



Craneware plc Interim Report

H1 2015

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 revenueintegrityjourney.com.



Financial and Operational Highlights

Financial

- Total contract value signed in the period increased 13%
- Revenue increased 2% to \$21.6m (H1 2014: \$21.1m)
- Adjusted EBITDA¹ increased 10% to \$6.3m (H1 2014: \$5.7m)
- Profit before tax increased 10% to \$5.3m (H1 2014: \$4.8m)
- Adjusted basic EPS increased 15% to 16.5 cents per share (H1 2014: 14.3 cents per share)
- Cash at period end \$36.4m (H1 2014: \$30.6m)
- Proposed interim dividend of 6.3p per share (H1 2014: 5.7p per share)

¹Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments that include acquisition and share transaction related costs

Operational

- Continued sales momentum in H1
- Strong performance in “2014 Best in KLAS Awards”
- First sale by Craneware Health, previously Kestros Health
- Continued product development and enhancement

Quick Facts — Financial

\$21.6m

Revenue

\$6.3m

EBITDA¹

\$36.4m

Cash

6.3p

Interim Dividend

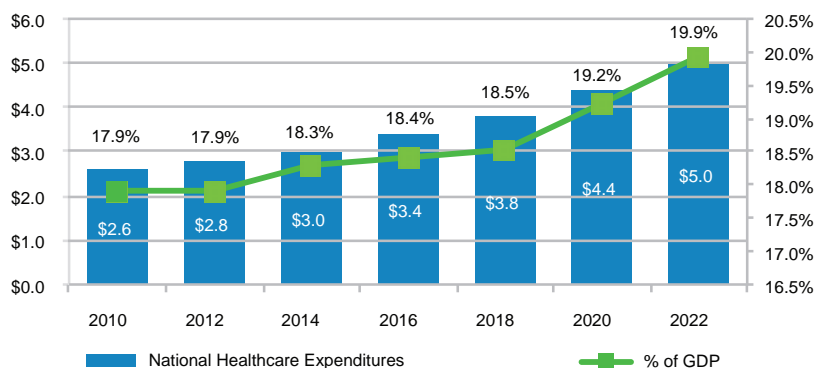
13%

Increase in total contract value

Craneware in the US Healthcare Market

Growth of the U.S. healthcare industry

The aging of the U.S. population and the nature of the country's fee-for-service system will drive the cost of healthcare higher in the near term. Healthcare expenditures in the United States are expected to exceed \$3.4 trillion in 2016, over 18% of GDP. Government entities currently account for 38% of total payments. Medicaid, which currently accounts for 16% of total payments, is expected to reach 20% by 2021, as a result of the additional enrollees as part of the ACA reform.¹



Craneware in the U.S. healthcare industry

The market for information systems in U.S. hospitals is predicted to grow at a compound annual growth rate of 5.7 percent between 2014 and 2020. Craneware's products and services are part of the revenue cycle sector of this vast market, a sector which is forecast to grow from its 2012 valuation of \$1.90 billion to \$3.07 billion in 2017, representing a 61.6 percent increase from 2012.²

Craneware's leadership role in the U.S. healthcare industry

Craneware is recognised as the leading provider of revenue integrity solutions that improve financial performance in the U.S. hospital and health system markets.

Founded in May 1999 by CEO Keith Neilson and CTO Gordon Craig, Craneware launched its first product in October 1999 after signing its first customer contract the previous month. By the end of 2000 more than 20 customers were signed and in September 2007, Craneware listed on the AIM market of the London Stock Exchange.

Today Craneware employs approximately 200 staff, serving one in four registered U.S. hospitals. The company is respected as a healthcare business partner delivering value, quality, and outstanding customer service.

¹ Gartner "Enterprise IT Spending by Vertical Industry Market, Worldwide, 2010-16, Q1 2012 Update," Various Authors, April 12, 2012

² <http://connectedhealth.frost.com>
U.S. Hospital Revenue Cycle Management: Overview and Outlook, 2012-2017



Chargemaster Toolkit® is ranked No.1 in the Revenue Cycle – Chargemaster Management market category for the ninth year in a row (2006 – 2014), and Bill Analyzer is ranked No. 1 in the Revenue Cycle – Charge Capture market and Bill Analyzer is ranked No. 1 in its category for the fourth year in a row (Revenue Cycle – Charge Capture 2013 – 2014 and Revenue Cycle – Other 2011 – 2012). "2014 Best in KLAS Awards: Software & Services" report, published January 2015. Data © 2015 KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com



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.

What Craneware Clients are Saying

"Craneware has been a great partner for us as we advance revenue integrity across nine hospitals and an extensive physician network."

