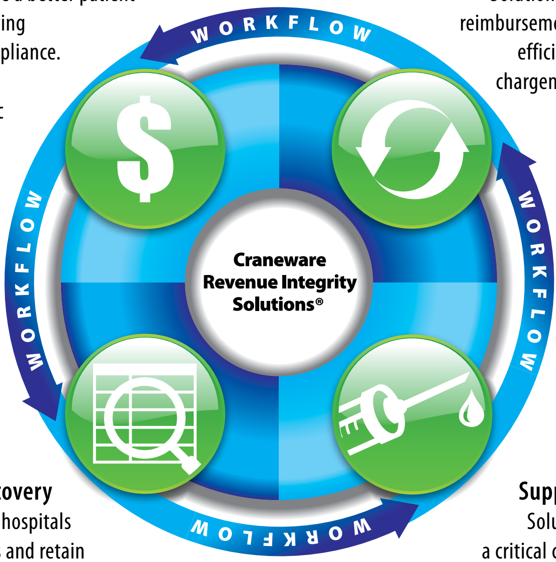
Only registered users can access Craneware's extensive knowledge base and regulatory products through available hospital-based browsers with Internet access, and with reference resources accessible to their mobile devices. This allows Craneware's software to be rolled out to a number of staff in a facility, 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 Products and Services

Access Management & Strategic Pricing
Solutions that help create a better patient experience while improving reimbursement and compliance. Craneware's Access Management & Strategic Pricing products help establish transparent, defensible pricing; assess patient benefits and medical necessity quickly and accurately; and manage payment responsibility.

Revenue Cycle
Solutions that help optimize reimbursement, compliance and efficiency by automating chargemaster management and charge capture processes.



Audit & Revenue Recovery
Solutions that empower hospitals to manage payor denials and retain more cash from RAC and other auditors – 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 "2012 Best in KLAS Awards: Software and Services" report, published December 2012. Data © 2012 KLAS Enterprises, LLC. All rights reserved. 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, creating a repeatable, well-documented method to establish transparent, defensible and competitive pricing.

Patient Charge Estimator®
software simplifies the process of providing patient bill estimates for inpatient and outpatient services to improve upfront collections and reduce bad debt.

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, while simplifying the process for ensuring drug coding and billing units are complete and compliant, and establishing and maintaining a connection between a hospital's pharmaceutical purchases and billing.

Supplies ChargeLink®
helps optimise reimbursement for codable supplies by identifying missing or invalid charges, and 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 and mitigating compliance risk. The Toolkit is customisable for any organisation, from small community hospitals to large healthcare networks.

Bill Analyzer
software automates claim and coding reviews to identify missed charges, billing errors, and categorise areas of risk to help ensure that all legitimate revenue is captured. Bill Analyzer ranks #1 in its KLAS Revenue Cycle category for the second consecutive year.

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 charge 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 claim audits and workflow from one central location, leveraging an extensive proprietary knowledgebase that includes current payment rules, best practices, templates, checklists, forms, and references for winning appeals.

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.

Professional Services

Craneware Professional Services 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.

Chairman's Statement

"Our comprehensive suite of solutions, focused sales operation and large and clear market opportunity mean Craneware is well positioned."

George Elliott, Chairman

Craneware enjoyed a more settled trading environment during the six months to December 2012 compared to the corresponding period last year. Revenues increased by 7% to $20.1m, adjusted EBITDA increased by 15% to $5.4m and adjusted EPS increased by 18% to 13.2 cents. The Company continued to benefit from strong operational cash flow, closing the period with a cash balance of $28.6m (31 December 2011: $23.6m). Visibility over revenue for FY13 has increased to $39.7m (31 December 2011: $33.4m), providing the Board with increased confidence in continued growth.

We believe the disruption to our market caused by the focus on Electronic Health Records incentive payments has largely dissipated, freeing up hospital resource to focus on other areas of technology investment. This, combined with the ongoing focus of our sales operation, has had a positive effect on sales activity and execution.

New sales were secured across all sections of the customer base, from individual hospitals through to integrated delivery networks (IDNs). The increased sales activity noted when we published our final results in September 2012 flowed through into an increase in revenue during the period. I am pleased to report that sales activity has remained high as we entered the second half of the year, significantly ahead of activity in the same period in the prior financial year.

