Craneware plc
("Craneware" or the "Company")
INTERIM RESULTS

23 February 2009 - Craneware plc, (AIM: CRW.L) a leader in financial improvement software solutions for the US healthcare market, is pleased to announce its interim results for the half year ended 31 December 2008.

Financial Highlights

- Total of $21.8m of contracts booked in the half (H108: $12.9m) contributed to:
  - 22% increase in revenues to $10.6m (H108: $8.7m)
  - 28% increase in future revenues under contract to $51.1m (FY08: $39.9m).
- Profit before share based payments, depreciation and amortisation increased 23% to $2.5m (H108: $2.0m).
- Profit before taxation increased by 59% to $2.6m (H108: $1.6m).
- Basic EPS increased to $0.078 (H108: $0.064).

Operational Highlights

- New product families, Strategic Pricing and Supply Management, contributing to current revenues.
- Accelerated investment in product management and marketing.
- Increasing fiscal and legislative pressures driving market opportunity.
- $787 billion US economic stimulus package expected to significantly increase Healthcare IT spend.

Keith Neilson, CEO of Craneware commented, "Entering our 10th year of trading, these results highlight the growing maturity of Craneware and the increasingly robust nature of the business model. With a broadening product set and rapidly increasing revenue visibility, we not only have a high level of predictability over future performance, but are also extremely well positioned for future growth and further expansion of our market footprint. The market continues to look strong with legislative changes expected to work in our favour, resulting in our confidence of a successful outcome for the current year and beyond."

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Keith Neilson, CEO	Oliver Scott	Caroline Evans-Jones
Craig Preston, CFO	Nicholas Marren	Mike Smith

About Craneware

Founded in 1999, Craneware has headquarters in Livingston, Scotland, with offices in Florida, Arizona and Kansas, employing over 100 staff. Craneware is a recognised leader of solutions that improve the financial performance of US healthcare organisations. Craneware partners with healthcare organisations to improve returns, increase productivity and manage risk, driving better financial and operational performance using market-driven revenue management solutions. By enhancing revenue capture processes, Craneware solutions allow those organisations to optimise reimbursement, improve operational efficiency, and support compliance.

Chairman's Statement

Craneware is now entering its 10th year of operation and I am delighted to report that it has matured into a well managed public company. This half year report is further evidence of our strong position and significant market opportunity.

The period has seen a significant uptake of our broadened product range. While our core product, Chargemaster Toolkit®, remains a market leading product and provides the Company with the majority of revenues, it is very encouraging that the other product families are now also contributing to revenue.

I am pleased to report that as a result of this enlarged product range the average contract value increased substantially in the period, and this combined with our ability to sign increasingly longer contracts means that a total of $21.8 million of contracts were booked during H109 (including contract renewals), an increase of 69% from the same period last year. As this process continues, the potential for further growth is clear.

We continue to operate in a market being driven by increasing legislation and fiscal pressures, and we expect these pressures to continue to grow as the new US administration begins on its stated path of healthcare reform.

This expanded market opportunity, combined with our growing customer base, increasing product range and strong financial position gives the Board confidence in a successful outcome to the year as a whole. Craneware has an excellent opportunity ahead of it and we are confident of our ability to capitalise on that opportunity.

We would like to take this opportunity to thank our customers for their loyalty and our teams in Scotland and the US for their continued hard work and commitment, which has allowed Craneware to take such a dominant position in the market.

George Elliott, Chairman
20 February 2009

CEO Review

We are pleased to see the positive momentum from last year being continued into this strong set of interim results. We continue to expand our customer base with our core Revenue Cycle product family, but it is especially pleasing to see these revenues being complimented by new product families. This gives us great confidence that the growth of Craneware will continue to be well supported during the second half of the year and beyond.

The Market

The US healthcare market remains a particularly defensive industry during this current period of general economic uncertainty. With an economy in recession, it is even more critical for hospitals to improve financial performance, the key focus of our company. The high levels of ROI we are seeing being delivered by our products, the speed with which these returns are being identified, combined with our excellent industry reputation gives us confidence in our assessment of this market potential.

Increasing regulation and legislation continues to drive our marketplace. This includes the introduction of state legislation requiring hospitals to provide increased pricing transparency, for which we have developed our Patient Charge Estimator product, and the imminent arrival of a growing number of Recovery Audit Contractors which will examine hospitals' claims for reimbursement from the State and Federal funded Medicaid and Medicare programmes.