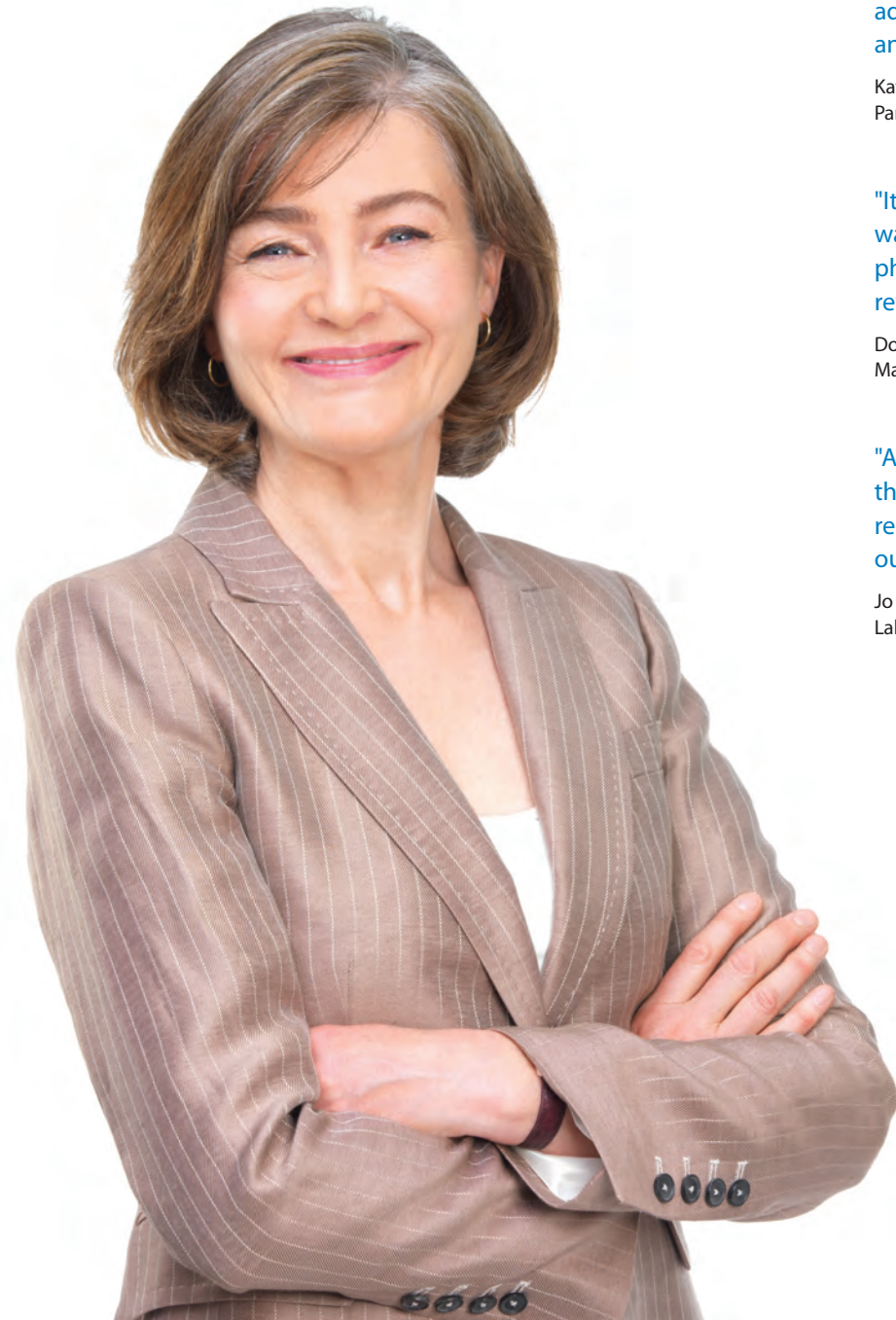
Kathy Lytal, Director of Revenue Integrity
Parkview Health

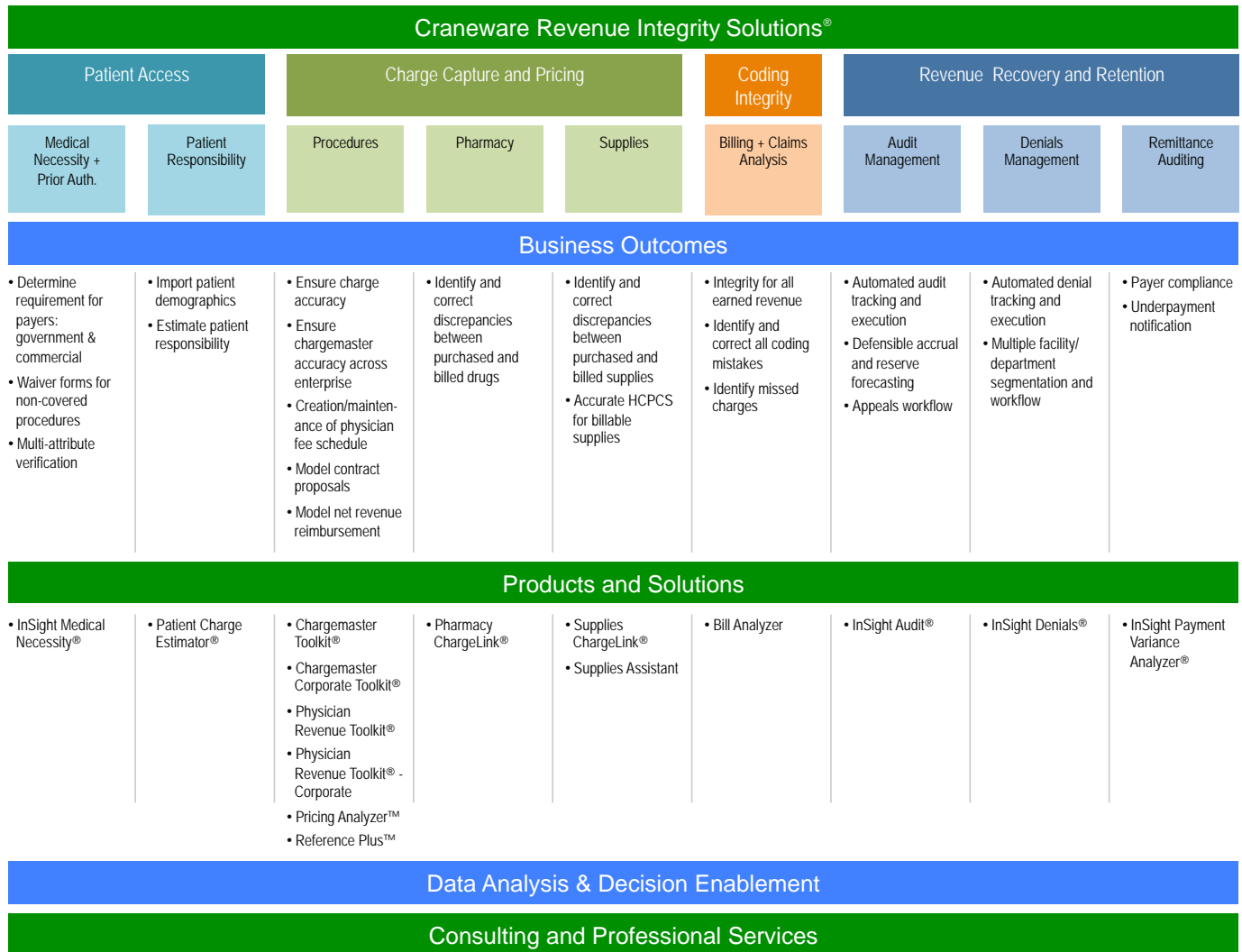
"It was quite unique how the Craneware software was able to take the purchase files from the pharmacy department and compare this to the revenue files from our information services vendor"

