

Craneware Limited
Annual report
for the year ended 30 June 2005

Registered Number SC196331



SCT **SRATMEWI**
COMPANIES HOUSE

0243
28/04/06

Craneware Limited
Annual report
for the year ended 30 June 2005
Contents

Directors and Advisors	1
Directors' report for the year ended 30 June 2005	2-3
Independent auditors' report to the members of Craneware Limited	4
Consolidated profit and loss account for the year ended 30 June 2005	5
Consolidated balance sheet as at 30 June 2005	6
Company balance sheet	7
Consolidated cashflow statement as at 30 June 2005	8
Notes to the financial statements for the year ended 30 June 2005	9-20

Craneware Limited

Directors and Advisors

Directors

H D McCartney (Chairman)

K Neilson

W G Craig

N P Heywood

D W Paterson

K J Lyon

A M McDougall

J R Wilson

Secretary and registered office

A M McDougall

Rosebank Business Park

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

McGrigors

Princes Exchange

1 Earl Grey Street

Edinburgh

EH3 9AQ

Craneware Limited

Directors' report for the year ended 30 June 2005

The directors present herewith their report and the audited financial statements for the year ended 30 June 2005.

Principal Activities

The Group's principal activity continues to be the development, licensing and post contract support of computer software for the healthcare industry.

Review of Business and Future Developments

The Group has continued to enhance its product range and functionality, whilst increasing the number of hospitals using its software products within its main market in the USA. Having recently exceeded \$50m of sales under contract since incorporation, the directors are satisfied with the performance of the Company and Group for the year and expect this growth to continue in future years.

Prior Year Adjustment

Recognising the Group's international focus, the directors have assessed the most appropriate accounting policies and presentation format to meet the requirements of users of the financial statements in its main market. As a result the directors have changed the accounting policy in relation to revenue recognition and consider that the Company and Group balance sheets are more appropriately presented using format 2 as permitted under Schedule 4 of the Companies Act 1985.

The new accounting policy is described in note 1 (revenue recognition), and the effect of the resulting prior year adjustment is shown in the statement of total recognised gains and losses. The trading performance of the Group under the new accounting policy is as shown below:-

	2002	2003	2004	2005
	\$'000	\$'000	\$'000	\$'000
<u>Profit and Loss account</u>				
Turnover	583	2,842	6,701	10,459
Profit /(loss) before taxation	(1,234)	(537)	1,527	2,708

Balance Sheets - as at 30 June

Cash and debtors less creditors	1,584	4,646	8,220	8,913
Deferred income (amounts received / receivable in advance of recognising revenue)	1,135	4,919	9,650	10,671

As at 30th June 2005 the Company had future contractual entitlements to invoice of \$15.5m in subsequent periods.

Dividends

Prior to the change in accounting policy noted above, an interim dividend of \$3,911,534 was paid on 3rd March 2005 to shareholders registered on 28th February 2005. The directors do not propose a final dividend in respect of the year ended 30 June 2005 (2004: \$nil).

Going Concern

The directors have reviewed the financial forecast for the group and consider that it is appropriate to prepare the financial statements on the going concern basis.

Research and development activities

The Group continues to develop software products for the US healthcare industry.

Craneware Limited

Directors' report for the year ended 30 June 2005 (continued)

Directors

The directors of the Company are listed on page 1, all of whom have been directors throughout the year ended 30th June 2005 except as listed below:-

W McCall – resigned 25 April 2005
J G Watson – resigned 25 April 2005
K J Lyon – appointed 20 June 2005
H D McCartney – appointed 20 June 2005
A M McDougall – appointed 22 August 2005
J R Wilson – appointed 31 January 2006

The interests of the directors in the Ordinary shares of the Company were as follows:-

	2005	2004
K Neilson	12,777	12,777
W G Craig	12,777	12,777
	25,554	25,554

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 Group 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.

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.

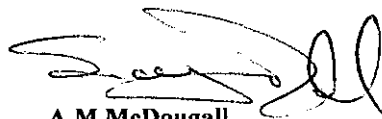
The directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statement for the year ended 30 June 2005. The directors also confirm that applicable accounting 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.