The recent US elections once again highlighted the support that healthcare reform is receiving from the government at this time. Indeed, a large element of the $787 billion economic stimulus plan currently being ratified by Congress is expected to be directed towards the improvement of healthcare with a significant proportion on IT spend.

Sales and Marketing

With a number of new products having been launched into the market, sales and marketing is a key management focus. This has been recognised with an increase in spend in this area, with dedicated product managers and product marketing managers having been introduced. This additional investment in our products and our marketing of them means our products remain focused on meeting the evolving needs of our customers. We expect this investment to stand the Company in good stead for the future and we have seen immediate benefit with an encouraging sales start to our recently launched products.

Product Development and Customer Service

Following the launch of two new product lines toward the end of FY08, this period has seen a focus on their introduction to the market. We are pleased to report that initial sales levels bode well and interest in Pharmacy ChargeLink™, in particular, is very strong. As with our Chargemaster Toolkit® product at its initial launch, Pharmacy ChargeLink™ is disruptive technology. We are therefore confident that this next generation of products will deliver significant revenues in years to come for Craneware. Development work on additional products is progressing well and we hope to launch late calendar 2009.

During the half, the Company's flagship product, Chargemaster Toolkit®, was once again named top in its class by the prestigious industry research house KLAS in the US, reaffirming Craneware's market leading position for the third year in a row. Particularly pleasing were the very high scores given to our customer service and personnel, with 63% of the respondents ranking Craneware as their "Best Software Vendor" and 100% of respondents ranking Craneware as their "Best or one of their Best Software Vendors".

Customers

We are pleased to confirm that we have passed the 1,000 mark for total number of customers with 1,004 healthcare facilities across 48 states using Craneware's software at the half year. As Craneware increases the size of its customer base, we are signing up large hospital groups that have other facilities in their network, such as long term acute care facilities that Craneware recognises as the equivalent of hospitals. Although these extra facilities do provide a small number of extra customers outside our core market, we do not anticipate this to become a new significant target market going forward.

For customers coming to the end of their multi-year contracts, the Company has experienced a decline in its cumulative renewal rate in hospital terms (H109 85% : H108 91%), however this has not resulted in an negative financial impact due to the significant increased upsell and cross selling to the hospital base that has renewed (H109 139% : H108 117%).

We are pleased to report that both our new and existing customers are committing to longer term contracts, with our average multi-year contract length increasing to 5 years. This commitment from our customers, including a number of 7 year contracts or longer, is testimony to our products' ability to provide return on investment, tangible cost savings and regulatory compliance for hospitals across the US.

Management Change and Appointments

As announced at the time of our FY2008 Results, the Company was pleased to welcome Craig Preston to the Board as Chief Financial Officer on 15th September 2008. Craig has a great deal of experience in senior financial roles within publicly quoted technology companies with exposure to UK, US and global markets and has proved a strong addition to the team.

Financial Review

As reported in our H109 trading update on 13th January 2009, the total value of new contracts signed has increased by over 50% as compared to the corresponding period in FY 2008, this combined with our renewal activity has resulted in total contracts signed of $21.8m (H108: $12.9m).

This has contributed to a 22% increase in revenue recognised in the period to $10.6m (H108: $8.7m). As a result of our annuity revenue recognition model, the majority of the benefit derived from these new contract wins has been to increase our visibility over future revenues and our confidence in future performance.

The Group now has visibility over $51.1m of contracted revenue that will be recognised in future years. This is an increase of $11.2m during this half year and is in addition to the $10.6m of revenue that has been recognised through the profit and loss statement. Of this future revenue under contract we have already invoiced $12.0m which is recorded as deferred income in the Balance sheet, the remaining $39.1m to be invoiced in subsequent periods.

Net Operating costs have risen to $7.7m (H108: $6.8m) due to the investments begun in H208 in our customer support and sales infrastructure and the acceleration of our spend in Product Management and Marketing in the current period.

As a result of all these factors, profit before share based payments, depreciation, and amortisation has increased 23% to $2.5m (H108: $2.0m).