Our vision is to be the partner healthcare providers rely on to improve and sustain strong financial performance through revenue integrity. With approximately a quarter of all US hospitals as customers, our central position in this growing area of the US healthcare market continues to be attractive to a wide range of possible partners, providing us with potential additional future channels to market.

While the Board remains cautious on timing, we are confident that our comprehensive suite of revenue integrity solutions, focused sales operation and large and clear market opportunity mean Craneware is well positioned to increase its market share.

I would like to take this opportunity to thank our staff for their commitment and enthusiasm and our shareholders for their continued support.

George Elliott, Chairman
26 February 2013

"Our focus…has been…to grow the awareness of our solutions within our market, while ensuring we have the correct products, processes and people in place to drive the business forward"

Keith Neilson, CEO and co-founder

"7% growth in revenues to $20.1m… which has resulted in a growth of our adjusted EBITDA to $5.4m, this being a 15% increase"

Craig Preston, CFO

Introduction

Craneware's vision is to be the partner healthcare providers rely on to improve and sustain strong financial performance through revenue integrity. We provide the solutions for our clients to be financially healthy so that they can continue to provide quality care to their patients. Whilst incentive payments for the implementation of Electronic Healthcare Records caused some disruption to our market in the previous financial year, we are confident that the growing fiscal and legislative pressures on US hospitals means that revenue integrity is an area that hospitals simply cannot afford to ignore.

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

Our focus during the first half of the year has been on execution; seeking to grow the awareness of our solutions within our market, while ensuring we have the correct products, processes and people in place to drive the business forward.

Market Developments

The overall US healthcare market has seen some interesting developments in recent months. The Supreme Court's ruling on 6 December 2012, upholding the Affordable Healthcare Act as constitutional, sent a clear message that the changes to the healthcare system and the financial pressures associated with it are permanent.

At the same time, some of the cost-savings and efficiencies introduced in recent years are now starting to have a demonstrable effect, with the annual growth in Medicare spending now contained within the government's cap of 1% of GDP. It appears that the US healthcare market is beginning to embrace the changes forced upon it, seeking means to control costs while maintaining high levels of patient care.

A development that is expected to have a direct positive impact on Craneware's market has been the possible extension from 2014 onwards of the look-back for the Recovery Audit Contractors from three to five years. The administrative pressure already being placed on hospitals by these types of audits is considerable, and the extension by a further two years on the look-back period could have significant repercussions on administrative teams. Craneware's Audits and Denials solutions considerably ease these pressures and once established as part of a hospital's good governance process have been shown to be new Gatekeeper products for the remainder of the Craneware solution set. This increases the number of routes into any prospective customer.

The competitive landscape remains largely unchanged, with new entrants to the market generally seeking to establish partnerships or joint go-to-market strategies. Management believes Craneware has the most extensive suite of revenue integrity solutions currently available and is confident of its growing prominence within the US healthcare market.

Sales and Marketing

We believe the structural changes made to our direct sales team during the previous year are starting to have a material impact on sales. Experienced Regional Vice Presidents oversee each of our three geographical regions, and each has a team comprised of mixed experience and skill sets. We have seen a good level of sales activity across each of the three regions.

Following thorough internal and external training on our enlarged product set and increased market opportunities presented by various US healthcare reforms, we are confident that we have a sales team focused on delivery and with the right tools to do so.

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.

Whilst slightly below historic levels, renewal rates remain high, at 94% by dollar value. We have experienced this level of renewal previously and expect to see a return to over 100% by the next reporting period.

The sales mix remained fairly constant through the period, resulting in no change to the overall product attachment rate, which remained steady at approximately 1.6 products per customer. It was encouraging to note, however, a particularly strong close to the period by InSight Audit, our solution for the management of the audit process. The strength of InSight Audit's performance in the latter months reinforces management's view that it has the potential to be a Gatekeeper Product, similar to Chargemaster Toolkit and Pharmacy ChargeLink, providing an additional entry point to new customers.

Additional Routes to Market

Craneware continues to explore many opportunities to extend its routes to market outside of direct sales to hospitals, working on a number of major contract opportunities which all have the ability to yield significant potential revenues. These potential contracts follow the same revenue recognition methodology as an individual hospital and group hospital contracts; although the sales approach for each of these six different categories of deal is quite different.

The six categories are IDNs & Large Hospital Systems, Business Process Outsourcers/Consultants (BPO), Hardware Vendors, Software Vendors, Group Purchasing Organisations (GPOs) and Content Acquirers.