On behalf of the Board



A M McDougall
Director and Company Secretary
27 February 2006

Craneware Limited

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

We have audited the financial statements which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, cashflow statement 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 2005 and of the profit and cashflows 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
10 March 2006

Craneware Limited

Consolidated profit and loss account for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
			Restated
Turnover	2	10,459	6,701
Cost of sales		(3,846)	(2,383)
Gross profit		6,613	4,318
Net operating expenses	3	(3,933)	(2,804)
Operating profit	4	2,680	1,514
Net interest receivable	7	28	13
Profit on ordinary activities before taxation		2,708	1,527
Tax charge on ordinary activities	8	(866)	(311)
Profit on ordinary activities after taxation		1,842	1,216
Dividends	9	(3,912)	-
Retained profit / (loss) for the year	17	(2,070)	1,216

The results relate to continuing operations.

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.

Statement of total recognised gains and losses for the year ended 30 June 2005

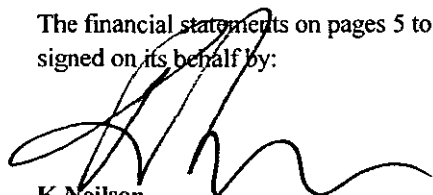
	Notes	2005 \$'000	2004 \$'000
			Restated
Retained profit / (loss) for the financial year		(2,070)	1,216
Exchange movement on retranslation of share premium	17	21	(163)
Total recognised gains / (losses) for the year		(2,049)	1,053
Prior year adjustment - Revenue		(7,045)	-
- Tax thereon		2,114	-
Total gains / (losses) recognised since last annual report		(6,980)	1,053

Craneware Limited

Consolidated balance sheet as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
			Restated
ASSETS			
Fixed Assets			
Tangible assets	10	184	171
Intangible assets	11	250	139
		<u>434</u>	<u>310</u>
Current assets			
Stock	13	123	-
Debtors	14	3,840	3,237
Deferred tax	15	115	2,103
Cash	20	6,038	7,032
		<u>10,116</u>	<u>12,372</u>
		<u>10,550</u>	<u>12,682</u>
LIABILITIES			
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	1,823	1,844
Profit and loss account	17	(2,911)	(862)
Equity shareholders' funds	18	<u>(1,087)</u>	<u>983</u>
Other Liabilities			
Deferred income (amounts received / receivable in advance of recognising revenue)	22	10,671	9,650
Creditors	23	966	2,049
		<u>11,637</u>	<u>11,699</u>
		<u>10,550</u>	<u>12,682</u>

The financial statements on pages 5 to 20 were approved by the board of directors on 27 February 2006 and were signed on its behalf by:


K Neilson
Director

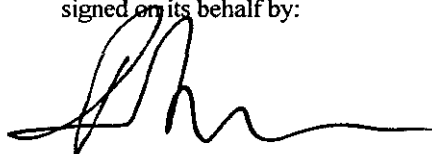

A M McDougall
Director

Craneware Limited

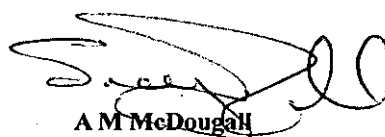
Company Balance sheet as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
			Restated
ASSETS			
Fixed assets			
Tangible assets	10	95	94
Intangible assets	11	250	139
		<u>345</u>	<u>233</u>
Current assets			
Debtors	14	8,083	5,418
Deferred tax	15	3	2,103
Cash		1,684	4,578
		<u>9,770</u>	<u>12,099</u>
		10,115	12,332
LIABILITIES			
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	1,823	1,844
Profit and loss account	17	(2,836)	(836)
Equity shareholders' funds	18	<u>(1,012)</u>	<u>1,009</u>
Other Liabilities			
Deferred income (amounts received / receivable in advance of recognising revenue)	22	10,671	9,650
Creditors	23	456	1,673
		<u>11,127</u>	<u>11,323</u>
		10,115	12,332

The financial statements on pages 5 to 20 were approved by the board of directors on 27 February 2006 and were signed on its behalf by:



K Neilson
Director



A M McDougall
Director

Craneware Limited

Consolidated cashflow statement for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Net cash inflow from operating activities	19	5,281	5,497
Returns on investments and servicing of finance			
Interest received		28	13
Taxation			
Corporation tax paid		(2,004)	(436)
Capital expenditure			
Purchase of tangible assets		(132)	(132)
Capitalised research & development		(255)	(135)
Equity dividends paid to shareholders		(3,912)	(500)
Financing		-	-
Increase / (decrease) in cash		(994)	4,307

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005

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 consider that as Group's revenues are primarily denominated in US dollars the principal functional currency is the US dollar. 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 its subsidiary 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.