Dorsie Sullenger, Director of Pharmacy
Madison Memorial Hospital

"Automated tracking is essential for keeping up with the ever- changing audit environment. Our hospital relies on InSight Audit to meet deadlines, track outcomes and mitigate future audit risk."

Jo Anne Gitchell, RN, RA Coordinator
Lake Regional Health System





Craneware Revenue Integrity Solutions [Cont'd.]

Patient Access

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 medical necessity validation for all major US payors and Advance Beneficiary Notice (ABN) creation. The software helps reduce accounts-receivable days by preventing medical necessity denials, and facilitates payment communication with patients.

Charge Capture & Pricing

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.

Physician Revenue Toolkit®, Physician Management Toolkit and Physician Revenue Toolkit® – Corporate

are for managing physician group charges, codes, RVUs, fee schedules, and related information. Online Reference Toolkit® is included for physician billing. The corporate version manages charges to a corporate standard. The management version includes Decision Dashboard® which tracks Key Performance Indicators (KPIs) for strategic physician group charge management.

Pricing Analyzer™

software simplifies the price modeling process, creating a repeatable, well-documented method to establish transparent, defensible and competitive pricing.

Reference Plus™

provides a platform for hospitals with less than \$44 million in operating expenses to perform chargemaster analysis and efficiently achieve appropriate revenue optimisation and compliant charging whilst accessing reference and regulatory resources for coding integrity.

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.

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.

Supplies Assistant

is Craneware's proprietary supplies coding search function that delivers HCPCS codes, UNSPSC codes, manufacturer, description, catalog ID, and other reference information in a single screen.

Coding Integrity

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 third consecutive year.

Revenue Recovery & Retention

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



“Positive first half...building on the record sales performance of the prior year.”

George Elliott, Chairman

I am pleased to report that Craneware has delivered a positive first half of the year; building on the record sales performance of the prior year and securing sales within each strata of the market. We have seen an increase of 13% in the total contract value signed in the first half of the year, compared to the first half of the prior year, reaffirming the increased confidence we have seen within the healthcare market. These sales will primarily contribute to revenue recognised in future periods in line with the Company's revenue recognition policy.

We are an innovative business committed to supplying healthcare providers with market leading tools to achieve the revenue integrity required to support improved patient care and outcomes. We were delighted to achieve increasing scores for our products from the prestigious industry research house KLAS, at their annual awards, announced recently. Our technological capabilities continue to expand with the team from Kestros, acquired in August 2014, having integrated well and securing their first contract as 'Craneware Health', to a NHS Trust. Our main focus for this technology will be its use as a platform for entry into the high growth Patient Access market – a market being driven by the increasing levels of consumerism within US & UK healthcare. We are seeing increased appetite for our revenue integrity solutions as the US continues to develop multiple "Fee for Value" business models in its ongoing evolution of healthcare.

The Company delivered a solid financial performance in the period. Revenues increased by 2% to \$21.6m (H1 2014: \$21.1m), adjusted EBITDA increased 10% to \$6.3m (H1 2014: \$5.7m) and adjusted EPS increased by 15% to 16.5 cents (H1 2014: 14.3 cents). Craneware continued to benefit from strong operational cash flow, ending the period with a cash balance of \$36.4m (31 December 2013: \$30.6m) having returned \$2.9m to shareholders in dividends and completed a share buy-back of \$3.6m of shares in the period. This, as previously reported, included the scheduled clearing of accrued revenue balances relating to a third party contract. Renewal rates amongst our customers remained high, at greater than 100% by dollar value.

Looking forward we are confident that the high levels of contracted revenue secured in prior periods coupled with the market opportunities for our enhanced and expanding range of products and solutions will enable us to deliver future sustainable growth.

I would like to take this opportunity to thank our employees for their hard work and dedication, and our shareholders for your support throughout the period.

George Elliott, Chairman
9 March 2015

Strategic Report: Operational and Financial Review



“Good levels of sales to all segments of the US healthcare market.”

Keith Neilson, CEO and co-founder



“We continue to target our investment...for the future growth of the Group.”

Craig Preston, CFO

Introduction

Our sales pipeline reported at the end of the prior period has allowed us to enjoy a positive start to the year, with good levels of sales to all segments of the US healthcare market, demonstrating continued sales momentum and the benefits of a supportive market environment. While revenue growth in the period has been modest we have delivered adjusted EBITDA and EPS growth in excess of 10% while continuing to invest in the future of the business. Continued sales momentum during the period has resulted in an increase in revenue to be recognised in future years, providing us with a growing platform on which to build.