Due to the success of sales in the period, we have seen an increase in our trade receivables to $6.6m (H108:$3.7m) of which $4.2m is either current or not yet due for payment; however we remain vigilant to this increase. This has ultimately had an impact on the cash generated from operations during the period, however cash collected since the balance sheet date has been in excess of $2.5m against these receivables.

Cash balances remain strong at $20.8m as at 31st December 2008 (FY08: $21.1m) after paying $1.2m dividend in December 2008.

With the reporting currency (and cash reserves) of the Company being in US Dollars, we have benefited from a strengthening Dollar during the period on our UK purchases including the salary costs of our UK based employees. We entered the current Financial Year with an exchange rate of $1.9906:£1 which has strengthened resulting in an average conversion rate for the Company during the reporting period of $1.73:£1. As noted in the H109 trading update, we have taken advantage of the potentially short term benefits of the strengthening US Dollar to accelerate our investment in the areas of Product Management and Marketing.

Outlook

Entering our 10th year of trading, these results highlight the growing maturity of Craneware and the increasingly robust nature of the business. With a broadening product set and rapidly increasing revenue visibility, we not only have a high level of predictability over future performance, but are also extremely well positioned for future growth and further expansion of our market footprint. The market continues to look strong with legislative changes expected to work in our favour, meaning we are confident of a successful outcome for the year and beyond.

Keith Neilson, Chief Executive Officer
20 February 2009

Craneware PLC
Interim Results FY09
Consolidated Income Statement

	Notes	H1 2009 $'000	H1 2008 $'000	FY 2008 $'000
Revenue		**10,627**	8,693	18,676
Cost of sales		**(637)**	(587)	(954)
Gross profit		**9,990**	8,106	17,722
Net operating expenses		**(7,703)**	(6,796)	(14,141)
Operating profit		**2,287**	1,310	3,581
Analysed as:				
Profit before share based payments, depreciation and Amortisation		**2,511**	2,034	4,516
Share based payments		**(36)**	(606)	(634)
Depreciation of plant and equipment		**(100)**	(90)	(183)
Amortisation of intangible assets		**(88)**	(28)	(118)
Finance income		**285**	310	607
Profit before taxation		**2,572**	1,620	4,188
Tax charge		**(616)**	(150)	(899)
Profit for the period		**1,956**	1,470	3,289

Earnings per share for profit attributable to equity holders of the Company during the period

	Notes	H1 2009	H1 2008	FY 2008
- Basic ($ per share)	1a	**0.078**	0.064	0.137
- Diluted ($ per share)	1b	**0.074**	0.060	0.130

Craneware PLC
Interim Results FY09
Consolidated balance sheet as at 31 December 2008

	Notes	**H1 2009 $'000**	H1 2008 $'000	FY2008 $'000
ASSETS				
Non-Current Assets				
Plant and equipment		**408**	435	415
Intangible assets		**989**	719	794
Deferred Tax		**1,086**	300	1,075
Trade and other receivables		**50**	75	75
		2,533	1,529	2,359
Current Assets				
Trade and other receivables		**7,990**	4,804	4,685
Cash and cash equivalents		**20,818**	18,923	21,112
		28,808	23,727	25,797
Total Assets		**31,341**	25,256	28,156
EQUITY AND LIABILITIES				
Non-Current Liabilities				
Deferred income		**126**	561	444
		126	561	444
Current Liabilities				
Deferred income		**11,885**	9,663	9,853
Trade and other payables		**2,365**	1,333	1,760
		14,250	10,996	11,613
Total Liabilities		**14,376**	11,557	12,057
Equity				
Called up share capital	2	**509**	505	509
Share premium account		**9,253**	9,261	9,253
Other reserves		**3,077**	3,014	3,041
Retained earnings		**4,126**	919	3,296
Total Equity		**16,965**	13,699	16,099
Total Equity and Liabilities		**31,341**	25,256	28,156

Craneware PLC
Interim Results FY09
Consolidated Cashflow statement for the six months ended 31 December 2008