Craneware is working on opportunities in each of these areas, however given the increasing overall size of Craneware's annual revenue, the size of any deal required to be announced separately to the market has also increased. Therefore only the very largest of contracts will be announced individually in the future.

Awards

Craneware's solutions once again received industry recognition in the period, with two of its solutions ranking first in two separate revenue cycle categories in the annual "2012 Best in KLAS Awards: Software & Services" report. KLAS, the leading source of healthcare information technology vendor performance metrics, determines its rankings based on the overall customer satisfaction score for a vendor's products. KLAS rankings also are based on direct, detailed feedback from healthcare providers across North America.

Craneware's flagship product, Chargemaster Toolkit, was ranked as the number one software in the "Revenue Cycle - Chargemaster Management" market category for the seventh consecutive year, and Craneware's Bill Analyzer solution ranked first in the "Revenue Cycle - Other" category for the second year in a row.

Comments collected by KLAS during the evaluation included, "*Most of the time, people don't even know their chargemaster is dirty, but looking into a [chargemaster management] system is worth the time. In our first year using Chargemaster Toolkit, we easily made over $1M,*" and "*Craneware Bill Analyzer reviews our claims and identifies areas where we could be billing differently . . . In the first year, we found $700,000 in net revenue that we had been giving up.*"

Product Development

Product development continues to be focused on enhancements to functionality of current products and the integration of those products in new innovative combinations. The direction of the product set moves consistently with the long-term strategic positioning of Craneware as the revenue integrity partner of choice. Integration, both within the solution set itself, and externally with the Healthcare Information Systems, has also been a focus, particularly with the EPIC patient accounting system to ensure that all Craneware customers currently in the midst of the replacement of their system are fully supported.

Financial Review

As announced in our trading statement on 21 January 2013, we are reporting a 7% growth in revenues to $20.1m (H112: $18.8m) which has resulted in a growth of our adjusted EBITDA[1] to $5.4m, this being a 15% increase over the prior period (H112: $4.7m).

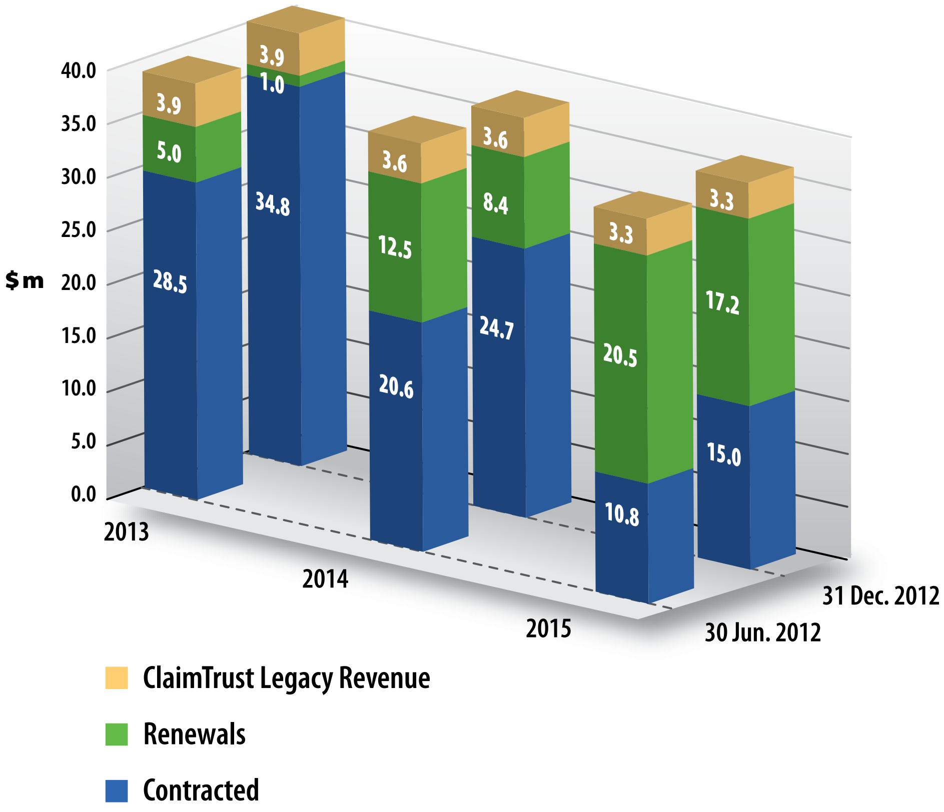
As anticipated in our FY12 results, the increased levels of sales activity we saw begin in H212 have started to contribute to revenue growth in the latter half of this six month reporting period. However, with the Group's annuity SaaS business model and the resulting revenue recognition policies, a significant proportion of license revenues generated from any new sale are recognised in later periods.