The period has seen a wealth of operational successes, particularly focused around building the strength and value of our product suite. In addition we will benefit from the recently awarded higher scores within the KLAS industry awards for two of our products. We have launched several enhancements to our existing products and secured the first sales for the newly established ‘Craneware Health’ division. Product developments will see cloud versions of our products launched as technology platforms in these areas continue to strengthen and we develop out our Craneware Application Framework for Enterprise (CAFÉ). We also secured the exclusive US distribution rights to a data analytics platform called Analytixagility developed by Aridhia, already highly thought of in the UK market. This will add greater depth to our product suite in future periods and allow us and our customers to leverage both our own and their data assets.

The sales pipeline continues to be at a record high across all strata of hospital, providing confidence that we are on the right path towards accelerated revenue and profit growth in future years.

Market Developments

The main priority of our customers continues to be providing quality care to their patients against the background of continuing cuts in Medicare reimbursements, imposed restructuring of their business models and increased pressure from payor auditors. They are seeking the means to manage the impact of consumerism of their businesses (there are currently hundreds of billions of dollars of self-pay debt sitting on hospitals balance sheets), which are no longer solely B2B but now increasingly B2C in nature as well.

Of note during the period has been the cessation of the RAC Audit re-tendering process while legal challenges to the new procurement process progress, meaning the current incumbents have resumed their auditing of hospitals with vigour. We anticipate this to drive an uptick in sales of our audit product and associated transactional revenue in the second half of the year and future years.

During January 2015, Medicare and several large hospital systems and insurers reaffirmed their commitment to Fee for Value business models proposing targets and timelines for their adoption.

Sales and Marketing

The Group delivered a good sales performance in the period. The increased level of total contract value in the period was also a result of continued investments in the sales force through increased capacity at a sales leadership level, training and a new competitive incentive scheme to drive this performance.

Strategic Report: Operational and Financial Review [Cont'd.]

The average length of new hospital contracts continues to be in-line with our historical norms of approximately 5 years. Where Craneware enters into new product contracts with its existing customers, contracts are occasionally made co-terminus with the customer's existing contracts, and as such, the average length of these contracts remains greater than three years, in-line with our expectations.

Renewal rates by dollar value is a financial metric which specifically ties to the revenue visibility for future years. This metric at greater than 100%, is within expected norms of 85-115% including cross sell of further products to renewing customers. Length of our average contract for renewals was stable in the period.

The sales mix remained fairly constant throughout the period, resulting in no change to the overall product attachment rate, which remained steady at approximately 1.6 products per customer.

We have today announced that we have secured a distribution partnership for a data analytics platform called Analytixagility, from a UK based company Aridhia, which is highly regarded in the NHS within the UK. Craneware is the exclusive distributor for the solution set in the US.

We are now seeing acknowledgment across the Boards and management teams of hospitals that financial and clinical operations have to be aligned financially to drive better healthcare and therefore better patient outcomes. In October 2014 we held our first Revenue Integrity Summit in Las Vegas. The Summit brought Craneware customers together to share insights and strategies on how health systems can master today's complex challenges and achieve sustainable revenue integrity.

Dr. M. Jocelyn Elders, the sixteenth Surgeon General of the United States, was the Summit's final speaker, bringing unique insight into payor-provider relations and the role of the Federal Government in healthcare.

Awards

Once again, two of our solutions ranked first in two distinct revenue cycle categories in the annual "2014 Best in KLAS Awards: Software & Services" report, published in January 2015. In this new KLAS report, Craneware's flagship product, Chargemaster Toolkit®, earned the number one ranking in the "Revenue Cycle – Chargemaster Management" market category for the ninth consecutive year, and Craneware's Bill Analyzer software ranked number one in the "Revenue Cycle – Charge Capture" category, winning a "Category Leader" designation award for the fourth year in a row.

Product Development

Our strategy is to provide software and solutions that empower healthcare providers to proactively manage their overall financial performance. We accomplish this by monitoring the points in their system where clinical and operational data transform into financial transactions, delivering value in the discovery, conversion and optimisation of these financial assets. Our solutions automate the normalisation of disparate clinical, operational, and financial data sets, enabling informed tactical and strategic decisions.

We consistently receive feedback from our customers that the implementation of our software can have a profound effect on a hospital's operations, enabling the rapid identification of significant amounts of dollars in missed revenue, overspend on their cost base or incorrect billing which could lead to lost income and ultimately fines.

Through the distribution agreement with Aridhia, we are now in a position to enhance these findings with data analytics that sit alongside our products and draw benchmarks from underlying data from our customer footprint and proprietary data sets and provide insight into their hospital operations. Efforts will be focused initially on the areas of Readmission identification and prevention which is a key component of any Fee for Value based business model.

The acquisition of Kestros Limited in August 2014, now renamed Craneware Health, is enabling us to develop a new fourth Gateway product in the Patient Access and consumerism area which is on track for launch in the next financial year while we continue to bring enhancements to this product for our domestic market.

The first half of the year saw the launch of our hybrid solution which combines services with some of our core products, enabling them to be implemented on a services basis at smaller hospitals that do not have their own internal revenue integrity teams. The period also saw enhancement releases of CMT, Bill Analyzer and Payment Analyzer giving greater levels of scalability and preparing for the next evolution of these products in a cloud based environment utilising the Craneware Application Framework for Enterprise (CAFÉ) .

