

**Craneware Limited**  
**Annual Report and Financial Statements**  
**For the year ended 30 June 2007**

**Registered Number SC196331**



**Craneware Limited**  
**Annual Report and Financial Statements**  
**for the year ended 30 June 2007**  
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# **Craneware Limited**

## **Directors and Officials**

### **Directors**

G R Elliott (appointed 10 August 2007)  
K Neilson  
W G Craig  
N P Heywood  
D W Paterson  
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 2007

The directors present herewith their report and the audited financial statements for the year ended 30 June 2007. These are the Company's first accounts prepared in accordance with IFRS for the year ending 30 June 2007.

### Business Review and Principal Activities

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

The Group has continued to enhance its product range and functionality, whilst increasing the number of hospitals using its software products within its market in the USA. The directors are satisfied with the performance of the Company and Group for the year and expect this growth, as set out below, to continue in future years.

### Principal Risks and Uncertainties and Key Performance Indicators ("KPIs")

The directors consider that the US healthcare software market is likely to continue to provide growth opportunities for the Company's existing products and development pipeline. In addition, and with a high contract renewal rate, the Company's predominantly annuity based pricing models and revenue recognition approach gives a high degree of revenue visibility and earnings growth predictability.

Nevertheless the market continues to be very competitive following a period of M&A activity and new product offerings. The Company therefore requires to remain at the forefront of product innovation and delivery, through a combination of in house development whilst assessing opportunistic acquisition. This requires the recruitment, retention, and reward of skilled staff, alongside a responsiveness to opportunities as they arise.

With approximately one third of its cost denominated in Sterling, a continuing weak US \$ will have an effect on earnings growth.

The directors consider that the Group's risk profile is not significantly different from other companies of its size, and continue to monitor any risks and uncertainties as they arise, and take whatever action is considered necessary to minimise the Group's exposure. The main financial risks are detailed in Note 3 to the financial statements.

The directors consider that the following operating and financial KPIs are useful to give an understanding of the development, performance, and position of the business.

|                                                        | <u>2003</u>  | <u>2004</u>  | <u>2005</u>  | <u>2006</u>  | <u>2007</u>  |
|--------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Hospital sites (cum)                                   | 197          | 376          | 455          | 631          | 801          |
| Contract renewal rate (cum)                            |              | 92%          | 84%          | 84%          | 88%          |
|                                                        | <u>\$m's</u> | <u>\$m's</u> | <u>\$m's</u> | <u>\$m's</u> | <u>\$m's</u> |
| Value of contracts written (cum)                       | 12.5         | 33.2         | 46.0         | 61.1         | 81.8         |
| Revenue                                                | 2.8          | 6.7          | 10.5         | 13.2         | 15.1         |
| Profit/(loss) before share based payments and taxation | (0.6)        | 1.5          | 2.7          | 3.6          | 4.0          |
| Cash and receivables less payables                     | 4.6          | 8.2          | 8.9          | 10.5         | 11.4         |
| Deferred income                                        | 4.9          | 9.6          | 10.7         | 9.5          | 9.5          |
| Further contractual entitlements                       | 4.2          | 13.4         | 14.7         | 17.8         | 23.4         |
| Future revenue under contract                          | 9.1          | 23.1         | 25.4         | 27.3         | 32.9         |

# Craneware Limited

## Directors' report for the year ended 30 June 2007 (continued)

### Dividends

An interim dividend of \$1,000,000 was paid in the year (2006 \$nil) The directors do not recommend the payment of a final dividend (2006 \$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

### Directors and their interests

The directors of the Company are listed on page 1 KJ Lyon, who had served as chairman in the year, resigned on 11 July 2007, and G R Elliott was appointed as chairman on 10 August 2007

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

|           | 2007          | 2006          |
|-----------|---------------|---------------|
| K Neilson | 12,777        | 12,777        |
| W G Craig | 12,777        | 12,777        |
|           | <b>25,554</b> | <b>25,554</b> |

|               | 2007                   | 2007                    | 2006                   | 2006                    |
|---------------|------------------------|-------------------------|------------------------|-------------------------|
|               | Ordinary share options | Incentive share options | Ordinary share options | Incentive share options |
| K Neilson     |                        |                         |                        |                         |
| W G Craig     |                        |                         |                        |                         |
| D W Paterson  | 833                    | 667                     | 833                    | 667                     |
| A M McDougall | 690                    | 260                     | 690                    | 260                     |
| J R Wilson    | 690                    | 110                     | 690                    | 110                     |
|               | <b>2,213</b>           | <b>1,037</b>            | <b>2,213</b>           | <b>1,037</b>            |