	Notes	H1 2009 $'000	H1 2008 $'000	FY 2008 $'000
Cash flows from operating activities				
Cash generated from operations	3	**1,068**	2,205	4,987
Interest received		**285**	310	607
Tax (paid) / refunded		**(98)**	(777)	(1,495)
Net cash from operating activities		**1,255**	1,738	4,099
Cash flows from investing activities				
Purchase of plant and equipment		**(93)**	(58)	(111)
Capitalised intangible assets		**(284)**	(312)	(478)
Net cash used in investing activities		**(377)**	(370)	(589)
Cash flows from financing activities				
Dividends paid to company shareholders		**(1,172)**	-	-
Net IPO proceeds		**-**	7,891	7,938
Net cash used in financing activities		**(1,172)**	7,891	7,938
Net (decrease) / increase in cash and cash equivalents		**(294)**	9,259	11,448
Cash and cash equivalents at the start of the period		**21,112**	9,664	9,664
Cash and cash equivalents at the end of the period		**20,818**	18,923	21,112

Craneware PLC
Interim Results FY09
Notes to the Financial Statements

1. Earnings per Share

(a) Basic

	H1 2009	H1 2008	FY 2008
Profit attributable to equity holders of the Company ($'000)	**1,956**	1,470	3,289
Weighted average number of ordinary shares in issue (thousands)	**25,123**	22,870	23,964
Basic earnings per share ($ per share)	**0.078**	0.064	0.137

(b) Diluted

	H1 2009	H1 2008	FY 2008
Profit attributable to equity holders of the Company ($'000)	**1,956**	1,470	3,289
Weighted average number of ordinary shares in issue (thousands)	**25,123**	22,870	23,964
Adjustments for: - share options (thousands)	**1,213**	1,637	1,408
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**26,337**	24,507	25,372
Diluted earnings per share ($ per share)	**0.074**	0.060	0.130

2. Called up share capital

	H1 2009		H1 2008		FY 2008	
	Number	**$'000**	Number	$'000	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	**25,143,850**	**509**	24,963,850	505	25,109,950	509

3. Cash flow generated from operating activities

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

Group	**H1 2009 $'000**	H1 2008 $'000	FY 2008 $'000
Profit before tax	**2,573**	1,620	4,188
Finance income	**(285)**	(310)	(607)
Depreciation on plant and equipment	**100**	90	183
Amortisation on intangible assets	**88**	28	118
Share based payments	**36**	606	634
Less US employer tax on exercise of options and fees	**-**	-	(70)
Movements in working capital:			
Decrease / (increase) in inventory	**-**	8	8
(Increase) / decrease in trade and other receivables	**(3,280)**	(414)	(669)
(Decrease) / increase in trade and other payables	**1,836**	577	1,202
Cash generated from operations	**1,068**	2,205	4,987

4. Basis of Preparation

The interim financial statements are unaudited and do not constitute statutory accounts as defined in S240 of the Companies Act 1985. 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 2008. 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.
The interim report was approved by the Board of Directors on 20th February 2009.

Significant Accounting Policies

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

6. 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.

7. 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. 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.

8. 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 comprises the value of software license sales, installation, training, maintenance and support services, and consulting engagements. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price has been fixed and determinable; and (iv) collectability is reasonably assured.

For software arrangements with multiple elements, revenue is recognised dependent on whether vendor-specific objective evidence (“VSOE”) of fair value exists for each of the elements. VSOE is determined by reference to sales to external customers made on a stand-alone basis. Where there is no VSOE revenue is recognised rateably over the full term of each contract.

Revenue from standard license products which are not modified to meet the specific requirements of each customer is recognised when the risks and rewards of ownership of the product are transferred to the customer.

Revenue from installation and training is recognised as services are provided, and from consulting engagements when all obligations under the consulting agreement have been fulfilled.

Software sub licensed to third parties is recognised in accordance with the underlying contractual agreements. Where separate services are delivered, revenue is recognised on delivery of the service.

The excess of amounts invoiced and future invoicing over revenue recognised, is included in deferred revenue. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within accounts receivable.

9. Intangible Assets – Research and Development Expenditure

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

The Group considers whether there is any indication that capitalised development expenditure may be impaired on an annual basis. If there is such an indication, the Group carries out an impairment test by measuring the assets’ recoverable amount, which is the higher of the assets’ fair value less costs to sell and their value in use. If the recoverable amount is less than the carrying amount, an impairment loss is recognised.

10. Cash

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

11. Share-Based Payments and Taxation Implications

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

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

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share-based payments", a compensation expense is recorded in the Group's income statement 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 income statement. 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.