In conjunction with and in support of these initiatives, the continued development of our common software framework, CAFÉ will provide the foundation for our future development efforts, significantly decreasing our time to market. Product development continues to be focused on supporting this long term strategy, innovative packaging of existing and new solutions as well as utilising technology to further enhance options for products to move further on to the cloud and mobile platforms.

Strategic Report: Operational and Financial Review [Cont'd.]

Financial Review

For the six month period to 31 December 2014 we are reporting revenues of \$21.6m (H114: \$21.1m), an increase of 2% over the same period in the prior year. This combined with our continued focused investment spend has delivered an increase of 10% in adjusted EBITDA to \$6.3m (H114: \$5.7m) and ultimately a 15% increase in adjusted basic earnings per share to 16.5 cents (H114: 14.3 cents).

A highlight of the period has been our cash generation, with our adjusted EBITDA to operating cash conversion exceeding 180% resulting in cash at the period end of \$36.4m (H114: \$30.6m). Whilst it is expected that cash conversion will fluctuate year on year, a focus on a long term average of 100% EBITDA to operating cash conversion ensures the quality of underlying earnings. A large partner contract signed in February 2012 saw the Group building up accrued revenue balances from this date to 30 June 2014 as we followed our standard revenue recognition policy, albeit not collecting cash upfront (being guaranteed minimums this would not be appropriate). As previously disclosed, protections and performance in the contract meant it was appropriate for the Group to recognise the revenue under our standard recognition policy whilst recognising it would impact our cash conversion ratios in those years. This accrued revenue was invoiced at 30 June 2014 and has substantially cleared in the period (the remaining balance relating to an outstanding project) and as such is a contributing factor in this cash conversion performance.

The positive sales momentum has resulted in the total value of contracts written in the period increasing by 13% as compared to this same period last year. The Group's conservative Annuity SaaS business model means the vast majority of the benefit from these sales is not seen in the period under review, instead it adds to 'revenue visibility for future years' which support the future growth of the Group. This is a result of software licence revenue being recognised over the life of the underlying contract (which for a new hospital sale is an average of 5 years) and any associated professional services revenue is recognised as we deliver the services. The benefit of the Annuity SaaS revenue recognition model is it retains focus on the long term growth and stability of the Group, rather than overly focusing on short term KPI's and rewards.

At the end of each financial year, the Group reports its Three Year Visible Revenue KPI. This KPI shows the strength of the underlying annuity revenue stream that is building with each new sale. At the subsequent half year reporting period, we report how that metric for the same three year period has built. This demonstrates both the effect of new sales and renewals in the period, although it is only a three year 'snapshot'. The total visible revenue for the three year period 1 July 2014 to 30 June 2017 has grown during this six month period to \$119.9m from \$112.8m at 30 June 2014. This comprises \$98.0m 'Revenue under Contract', \$20.1m 'Renewal Revenue' and \$1.8m of 'Other Recurring Revenue'.

'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 Revenue' to 'Revenue under Contract'. The final element is 'Other Recurring Revenue, this relates to revenue that is not subject to long term contracts, which can be billable 'per transaction' or a set monthly amount and is usually invoiced on a monthly basis, however it is reasonable to expect to be recurring in nature.

Due to the way we show our 'Renewal Revenue' in our revenue visibility graph (i.e. at 100% of dollar value), we track our renewal rate by dollar value KPI to ensure our 100% assumption in producing our revenue visibility KPI is still appropriate. We expect to see this KPI fluctuate year on year with our historic range being 85% to 115% and in the period are reporting a renewal rate by dollar value (including upsell and cross sell) of 104%.

Strategic Report: Operational and Financial Review [Cont'd.]

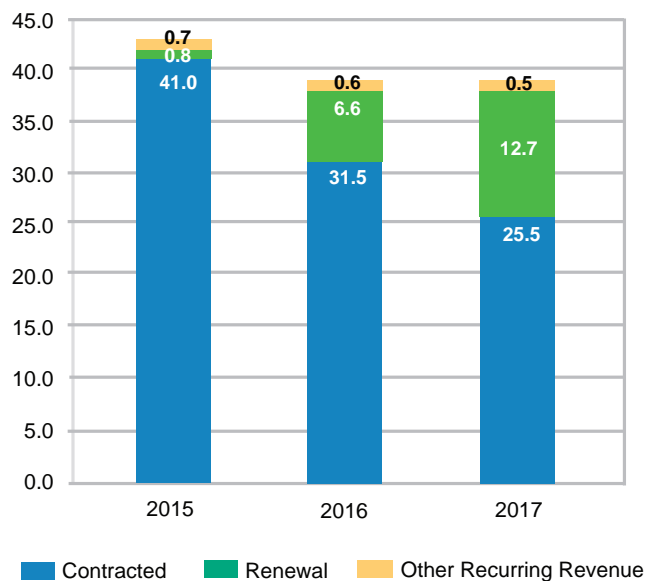
On the 28 August, the Group announced the acquisition of Kestros Limited for a maximum consideration of £1.25m, of which £150,000 was paid in cash, the remainder saw 211,539 new ordinary shares being allotted in favour of the vendor. Full details of the provisional acquisition accounting for this acquisition are detailed in note 5.

Shortly before this acquisition, on 16th July, the Group completed a share buyback of 393,816 shares at a price of 527.5p per share and these shares were immediately cancelled. The net result of these two transactions has been to reduce the Company's issued share capital by 182,277 ordinary shares.