At the end of each financial year, the Company reports its 'Three Year Visible Revenue' KPI which identifies the amount of visible revenue either contracted or highly likely to be booked in the next three year period.

At the end of the subsequent half year, the Company reports how that metric, for the same three year period, has moved on, now that the Company is 6 months into that period. This shows both how renewals have flowed through and how sales of new products have affected new contracted revenue across the three years within the 6 months. The total visible revenue for the three year period 1 July 2012 to 30 June 2015 has grown during this six month period to $111.9m from $108.7m at 30 June 2012. This comprises $74.5m revenue under contract, $26.6m renewal revenue and $10.8m Claimtrust legacy revenue (at 30 June 2012: $59.9m, $38.0m and $10.8m respectively).

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

Figure 1.



'Revenue under contract', relates to revenues that are supported by underlying contracts. 'Renewal Revenue'; at each reporting date, we 'look forward' and calculate the amount of revenue which is potentially available and could be recognised in each fiscal year of the three year period but that requires an underlying contract to be renewed. In calculating this, we assume a 100% dollar value renewal level. As the renewals occur, the aggregated related revenue for all of the three years, moves from 'Renewal revenues' to 'revenue under contract'. The final element is 'Claimtrust Legacy Revenue'. This relates to our February 2011 acquisition. This is revenue that is not subject to long term contracts and is usually invoiced on a monthly basis, but that we would expect to be recurring in nature. With Craneware typically writing multi-year contracts (which are included in 'revenue under contract'), and having successfully completed the integration, we would not expect to see this type of visible revenue grow in the future.

During the period we have seen our dollar value renewal rate (as referred to above) for the period, drop from its historical norms of above 100% dollar value to 94%. However this modest dip only relates to a very small number of hospitals not signing new contracts prior to period end. We have witnessed this previously as timing issues around period end and we do not believe this is representative of a longer term trend. The financial effect of the period's renewal rate is fully reflected in each of the years forming our 'three year visible revenue' KPI above.

Within our operating expenses we have continued to invest as appropriate for the future growth of the Group. However the continued control over costs whilst continuing to leverage the 'cost base' acquired with the Claimtrust Inc acquisition in February 2011, has resulted in net operating expenses increasing by only \$0.52m to \$14.83m (H112: \$14.31m). As a result our adjusted EBITDA margin for the period is 26.8% as compared to 24.8% in the same period in the prior year.

Ultimately the increase in EBITDA, as well as a small beneficial effect from the reduction in corporation tax rates in the UK, has resulted in the adjusted basic EPS increasing by 18% to \$0.132 per share (H112 : \$0.112) and adjusted diluted EPS increasing to \$0.131 (H112: \$0.111).

The Group continues to maintain a strong Balance Sheet, with no debt and significant cash reserves of \$28.6m (\$23.6m at 31 December 2011 and \$28.8m at 30 June 2012). The cash levels reported are after returning \$2.5m to shareholders by way of dividends and tax payments of \$2m in the period. Consistent with prior years, the combination of these payments and cash cycles in the run up to 31 December has resulted in the slight reduction in the cash balances. Continued healthy cash collections since the period end ensures the Group retains healthy cash reserves which in turn provides for further future investment including potential 'bolt on' acquisitions should such opportunities arise.

We continue to report the results (and hold the cash reserves) of the Group in US Dollars, whilst having approximately 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 which was comparable to the corresponding period last year.

Dividend

The Board has resolved to pay an interim dividend of 5.2p (8.45 cents) per ordinary share in the Company on 12 April 2013 to those shareholders on the register as at 15 March 2013 (FY12 Interim dividend 4.8p). The ex-dividend date is 13 March 2013.

The interim dividend of 5.2p 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 15 March 2013. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 15 March 2013. The interim dividend referred to above in US dollars of 8.45 cents is given as an example only using the Balance Sheet date exchange rate of \$1.6255/£1 and may differ from that finally announced.

Outlook

This has been a positive trading period for Craneware. Sales activity is ahead of the same period last year and is now starting to translate into revenue growth. The relevance of our product set continues to strengthen in the evolving healthcare landscape with the developments within the US healthcare market supportive of the Group's long-term strategy and growth.