Note 8 shows the charge relating to the granting of share options with the criteria used for its calculation being shown in Note 9

The Company has an obligation to grant options over 500 Ordinary shares to J G Watson, a former executive director

### Employee Involvement

The general policy of the Company is to welcome employee involvement as far as it is reasonably practicable Employees are kept informed by meeting, regular updates and web page postings

### 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 responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

# **Craneware Limited**

## **Directors' report for the year ended 30 June 2007 (continued)**

Company law requires the directors 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. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing those financial statements, the directors are required to

- Select suitable accounting policies and apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and for ensuring that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Creditor Payment Policy**

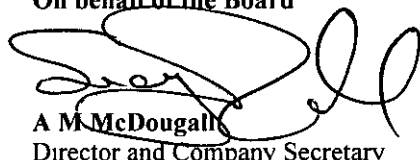
It is company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. The company's average payment period at 30 June 2007 was 29 days (2006: 14 days).

### **Auditors and Disclosure of Information to Auditors**

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

21 August 2007

# **Craneware Limited**

## **Independent auditors' report to the members of Craneware Limited**

We have audited the group and parent company financial statements of Craneware Limited for the year ended 30 June 2007 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) 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 group's and 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.

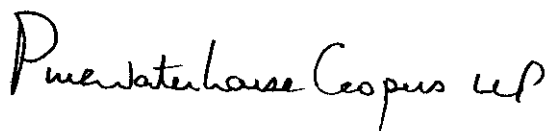
## **Craneware Limited**

### **Independent auditors' report to the members of Craneware Limited (continued)**

#### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's profit and cashflows for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Edinburgh

21 August 2007

# Craneware Limited

## Consolidated Income Statement For the year ended 30 June 2007

|                                                                   | Notes | 2007<br>\$'000  | 2006<br>\$'000 |
|-------------------------------------------------------------------|-------|-----------------|----------------|
| <b>Revenue</b>                                                    | 4     | <b>15,111</b>   | 13,179         |
| Cost of sales                                                     |       | <b>(808)</b>    | (1,121)        |
| <b>Gross profit</b>                                               |       | <b>14,303</b>   | 12,058         |
| Net operating expenses                                            | 5     | <b>(12,906)</b> | (8,983)        |
| <b>Operating profit</b>                                           | 6     | <b>1,397</b>    | 3,075          |
| <b>Analysed as</b>                                                |       |                 |                |
| Profit before share based payments, depreciation and amortisation |       | <b>3,796</b>    | 3,714          |
| Share based payments                                              | 9     | <b>(2,191)</b>  | (286)          |
| Depreciation of plant and equipment                               |       | <b>(152)</b>    | (93)           |
| Amortisation of intangible assets                                 |       | <b>(56)</b>     | (260)          |
| Finance income                                                    | 10    | <b>446</b>      | 235            |
| <b>Profit before taxation</b>                                     |       | <b>1,843</b>    | 3,310          |
| Tax charge                                                        | 11    | <b>(627)</b>    | (1,165)        |
| <b>Profit for the year</b>                                        | 20    | <b>1,216</b>    | 2,145          |

The results relate to continuing operations

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

## Consolidated Statement of Recognised Income and Expense For the year ended 30 June 2007

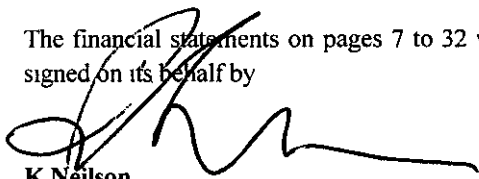
|                                             | 2007<br>\$'000 | 2006<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Profit for the year                         | <b>1,216</b>   | 2,145          |
| <b>Total recognised income for the year</b> | <b>1,216</b>   | 2,145          |