We continue to target our investment as appropriate for the future growth of the Group, whilst ensuring the efficiency of all expenditures. This has contributed to our adjusted EBITDA margin which for the period is 29% as compared to 27% in the same period in the prior year. Ultimately the increase in EBITDA, as well as a continued beneficial effect from the reduction in corporation tax rates in the UK, has resulted in the adjusted basic EPS increasing by 15% to 16.5 cents per share (H114: 14.3 cents) and adjusted diluted EPS increasing to 16.4 cents (H114: 14.2 cents). The adjustments we make to both these metrics are those normally expected and include acquisition and share related costs in the period.

¹Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments that include acquisition and share transaction related costs

Revenue Visibility



Strategic Report: Operational and Financial Review [Cont'd.]

The Group continues to maintain a strong balance sheet, with no debt and significant cash reserves of \$36.4m (\$30.6m at 31 December 2013 and \$32.6m at 30 June 2014). The cash levels reported are after returning \$2.9m to shareholders by way of dividends, \$3.6m related to the share buyback and tax payments of \$1.2m in the period. Continued cash collections since the period end ensures the Group retains healthy cash reserves which in turn provides for further future investment including potential 'bolt on' acquisitions should such opportunities arise.

We continue to report the results (and hold the cash reserves) of the Group in US Dollars, whilst having approximately twenty five percent of our costs, being our UK employees and purchases, denominated in Sterling. The average exchange rate for the Company during the reporting period was \$1.63/£1 which compares to \$1.58/£1 in the corresponding period last year.

Dividend

The Board has resolved to pay an interim dividend of 6.3p (9.8 cents) per ordinary share in the Company on 24 April 2015 to those shareholders on the register as at 27 March 2015 (FY14 Interim dividend 5.7p). The ex-dividend date is 26 March 2015.

The interim dividend of 6.3p 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 27 March 2015. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 27 March 2015. The interim dividend referred to above in US dollars of 9.8 cents is given as an example only using the Balance Sheet date exchange rate of \$1.56/£1 and may differ from that finally announced.

Outlook

Craneware's opportunity lies in our ability to capitalise on the wealth of knowledge contained within our data sets and client base to produce innovative solutions that help hospitals stay financially healthy so that they can improve the health of their patients. To support this vision, we will continue to listen to our customers and the issues they face, investigate further the implications of consumerism and ensure we are developing effectively and efficiently.

Objectives for the second half of the year will be the migration of the first of our products fully onto our CAFÉ architecture, and the building out of the Craneware Health product set for market entry in the next financial year.

We have seen a continued increase in sales during the period, building on the record year in 2014 and this, combined with Craneware's strong product suite, clear strategic direction and high levels of revenue visibility means that we look to the future with confidence.

Keith Neilson, Chief Executive Officer
Craig Preston, Chief Financial Officer
9 March 2015

Consolidated Statement of Comprehensive Income

	Notes	unaudited H1 2015 \$'000	unaudited H1 2014 \$'000	audited FY 2014 \$'000
Revenue		21,573	21,146	42,574
Cost of sales		(1,181)	(1,199)	(1,943)
Gross profit		20,392	19,947	40,631
Net Operating expenses		(15,179)	(15,182)	(29,407)
Operating Profit		5,213	4,765	11,224
Analysed as:				
Adjusted EBITDA ¹		6,293	5,703	13,069
Acquisition costs and share related transactions		(154)	-	-
Share-based payments		(117)	(96)	(198)
Depreciation of plant and equipment		(259)	(303)	(575)
Amortisation of intangible assets		(550)	(539)	(1,072)
Finance income		41	31	66
Profit before taxation		5,254	4,796	11,290
Tax Charge on profit on ordinary activities		(1,260)	(1,223)	(2,680)
Profit for the period attributable to owners of the parent		3,994	3,573	8,610
Total comprehensive income attributable to owners of the parent		3,994	3,573	8,610
Earnings per share for the period attributable to equity holders				
- Basic (\$ per share)	1a	0.149	0.132	0.319
- Adjusted Basic (\$ per share) ²	1a	0.165	0.143	0.340
- Diluted (\$ per share)	1b	0.148	0.132	0.317
- Adjusted Diluted (\$ per share) ²	1b	0.164	0.142	0.338

¹ Adjusted EBITDA is defined as operating profit before share-based payments, depreciation, amortisation, acquisition costs and share related transactions.

² Adjusted Earnings per share calculations allow for the tax adjusted acquisition costs and share related transactions 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 2013	539	15,496	212	25,074	41,321
Total comprehensive income – profit for the period	-	-	-	3,573	3,573
Transactions with owners:					
Share-based payments	-	-	97	-	97
Impact of share options exercised	-	-	(41)	41	-
Dividend	-	-	-	(2,783)	(2,783)
At 31 December 2013	539	15,496	268	25,905	42,208
Total comprehensive income – profit for the period	-	-	-	5,037	5,037
Transactions with owners:					
Share-based payments	-	-	101	146	247
Impact of share options exercised	-	-	(134)	134	-
Dividend	-	-	-	(2,576)	(2,576)
At 30 June 2014	539	15,496	235	28,646	44,916
Total comprehensive income – profit for the period	-	-	-	3,994	3,994
Transactions with owners:					
Share-based payments	-	-	117	-	117
Impact of share options exercised	-	40	(54)	54	40
Issue of Ordinary shares related to business combination	4	1,820	-	-	1,824
Buy back of Ordinary shares	(7)	(3,572)	-	-	(3,579)
Dividend	-	-	-	(2,864)	(2,864)
At 31 December 2014	536	13,784	298	29,830	44,448