Keith Neilson, Chief Executive Officer
Craig Preston, Chief Financial Officer
26 February 2013

Consolidated Statement of Comprehensive Income

	Notes	unaudited H1 2013 $'000	unaudited H1 2012 $'000	audited FY 2012 $'000
Revenue		**20,131**	18,754	41,067
Cost of sales		**(836)**	(658)	(1,556)
Gross profit		**19,295**	18,096	39,511
Net operating expenses		**(14,835)**	(14,312)	(28,416)
Operating profit		**4,460**	3,784	11,095
Analysed as:				
Adjusted EBITDA[1]		**5,392**	4,655	11,932
Release deferred consideration on business combination		**-**	-	954
Share-based payments		**(95)**	(68)	(152)
Depreciation of plant and equipment		**(305)**	(276)	(579)
Amortisation of intangible assets		**(532)**	(527)	(1,060)
Finance income		**54**	37	107
Profit before taxation		**4,514**	3,821	11,202
Tax charge on profit on ordinary activities		**(1,241)**	(1,089)	(2,309)
Profit for the period attributable to owners of the parent		**3,273**	2,732	8,893
Total comprehensive income attributable to owners of the parent		**3,273**	2,732	8,893
Earnings per share for the period attributable to equity holders				
- Basic ($ per share)	1a	**0.121**	0.102	0.330
- Adjusted Basic ($ per share)[2]	1a	**0.132**	0.112	0.316
- Diluted ($ per share)	1b	**0.121**	0.101	0.329
- Adjusted Diluted ($ per share)[2]	1b	**0.131**	0.111	0.315

[1]Adjusted EBITDA is defined as operating profit before released deferred consideration, share-based payments, depreciation and amortisation.

[2]Adjusted Earnings per share calculations allow for the release of deferred consideration on the business combination together with amortisation on acquired intangible assets to form a better comparison with 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 2011	536	15,239	302	16,328	32,405
Total comprehensive income – profit for the period	-	-	-	2,732	2,732
Transactions with owners:					
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
Total comprehensive income – profit for the period	-	-	-	6,160	6,160
Transactions with owners:					
Share-based payments	-	-	84	(40)	44
Impact of share options exercised	-	-	(90)	90	-
Dividend	-	-	-	(2,057)	(2,057)
At 30 June 2012	538	15,408	209	21,282	37,437
Total comprehensive income – profit for the period	-	-	-	3,273	3,273
Transactions with owners:					
Share-based payments	-	-	95	52	147
Impact of share options exercised	-	-	(50)	50	-
Dividend	-	-	-	(2,482)	(2,482)
At 31 December 2012	**538**	**15,408**	**254**	**22,175**	**38,375**

Consolidated Balance Sheet as at 31 December 2012

	Notes	unaudited H1 2013 $000	unaudited H1 2012 $000	audited FY 2012 $000
ASSETS				
Non-Current Assets				
Plant and equipment		**1,834**	2,182	2,027
Intangible assets		**15,481**	17,449	16,010
Deferred tax		**1,673**	269	1,470
		18,988	19,900	19,507
Current Assets				
Trade and other receivables		**13,195**	12,933	12,560
Cash and cash equivalents		**28,623**	23,621	28,790
		41,818	36,554	41,350
Total Assets		**60,806**	56,454	60,857
EQUITY & LIABILITIES				
Non-Current Liabilities				
Contingent consideration		**-**	954	-
Deferred income		**-**	73	183
		-	1,027	183
Current Liabilities				
Deferred income		**15,999**	15,740	15,766
Current tax liabilities		**901**	1,060	1,527
Trade and other payables		**5,531**	5,337	5,944
		22,431	22,137	23,237
Total Liabilities		**22,431**	23,164	23,420
Equity				
Called up share capital	2	**538**	538	538
Share premium account		**15,408**	15,408	15,408
Other reserves		**254**	215	209
Retained earnings		**22,175**	17,129	21,282
Total Equity		**38,375**	33,290	37,437
Total Equity and liabilities		**60,806**	56,454	60,857