Revenue recognition

The Group recognises revenue 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.

In prior years, revenue relating to initial software licensing fees had been recognised upon delivery to the customer when there were no significant vendor obligations remaining, with subsequent annual fees being recognised over the period to which they relate.

The effect of this change in accounting policy on the results for the year was to:-

- decrease turnover and profit on ordinary activities before tax by \$nil (2004: \$4,425,000, 2003 and earlier; \$2,620,000)
- reduce the total recognised gains and losses by \$4,931,000 (2004:\$nil)

The effect on the balance sheet as at 30 June 2005 was to :-

- increase deferred income (amounts received / receivable in advance of recognising revenue) by \$nil: (2004: \$7,045,000)
- generate a deferred tax asset of \$nil (2004: \$2,114,000)
- give rise to corporation tax receivable of \$2,114,000 in respect of the prior year adjustment within the net receivable of \$1,602,000 (2004: nil)

Tangible fixed assets

Depreciation is provided to write off the cost or valuation, less estimated residual values, of 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

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 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.

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

1 Principal accounting policies (continued)

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 subsidiary

The investment in subsidiary is valued at cost.

Foreign currencies

Transactions denominated in foreign currencies are translated into US dollars at the exchange rate ruling when the transaction was entered into. Assets, liabilities and shareholder funds expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the end of the financial year. Exchange gains or losses are included in operating profit. Exchange gains or losses arising on share capital and share premium accounts are credited or charged directly to profit and loss reserves.

Operating leases

The costs of operating leases are charged over the duration of the leases in arriving at 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 in 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 exceeding 3 years commencing in the first year sales of the products.

2 Turnover

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

3 Net operating expenses

Net operating expenses are made up as follows:-

	2005	2004
	\$'000	\$'000
Administrative expenses	3,757	2,624
Exchange loss	176	180
Net operating expenses	3,933	2,804

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

4 Operating profit

Operating profit/(loss) is stated after charging

	2005 \$'000	2004 \$'000
Auditors' remuneration for audit fees:		
Parent company	33	14
Subsidiary companies	19	6
Depreciation of tangible fixed assets	119	99
Amortisation of intangible costs	144	142
Operating lease rents for premises	110	86
Exchange loss	176	180

The remuneration of the auditors for provision of non-audit services to the Group during the year was \$18,000 (2004: \$17,400).

5 Directors' emoluments

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

	2005 \$'000	2004 \$'000
Aggregate emoluments	595	491
Highest paid director	165	139

The above emoluments include fees paid to third parties on behalf of directors' services (see note 22).

6 Employee information

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

	2005 Number	2004 Number
Production	22	16
Design	-	1
Sales and distribution	15	11
Administration	6	4
Research and Development	15	11
	58	43

Employment costs of all employees including executive directors:-

	2005 \$'000	2004 \$'000
Wages and salaries	3,605	2,702
Social security costs	383	132
Total direct costs of employment	3,988	2,834

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

7 Net interest receivable

	2005	2004
	\$'000	\$'000
Deposit interest receivable	28	13

8 Tax on profit/(loss) on ordinary activities

	2005	Restated 2004
	\$'000	\$'000
Taxation on profit/(loss) on ordinary activities		
Based on profit/(loss) for the year:		
UK corporation tax at 30% (2004: 30%)		
- current	1,172	(1,642)
- adjustment in respect of prior year	(50)	2
Foreign corporation tax at 30% (2004: 30%)		
- current	-	-
- adjustment in respect of prior year	-	-
Total current tax	1,122	(1,640)
Deferred tax at 30% (2004: 30%)		
- current	(1,988)	1,329
- adjustment in respect of prior year	-	-
Taxation (charge)	(866)	(311)

