

Craneware Limited
Annual report
for the year ended 30 June 2004

Registered Number SC196331



Craneware Limited
Annual report
for the year ended 30 June 2004
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Craneware Limited

Directors and Advisors for the year ended 30 June 2004

Directors

K Neilson

W G Craig

W McCall

N Heywood

J Watson (appointed 29 April 2004)

D Paterson (appointed 29 April 2004)

Secretary and registered office

C J McCulloch

Unit 3B

Rosebank Business Park

Rosebank Road

Kirkton Campus

Livingston

EH54 7EJ

Bankers

The Royal Bank of Scotland plc

36 St Andrew Square

Edinburgh

EH2 2YB

Registered Auditors

PricewaterhouseCoopers LLP

Erskine House

68-73 Queen Street

Edinburgh

EH2 4NH

Solicitors

McGrigor Donald

Erskine House

68-73 Queen Street

Edinburgh

EH2 4NF

Craneware Limited

Directors' report for the year ended 30 June 2004

The directors present herewith their report and the audited financial statements for the year ended 30 June 2004.

Principal Activities

The consolidated profit and loss account is set out on page 5.

The Group's principal activity continues to be the development and manufacture of computer software.

Review of Business and Future Developments

The directors are satisfied with the performance of the Company and Group for the year, and expect to see this growth continue in the coming years.

Dividends

The directors recommend approval of a final dividend proposed in respect of the year ended 30 June 2004 of \$nil (2003: \$500,000).

Research and development activities

The Group has continued to develop its Chargemaster software product for use in the US medical industry.

Directors

The directors of the Company at 30 June 2004 all of whom have been directors for the whole of the year ended on that date (except where indicated otherwise), are listed below.

The present directors of the company, who held office throughout the year, unless otherwise stated, are detailed on page 1.

The interests of the directors in the 1p Ordinary shares of the company at 30 June 2004 and 30 June 2003 were as follows:

	2004	2003
K Neilson	12,777	15,575
W G Craig	12,777	15,575
W McCall	-	-
N Heywood	-	-
J Watson	-	-
D Paterson	-	-
	25,554	31,150

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Craneware Limited

Directors' report for the year ended 30 June 2004 (continued)

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit or loss of the Group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statement for the year ended 30 June 2004. The directors also confirm that applicable accounting standards have been followed, and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

By order of the Board



William McCall
Chairman

30 September 2004

Craneware Limited

Independent auditors' report to the members of Craneware Limited and its Subsidiary Companies

We have audited the financial statements which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibility for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh

16 November 2004

Craneware Limited

Consolidated profit and loss account for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Turnover	2	11,126	4,540
Cost of sales		931	60
Gross profit		10,195	4,480
Net operating expenses	3	4,256	3,314
Operating profit	4	5,939	1,166
Net interest receivable / (payable)	7	13	(5)
Profit on ordinary activities before taxation		5,952	1,161
Tax charge on ordinary activities	8	1,640	330
Profit on ordinary activities after taxation		4,312	831
Dividends	9	-	500
Retained profit for the year	18	4,312	331

All of the above figures relate to continuing operations.

The Group has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above their historical cost equivalents.

Craneware Limited

Consolidated balance sheet as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Fixed assets			
Tangible assets	10	171	138
Intangible assets	11	139	97
		310	235
Current assets			
Debtors	13	3,237	1,921
Cash at bank and in hand		7,032	2,725
		10,269	4,646
Creditors: amounts falling due within one year	14	4,653	3,267
Net current assets		5,616	1,379
Total assets less current liabilities		5,926	1,614
Provisions for liabilities and charges			
Deferred taxation	15	12	12
Net assets		5,914	1,602
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	1,844	1,681
Profit and loss account	17	4,069	(80)
Equity shareholders' funds	18	5,914	1,602

The financial statements on pages 5 to 18 were approved by the board of directors on 30 September 2004 and were signed on its behalf by:



William McCall
Chairman

Craneware Limited

Company Balance sheet as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Fixed assets			
Tangible assets	10	94	109
Intangible assets	11	139	97
		233	206
Current assets			
Debtors	13	5,418	3,249
Cash at bank and in hand		4,578	1,103
		9,996	4,352
Creditors: amounts falling due within one year	14	4,277	2,506
Net current assets		5,719	1,846
Total assets less current liabilities		5,952	2,052
Provisions for liabilities and charges			
Deferred taxation	15	12	12
Net assets		5,940	2,040
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	1,844	1,681
Profit and loss account	17	4,095	358
Equity shareholders' funds	18	5,940	2,040

The financial statements on pages 5 to 18 were approved by the board of directors on 30 September 2004 and were signed on its behalf by:



William McCall
Chairman

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Reporting currency

The Directors believe that as Group's earnings stream is primarily US dollars the principal functional currency is the US dollar, being the most representative currency of the Group. The Group financial statements are therefore prepared in US dollars.

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial year. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented.

Cash flow statement

A consolidated cash flow statement has not been presented in accordance with s248 of the Companies Act 1985 as the group qualifies as small although it has voluntarily elected to prepare consolidated financial statements.