Consolidated Statement of Cash Flow for the six months ended 31 December 2012

	Notes	**unaudited H1 2013 $000**	unaudited H1 2012 $000	audited FY 2012 $000
Cash flows from operating activities				
Cash generated from operations	3	**4,396**	2,501	10,602
Interest received		**54**	37	107
Tax paid		**(2,019)**	(689)	(1,316)
Net cash from operating activities		**2,431**	1,849	9,393
Cash flows from investing activities				
Purchase of plant and equipment		**(112)**	(291)	(439)
Capitalised intangible assets		**(4)**	(248)	(418)
Net cash used in investing activities		**(116)**	(539)	(857)
Cash flows from financing activities				
Dividends paid to company shareholders		**(2,482)**	(2,036)	(4,093)
Proceeds from issuance of shares		**-**	171	171
Net cash used in financing activities		**(2,482)**	(1,865)	(3,922)
Net (decrease)/increase in cash and cash equivalents		**(167)**	(555)	4,614
Cash and cash equivalents at the start of the period		**28,790**	24,176	24,176
Cash and cash equivalents at the end of the period		**28,623**	23,621	28,790

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 2013	unaudited H1 2012	audited FY 2012
Profit attributable to equity holders of the Company ($'000)	**3,273**	2,732	8,893
Weighted average number of ordinary shares in issue (thousands)	**26,992**	26,905	26,946
Basic earnings per share ($ per share)	**0.121**	0.102	0.330
Profit attributable to equity holders of the Company ($'000)	**3,273**	2,732	8,893
Release of deferred consideration on business combination	**-**	-	(954)
Amortisation of acquired intangibles ($'000)	**287**	287	574
Adjusted Profit attributable to equity holders ($'000)	**3,560**	3,019	8,513
Weighted average number of ordinary shares in issue (thousands)	**26,992**	26,905	26,946
Adjusted Basic earnings per share ($ per share)	**0.132**	0.112	0.316

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 ($'000)	**3,273**	2,732	8,893
Weighted average number of ordinary shares in issue (thousands)	**26,992**	26,905	26,946
Adjustments for :- share options (thousands)	**91**	170	84
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,083**	27,075	27,030
Diluted earnings per share ($ per share)	**0.121**	0.101	0.329
Profit attributable to equity holders of the Company ($'000)	**3,273**	2,732	8,893
Release of deferred consideration on business combination	**-**	-	(954)
Amortisation of acquired intangibles ($'000)	**287**	287	574
Adjusted Profit attributable to equity holders ($'000)	**3,560**	3,019	8,513
Weighted average number of ordinary shares in issue (thousands)	**26,992**	26,905	26,946
Adjustments for :- share options (thousands)	**91**	170	84
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,083**	27,075	27,030
Adjusted Diluted earnings per share ($ per share)	**0.131**	0.111	0.315

2 Called up share capital

	H1 2013		H1 2012		FY 2012	
	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	**26,998,408**	**538**	26,987,018	538	26,991,891	538

3 Consolidated Cash Flow generated from operating activities

	unaudited H1 2013 $000	unaudited H1 2012 $000	audited FY 2012 $000
Profit before taxation	**4,514**	3,821	11,202
Finance income	**(54)**	(37)	(107)
Depreciation on plant and equipment	**305**	276	579
Amortisation on intangible assets	**532**	527	1,060
Share-based payments	**95**	68	152
Movements in working capital:			
(Increase)/decrease in trade and other receivables	**(787)**	238	611
(Decrease)/increase in trade and other payables	**(209)**	(2,392)	(2,895)
Cash generated from operations	**4,396**	2,501	10,602

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 2012. 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 ($1.6255/£1). Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the Balance Sheet date, are included within the related category of expense where separately identifiable, or in general and administrative expenses.

Revenue Recognition

The Group follows the principles of IAS 18, "Revenue Recognition", in determining appropriate revenue recognition policies. In principle revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

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

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

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

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

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

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

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

Business combinations

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

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

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

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

Intangible Assets

(a) Goodwill

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

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

(b) Proprietary software

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

(c) Contractual customer relationships

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

(d) Research and Development expenditure

Expenditure associated with developing and maintaining the Group's software products are recognised as incurred. Where, however, new product development projects are technically feasible, production and sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete such projects, development expenditure is capitalised until initial commercialisation of the product, and thereafter amortised on a straight-line basis over its estimated useful life, which has been assessed as 5 years. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

(e) Computer software

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

Impairment of non-financial assets

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and short term highly liquid investments. For the purpose of the Statement of Cash flow, cash and cash equivalents comprise of cash on hand, deposits held with banks and short term high liquid investments.

Share-Based Payments and Taxation Implications

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

The share-based payments charge is included in net operating expenses and is also included in 'Other reserves'.

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

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