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:

	2005	Restated 2004
	\$'000	\$'000
Profit/(loss) on ordinary activities before tax	2,708	1,527
Standard rate of corporation tax at 30% (2004: 30%)	(812)	(458)
After:		
(a) Adjustment in respect of prior periods	(50)	2
(b) Expenses not deductible for tax purposes	(77)	(2)
(c) Accelerated capital allowances and other timing differences	2,103	(1,329)
(d) US state tax	(2)	(41)
(e) Losses carried forward	(40)	165
(f) Other	-	23
Current tax credit / (charge) for period	1,122	(1,640)

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

9 Dividends

	2005	2004
	\$'000	\$'000
Interim Dividend	3,912	-

10 Tangible fixed assets

Group	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
Cost or valuation				
At 1 July 2004	293	66	78	437
Additions	120	7	5	132
At 30 June 2005	413	73	83	569
Depreciation				
At 1 July 2004	169	38	59	266
Charge for the year	86	15	18	119
At 30 June 2005	255	53	77	385
Net book value				
At 30 June 2005	158	20	6	184
At 30 June 2004	124	28	19	171

Company	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
Cost or valuation				
At 1 July 2004	198	52	78	328
Additions	68	4	5	77
At 30 June 2005	266	56	83	405
Depreciation				
At 1 July 2004	142	33	59	234
Charge for the year	47	11	18	76
At 30 June 2005	189	44	77	310
Net book value				
At 30 June 2005	77	12	6	95
At 30 June 2004	56	19	19	94

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

11 Intangible assets

Research and development

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
As at 1 July	139	97	139	97
Amounts capitalised during the year	255	135	255	135
Amortisation charge	(144)	(93)	(144)	(93)
	250	139	250	139

12 Fixed asset investments

Company

	\$
Value at 1 July 2004	109
Net book value at 30 June 2005	109

The following information relates to the subsidiary 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 Stock

Stocks of software protection hardware and software licenses acquired from third parties are valued at the lower of cost and net realisable value \$123k (2004: \$nil).

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

14 Debtors: amounts falling due within one year

	Group		Company	
		Restated		Restated
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade debtors	1,997	3,172	1,997	3,172
Amounts owed by group companies	-	-	4,573	2,196
Corporation tax	1,602	-	1,457	-
Other debtors	10	21	10	21
Prepayments and accrued income	231	44	46	29
	3,840	3,237	8,083	5,418

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	
		Restated		Restated
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Accelerated capital allowance	3	(11)	3	(11)
Other timing differences	-	2,114	-	2,114
Losses	112	-	-	-
Deferred tax asset	115	2,103	3	2,103
Provision at 1 July	2,103	(13)	2,103	(13)
Deferred tax (charge)/credit	(1,988)	2,116	(2,100)	2,116
Asset at 30 June	115	2,103	3	2,103

A deferred tax asset of \$112,000 has arisen in respect of net operating losses and other timing differences in Craneware Inc. This asset has been recognised in the Group balance sheet as the Directors are of the view that Craneware Inc will establish a sufficient pattern of profitability.

16 Called up share capital

Allotted called-up and fully paid

	2005		2004	
	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	-

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

16 Called up share capital (continued)

Authorised

	2005		2004	
	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 2004 – as previously reported	1,844	4,069	5,913
Prior year adjustment	-	(4,931)	(4,931)
At 1 July 2004 – restated	1,844	(862)	982
Retained (loss) for the year		(2,070)	(2,070)
Exchange movement on retranslation of share premium	(21)	21	-
At 30 June 2005	1,823	(2,911)	(1,088)

Company	Share Premium Account \$'000	Profit and Loss Account \$'000	Total \$'000
At 1 July 2004 – as previously reported	1,844	4,095	5,939
Prior year adjustment	-	(4,931)	(4,931)
At 1 July 2004 – restated	1,844	(836)	1,008
Retained (loss) for the year		(2,021)	(2,021)
Exchange movement on retranslation of share premium	(21)	21	-
At 30 June 2005	1,823	(2,836)	(1,013)