Revenue recognition

Turnover represents amounts invoiced to customers, net of sales taxes, for goods and services. Revenue from licence sales are recognised upon delivery to a customer when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. Professional services, such as implementation, training and consultancy, are recognised when the services are performed. Maintenance fees are recognised rateably over the period of the contract.

Tangible Fixed Assets

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Computer equipment	- 33% straight line
Tenants improvements	- 20% straight line
Office furniture	- 25% straight line

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

1 Principal accounting policies (continued)

Taxation

Taxation is based on the results for the year, as adjusted for disallowable items, and for timing differences, to the extent that they are likely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in a different accounting year from that in which they are recognised in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future.

An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Investments in Subsidiaries

The investments in subsidiaries are valued at cost.

Foreign Currencies

Trading transactions denominated in foreign currencies are translated into dollars at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated into dollars at rates of exchange ruling at the end of the financial year. Exchange gains or losses on these balances are included in operating profit. Share capital and premium expressed in a foreign currency is translated into dollars at rates of exchange ruling at the end of the financial year. Exchange gains or losses arising on share capital and share premium balances are credited or charged directly to the profit and loss reserves.

Operating Leases

Costs in respect of operating leases are charged over the duration of the leases in arriving at the operating profit.

Grants

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year which it is incurred with the exception of expenditure on the development of certain major new products where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over a period not longer than 3 years commencing in the year sales of the product are first made.

2 Turnover

Turnover is wholly attributable to the principal activity of the Group and arises solely within the United States of America.

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

3 Net operating expenses

Net operating expenses are made up as follows:-

	2004	2003
	\$'000	\$'000
Distribution costs	1,452	1,491
Administrative expenses	2,624	1,718
	4,076	3,209
Exchange loss	180	132
Less: Other operating income	-	(27)
Net operating expenses	4,256	3,314

4 Operating profit

Operating profit/(loss) is stated after charging

	2004	2003
	\$'000	\$'000
Auditors' remuneration for audit fees:		
Parent company	14	20
Subsidiary companies	6	8
Depreciation of tangible fixed assets – owned	99	71
Amortisation of intangible costs	94	49
Operating lease rents for premises	86	94
Foreign Exchange loss	180	132

The remuneration of the Company's auditors for provision of non-audit services to the Group during the year was \$17,400 (2003: \$15,565).

5 Directors' emoluments

Particulars of directors' emoluments disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985, are as follows:

	2004	2003
	\$'000	\$'000
Aggregate emoluments	491	269
Highest paid director	139	108

The above emoluments include fees paid to third parties on behalf of directors' services (see note 21).

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

6 Employee information

The average number of persons employed by the Group during the year, including executive directors, is analysed below:

	2004	2003
	Number	Number
Production	16	9
Design	1	1
Selling and distribution	11	11
Administration	4	3
Development	11	7
	43	31

Employment costs of all employees, including executive directors:-

	2004	2003
	\$'000	\$'000
Wages and salaries	2,702	1,843
Social security costs	132	157
Total direct costs of employment	2,834	2,000

7 Net interest payable

	2004	2003
	\$'000	\$'000
Deposit interest receivable	13	1
Interest payable on loans	-	(6)
	13	(5)

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

8 Tax on profit/(loss) on ordinary activities

	2004 \$'000	2003 \$'000
Taxation on profit/(loss) on ordinary activities		
Based on profit/(loss) for the year:		
UK corporation tax at 30% (2003: 30%)		
- current	1,642	284
- adjustment in respect of prior year	(2)	7
Foreign corporation tax at 30% (2003: 30%)		
- current	-	37
- adjustment in respect of prior year	-	-
Total current tax	1,640	328
Deferred tax at 30% (2003: 30%)		
- current	-	2
- adjustment in respect of prior year	-	-
Taxation charge	1,640	330

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

	2004 \$'000	2003 \$'000
Profit/(loss) on ordinary activities before tax	5,952	1,161
Standard rate of corporation tax at 30% (2003: 30%)	1,786	348
After:		
(a) Prior year adjustments in respect of under provision	-	7
(b) Adjustment in respect of prior periods	(2)	90
(c) Expenses not deductible for tax purposes	2	(25)
(d) Accelerated capital allowance	1	(53)
(e) US tax at 40%	41	-
(f) Losses utilised	(165)	-
(g) Other	(23)	(39)
Current tax credit charge for period	1,640	328

9 Dividends

	2004 \$'000	2003 \$'000
Ordinary equity shares:		
Proposed final dividend of nil (2003: \$7.86 per share)	-	500

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

10 Tangible fixed assets

Group	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
Cost or valuation				
At 1 July 2003	177	51	77	305
Additions	116	15	1	132
At 30 June 2004	293	66	78	437
Depreciation				
At 1 July 2003	105	21	41	167
Charge for the year	64	17	18	99
At 30 June 2004	169	38	59	266
Net book value				
At 30 June 2004	124	28	19	171
At 30 June 2003	72	30	36	138