Consolidated Balance Sheet as at 31 December 2014

	Notes	unaudited H1 2015 \$'000	unaudited H1 2014 \$'000	audited FY 2014 \$'000
ASSETS				
Non-Current Assets				
Plant and equipment		1,147	1,547	1,329
Intangible assets		15,956	14,812	14,325
Trade and other receivables	2	2,193	-	1,890
Deferred tax		1,810	1,564	1,644
		21,106	17,923	19,188
Current Assets				
Trade and other receivables	2	16,041	17,347	20,946
Current tax assets		110	377	110
Cash and cash equivalents		36,374	30,628	32,613
		52,525	48,352	53,669
Total Assets		73,631	66,275	72,857
EQUITY & LIABILITIES				
Non-Current liabilities				
Deferred income		1,355	-	2,077
		1,355	-	2,077
Current Liabilities				
Deferred income		22,254	18,362	19,355
Current tax liabilities		1,351	983	1,136
Trade and other payables		4,223	4,722	5,373
		27,828	24,067	25,864
Total Liabilities		29,183	24,067	27,941
Equity				
Called up share capital	3	536	539	539
Share Premium account		13,784	15,496	15,496
Other reserves		298	268	235
Retained earnings		29,830	25,905	28,646
Total Equity		44,448	42,208	44,916
Total Equity and liabilities		73,631	66,275	72,857

Consolidated Statement of Cash Flow for the six months ended 31 December 2014

	Notes	unaudited H1 2015 \$'000	unaudited H1 2014 \$'000	audited FY 2014 \$'000
Cash flows from operating activities				
Cash generated from operations	4	11,772	4,601	10,197
Interest received		41	31	66
Tax paid		(1,218)	(1,183)	(2,154)
Net cash from operating activities		10,595	3,449	8,109
Cash flows from investing activities				
Purchase of plant and equipment		(74)	(254)	(308)
Acquisition of subsidiary, net of cash acquired	5	(247)	-	-
Capitalised intangible assets		(110)	(61)	(106)
Net cash used in investing activities		(431)	(315)	(414)
Cash flows from financing activities				
Dividends paid to company shareholders		(2,864)	(2,783)	(5,359)
Buy back of Ordinary shares		(3,579)	-	-
Proceeds from issuance of shares		40	-	-
Net cash used in financing activities		(6,403)	(2,783)	(5,359)
Net increase in cash and cash equivalents				
Cash and cash equivalents at the start of the period		32,613	30,277	30,277
Cash and cash equivalents at the end of the period		36,374	30,628	32,613

Notes to the Interim Financial Statements

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 2015	unaudited H1 2014	audited FY 2014
Profit attributable to equity holders of the Company (\$'000)	3,994	3,573	8,610
Weighted average number of ordinary shares in issue (thousands)	26,797	27,009	27,009
Basic earnings per share (\$ per share)	0.149	0.132	0.319
Profit attributable to equity holders of the Company (\$'000)	3,994	3,573	8,610
Tax adjusted acquisition costs, share related transactions and amortisation of acquired intangibles (\$'000)	422	287	574
Adjusted Profit attributable to equity holders (\$'000)	4,416	3,860	9,184
Weighted average number of ordinary shares in issue (thousands)	26,797	27,009	27,009
Adjusted Basic earnings per share (\$ per share)	0.165	0.143	0.340

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)	3,994	3,573	8,610
Weighted average number of ordinary shares in issue (thousands)	26,797	27,009	27,009
Adjustments for :- share options (thousands)	162	141	162
Weighted average number of ordinary shares for diluted earnings per share (thousands)	26,959	27,150	27,171
Diluted earnings per share (\$ per share)	0.148	0.132	0.317
Profit attributable to equity holders of the Company (\$'000)	3,994	3,573	8,610
Tax adjusted acquisition costs, share related transactions and amortisation of acquired intangibles (\$'000)	422	287	574
Adjusted Profit attributable to equity holders (\$'000)	4,416	3,860	9,184
Weighted average number of ordinary shares in issue (thousands)	26,797	27,009	27,009
Adjustments for :- share options (thousands)	162	141	162
Weighted average number of ordinary shares for diluted earnings per share (thousands)	26,959	27,150	27,171
Adjusted Diluted earnings per share (\$ per share)	0.164	0.142	0.338

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

2 Trade and other receivables

	unaudited H1 2015 \$'000	unaudited H1 2014 \$'000	audited FY 2014 \$'000
Trade receivables	11,975	9,215	16,589
less: provision for impairment of trade receivables	(778)	(616)	(658)
Net trade receivables	11,197	8,599	15,931
Other receivables	95	186	175
Prepayments and accrued income	4,128	8,562	4,382
Deferred Contract Costs	2,814	-	2,348
	18,234	17,347	22,836
Less non-current receivables: Deferred Contract Costs	(2,193)	-	(1,890)
Current portion	16,041	17,347	20,946

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

3 Called up share capital

	H1 2015		H1 2014		FY 2014	
	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	26,832,582	536	27,008,763	539	27,008,763	539

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

4 Consolidated Cash Flow generated from operating activities

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

	unaudited H1 2015 \$'000	unaudited H1 2014 \$'000	audited FY 2014 \$'000
Profit before taxation	5,254	4,796	11,290
Finance income	(41)	(31)	(66)
Depreciation on plant and equipment	259	303	575
Amortisation on intangible assets	550	539	1,072
Share-based payments	117	96	198
Movements in working capital:			
Decrease/(increase) in trade and other receivables	4,635	(2,693)	(7,708)
Increase in trade and other payables	998	1,591	4,836
Cash generated from operations	11,772	4,601	10,197

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

5 Acquisition of subsidiary: Kestros Ltd

On 26th August 2014, the Company acquired 100% of the issued share capital of Kestros Ltd. The total consideration for the acquisition along with the fair value of the identified assets and assumed liabilities is shown below:

	Book Value \$'000	Fair Value Adjustments 31-Dec-14 \$'000	Provisional Fair Value \$'000
Recognised amounts of identifiable assets acquired and liabilities assumed			
Tangible fixed assets			
Plant and Equipment	2	-	2
Intangible assets			
Proprietary software	101	1,720	1,821
Other assets and liabilities			
Trade and other receivables	33	-	33
Bank and cash balances	43	-	43
Trade and other payables	(35)	-	(35)
	144	1,720	1,864
Goodwill			250
Fair Value			2,114
Satisfied by:			
Cash			290
Ordinary shares issued - 211,539 shares at \$8.623 (£5.20)			1,824
			2,114
Bank balances and cash acquired			43
Cash consideration			(290)
Net Cash on acquisition			(247)

The value of the equity consideration is subject to revenue performance criteria through to 31 July 2016 and in the unlikely event that these Revenue targets are not met then a proportion of the consideration is repayable. Management believe that the revenue targets are easily achievable and as such the Fair Value of the transaction is deemed to be equal to the amount paid at acquisition. The acquisition costs, including all due diligence costs that relate to the transaction have been expensed as operating costs in compliance with IFRS 3 (revised). Had Kestros Ltd been consolidated from 1 July 2014, the consolidated statement of comprehensive income would be materially unaffected.

Goodwill of \$250,000 has been recognised on acquisition and is attributable to future software and the assembled workforce.

The initial accounting for the business combination is incomplete as at 31 December 2014 and is based on provisional amounts.

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

6 Basis of Preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined in S435 of the Companies Act 2006. These statements have been prepared applying accounting policies that were applied in the preparation of the Group's consolidated accounts for the year ended 30th June 2014. Those accounts, with an unqualified audit report, have been delivered to the Registrar of Companies.

7 Segmental Information

The Directors consider that the Group operates in predominantly 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.

8 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 (\$1.5593/£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.

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

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.

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

(c) Contractual customer relationships

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

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.

9. Availability of announcement and Half Yearly Financial Report

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

Directors, Secretary, and Advisors

Directors

G R Elliott (Chairman, non-executive)
K Neilson
C T Preston
N P Heywood (non-executive)
R F Verni (non-executive)
C Blye (non-executive)
R Rudish (non-executive) appointed 28 August 2014

Company Secretary & Registered Office

CT Preston
1 Tanfield
Edinburgh
EH3 5DA

Stockbrokers and Nominated Advisors

Peel Hunt LLP
120 London Wall
London
EC2Y 5ET

Registrars

Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers

The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh
EH2 2YB

Clydesdale Bank
20 Waterloo Street
Glasgow
G2 6DB

Barclays Commercial Bank
Aurora House
120 Bothwell Street
Glasgow
G2 7JT

HSBC Bank plc
7 West Nile Street
Glasgow
G1 2RG

Lloyds TSB
Henry Duncan House
120 George Street
Edinburgh
EH2 4LH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Level 4, Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ



Craneware plc

1 Tanfield

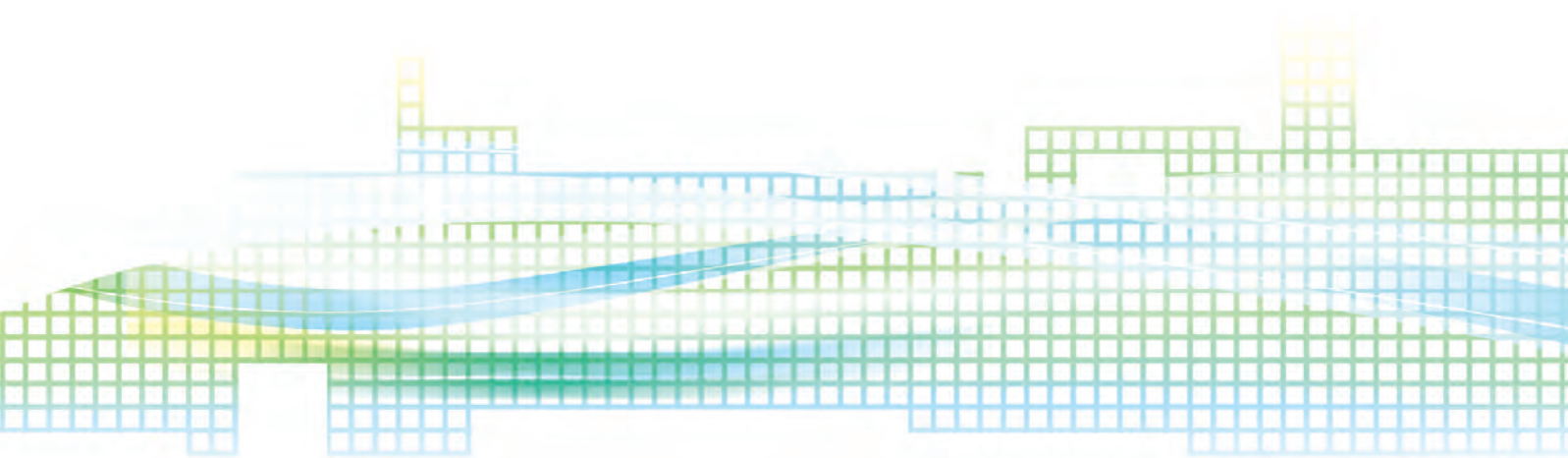
Edinburgh

EH3 5DA

Scotland, UK

Telephone: +44 [0] 131 550 3100

Facsimile: +44 [0] 131 550 3101



craneware.com

marketing@craneware.com

training@craneware.com

sales@craneware.com

support@craneware.com

Company Registration No. SC196331

Craneware plc