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

18 Reconciliation of movements in shareholders' funds

	2005	Restated 2004
Group	\$'000	\$'000
Shareholders' funds at 1 July as previously reported	5,914	1,602
Prior year adjustment	(4,931)	(1,835)
Shareholders' funds at 1 July	983	(233)
Profit / (loss) for the financial year	(2,070)	1,216
Shareholders' funds at 30 June	(1,087)	983
Company		
Shareholders' funds at 1 July as previously reported	5,940	2,040
Prior year adjustment	(4,931)	(1,835)
Shareholders' funds at 1 July	1,009	205
Profit / (loss) for the financial year	(2,021)	804
Shareholders' funds at 30 June	(1,012)	1,009

19 Reconciliation of operating profit to net cash inflow from operating activities

	Group 2005	2004
	\$'000	\$'000
Group operating profit	2,680	1,514
Prior year adjustment to turnover in earlier years	-	(2,620)
Depreciation / amortisation	263	192
Decrease in stocks	(123)	-
(Increase) / decrease in debtors	999	(1,316)
Increase / (decrease) in creditors	1,462	7,727
Net cash inflow / (outflow) from operating activities	5,281	5,497

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

20 Reconciliation of net cashflow to movement in net debt

	Group	
	2005	2004
	\$'000	\$'000
Increase/(decrease) in cash in the period	(994)	4,307
Net cash outflow/(inflow) from decrease/(increase) in debt	-	-
Change in net debt resulting from cashflows	(994)	4,307
Opening net funds at 1 July	7,032	2,725
Closing net funds at 30 June	6,038	7,032

21 Analysis of net debt

Group	At 1 July 2004	Cash Flow	Other non -cash movements	At 30 June 2005
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	7,032	(994)	-	6,038
Bank overdrafts	-	-	-	-
	7,032	(994)	-	6,038
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
Total	7,032	(994)	-	6,038

22 Deferred income (amounts received / receivable in advance of recognising revenue)

	Group		Company	
	2005	Restated 2004	2005	Restated 2004
	\$'000	\$'000	\$'000	\$'000
Deferred income (amounts received / receivable in advance of recognising revenue)				
- amounts falling due within one year	6,739	5,902	6,739	5,902
- amount falling due after more than one year	3,932	3,748	3,932	3,748

Craneware Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

23 Creditors: amounts falling due within one year

	Group		Company	
	2005	Restated 2004	2005	Restated 2004
	\$'000	\$'000	\$'000	\$'000
Trade creditors	186	126	46	34
Social Security and PAYE	47	56	46	56
Corporation tax	-	1,525	-	1,488
Accruals	482	342	113	95
Advance receipts	251	-	251	-
	966	2,049	456	1,673

24 Contingent liabilities and financial commitments

(a) Capital commitments

The Group has no capital commitments at present (2004: \$nil)

(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:-

	2005 \$'000	2004 \$'000
Leases expiring within one year	12	9
Leases expiring between 2 and 5 years	134	61
	146	70

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 2005 (continued)

25 Related party transactions

During the period the Group has traded in its normal course of business with shareholders and consultancy businesses in which directors and former directors have a material interest as follows:-

		Purchases from related party	Outstanding at year end
		\$	\$
3i plc	) 2005	21,828	4,482
	) 2004	20,456	5,379
Scottish Equity Partners Limited	) 2005	7,364	40,000
	) 2004	32,636	32,636
Lothian Investment Fund for Enterprise Limited	) 2005	600	-
	) 2004	287	-
N P Heywood	) 2005	26,639	-
	) 2004	26,100	-
W McCall	) 2005	32,718	-
	) 2004	26,100	-
C McCulloch	) 2005	4,410	4,841
	) 2004	26,587	6,297
H D McCartney	) 2005	7,431	7,172
K J Lyon	) 2005	7,431	7,172

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

26 Ultimate Controlling Party

The directors consider that the controlling parties of the Company are K Neilson and W G Craig who have an interest in the share capital of the Craneware Limited as shown in the directors' report.