Company	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
Cost or valuation				
At 1 July 2003	145	41	77	263
Additions	53	11	1	65
At 30 June 2004	198	52	78	328
Depreciation				
At 1 July 2003	95	19	41	155
Charge for the year	47	14	18	79
At 30 June 2004	142	33	59	234
Net book value				
At 30 June 2004	56	19	19	94
At 30 June 2003	50	22	36	108

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

11 Intangible assets

Research and development

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2003	97	-	97	-
Amounts capitalised during the year	135	146	135	146
Amortisation charge	(93)	(49)	(93)	(49)
	139	97	139	97

12 Fixed asset investments

Company

	\$
Value at 1 July 2003	109
Net book value at 30 June 2004	109

The following information relates to those subsidiaries which, in the opinion of the directors, principally affected the profits or assets of the Group:-

Name of Company	Class of Shares held	Proportion of Nominal Value of Issued Shares held by Craneware Limited	Nature of Business
Craneware Inc	Ordinary	100%	Sales & Marketing

The above company is incorporated in the United States of America. The results of the subsidiary company have been included in the consolidated financial statements

13 Debtors

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Amounts falling due within one year:				
Trade debtors	3,172	1,872	3,172	1,872
Amounts owed by group companies	-	-	2,196	1,328
Other debtors	21	16	21	16
Prepayments and accrued income	44	33	29	33
	3,237	1,921	5,418	3,249

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade creditors	126	192	34	113
Corporation tax	1,525	320	1,488	283
Social Security and PAYE	56	54	56	54
Accruals and deferred income	2,946	2,201	2,699	1,556
Dividend payable	-	500	-	500
	4,653	3,267	4,277	2,506

15 Deferred taxation

An analysis of the provision made and the full potential liability for deferred taxation is set out below, together with the movement on the provision.

Deferred taxation provided in the accounts comprises:

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Accelerated capital allowance	12	12	12	12
Other timing differences	-	-	-	-
Losses	-	-	-	-
Deferred tax liability	12	12	12	12
Provision at 1 July	12	10	12	10
Deferred tax charge	-	2	-	2
Provision at 30 June	12	12	12	12

A deferred tax asset of \$41,000 has arisen in respect of net operating losses and other timing differences in Craneware Inc. This asset has not been recognised in the Group balance sheet as the Directors are of the view that Craneware Inc has not yet established a sufficient pattern of profitability.

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

16 Called up share capital

Allotted called-up and fully paid

	2004		2003	
	Number	\$'000	Number	\$'000
Equity share capital				
Ordinary shares of 1p each	50,500	1	50,500	1
Ordinary 'A' shares of 1p each	13,093	-	13,093	-

Authorised

	2004		2003	
	Number	\$'000	Number	\$'000
Equity share capital				
Ordinary shares of 1p each	9,980,400	165	9,980,400	165
Ordinary 'A' shares of 1p each	19,600	-	19,600	-

17 Share premium account and reserves

Group	Share Premium Account \$'000	Profit and Loss Account \$'000	Total \$'000
At 1 July 2003	1,681	(80)	1,601
Retained profit for the year	-	4,312	4,312
Exchange movement on retranslation of share premium	163	(163)	-
At 30 June 2004	1,844	4,069	5,913

Company	Share Premium Account \$'000	Profit and Loss Account \$'000	Total \$'000
At 1 July 2003	1,681	358	2,039
Retained profit for the year	-	3,900	3,900
Exchange movement on retranslation of share premium	163	(163)	-
At 30 June 2004	1,844	4,095	5,939

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

18 Reconciliation of movements in shareholders' funds

	2004	2003
Group	\$'000	\$'000
Shareholders' funds at 1 July 2003	1,602	1,146
Profit for the financial year	4,312	331
Exchange movement on translation of share premium	-	125
Shareholders' funds at 30 June 2004	5,914	1,602

Company		
Shareholders' funds at 1 July 2003	2,040	1,382
Profit for the financial year	3,900	533
Exchange movement on retranslation of share premium	-	125
Shareholders' funds at 30 June 2004	5,940	2,040

19 Contingent liabilities and financial commitments

(a) Capital commitments

	2004	2003
	\$'000	\$'000
Expenditure contracted for by subsidiary company	-	-

(b) Lease commitments

The Group leases certain land and buildings. The rents payable by the Group in the next year under these leases are as follows:-

	2004	2003
	\$'000	\$'000
Leases expiring within one year	9	21
Leases expiring between 2 and 5 years	61	73
	70	94

The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Craneware Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

20 Related party transactions

During the period the Group has traded in its normal course of business with consultancy businesses in which the related parties have a material interest as follows:

		Purchases from director	Net creditor/(debtor) balance at year end
		\$	\$
N Heywood	) 2004	26,100	-
	) 2003	19,098	1,942
W McCall	) 2004	26,100	-
	) 2003	23,873	2,426
C McCulloch	) 2004	26,587	6,297
	) 2003	18,923	3,246

There were no other related party transactions in the period which require disclosure in accordance with FRS 8.

21 Ultimate Controlling Party

The directors consider that the controlling parties of the company are the two directors with an interest in the share capital of the Craneware Limited as disclosed in the directors' report.