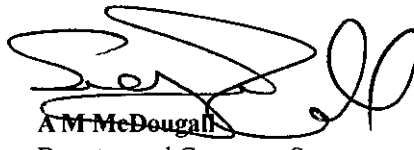
# Craneware Limited

## Consolidated balance sheet as at 30 June 2007

|                                     | Notes | 2007<br>\$'000 | 2006<br>\$'000 |
|-------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                       |       |                |                |
| <b>Non Current Assets</b>           |       |                |                |
| Plant and equipment                 | 13    | 487            | 135            |
| Intangible assets                   | 14    | 434            | 57             |
| Deferred Tax                        | 18    | 810            | 135            |
| Trade and other receivables         | 17    | 75             |                |
|                                     |       | <u>1,806</u>   | <u>327</u>     |
| <b>Current Assets</b>               |       |                |                |
| Inventory                           | 16    | 8              | 19             |
| Trade and other receivables         | 17    | 4,016          | 3,035          |
| Cash and cash equivalents           | 22    | 9,664          | 10,167         |
|                                     |       | <u>13,688</u>  | <u>13,221</u>  |
| <b>Total Assets</b>                 |       | <b>15,494</b>  | <b>13,548</b>  |
| <b>EQUITY AND LIABILITIES</b>       |       |                |                |
| <b>Non Current Liabilities</b>      |       |                |                |
| Deferred income                     |       | 903            | 2,251          |
|                                     |       | <u>903</u>     | <u>2,251</u>   |
| <b>Current Liabilities</b>          |       |                |                |
| Deferred income                     |       | 8,579          | 7,231          |
| Trade and other payables            | 23    | 2,261          | 2,722          |
|                                     |       | <u>10,840</u>  | <u>9,953</u>   |
| <b>Total Liabilities</b>            |       | <b>11,743</b>  | <b>12,204</b>  |
| <b>Equity</b>                       |       |                |                |
| Called up share capital             | 19    | 1              | 1              |
| Share premium account               | 20    | 1,823          | 1,823          |
| Other reserves                      | 20    | 2,477          | 286            |
| Retained earnings                   | 20    | (550)          | (766)          |
| <b>Total Equity</b>                 | 20    | <b>3,751</b>   | <b>1,344</b>   |
| <b>Total Equity and Liabilities</b> |       | <b>15,494</b>  | <b>13,548</b>  |

The financial statements on pages 7 to 32 were approved by the board of directors on 21 August 2007 and were signed on its behalf by

  
K Neilson  
Director

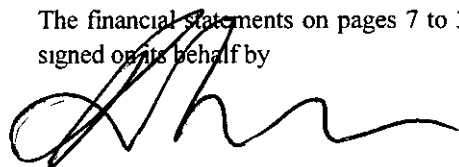
  
A M McDougall  
Director and Company Secretary

# Craneware Limited

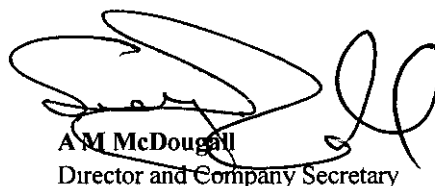
## Company Balance sheet as at 30 June 2007

|                                     | Notes | 2007<br>\$'000 | 2006<br>\$'000 |
|-------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                       |       |                |                |
| <b>Non Current Assets</b>           |       |                |                |
| Plant and equipment                 | 13    | 388            | 72             |
| Intangible assets                   | 14    | 418            | 37             |
| Deferred Tax                        | 18    | 460            | 66             |
| Trade and other receivables         | 17    | 75             |                |
|                                     |       | <u>1,341</u>   | <u>175</u>     |
| <b>Current Assets</b>               |       |                |                |
| Trade and other receivables         | 17    | 3,857          | 2,968          |
| Cash and cash equivalents           | 22    | 9,116          | 9,474          |
|                                     |       | <u>12,973</u>  | <u>12,442</u>  |
| <b>Total Assets</b>                 |       | <b>14,314</b>  | <b>12,617</b>  |
| <b>EQUITY AND LIABILITIES</b>       |       |                |                |
| <b>Non Current Liabilities</b>      |       |                |                |
| Deferred income                     |       | 903            | 2,251          |
|                                     |       | <u>903</u>     | <u>2,251</u>   |
| <b>Current Liabilities</b>          |       |                |                |
| Deferred income                     |       | 8,579          | 7,231          |
| Trade and other payables            | 23    | 1,645          | 1,887          |
|                                     |       | <u>10,224</u>  | <u>9,118</u>   |
| <b>Total Liabilities</b>            |       | <b>11,127</b>  | <b>11,369</b>  |
| <b>Equity</b>                       |       |                |                |
| Called up share capital             | 19    | 1              | 1              |
| Share premium account               | 20    | 1,823          | 1,823          |
| Other reserves                      | 20    | 1,793          | 210            |
| Retained earnings                   | 20    | (430)          | (786)          |
| <b>Total Equity</b>                 | 20    | <b>3,187</b>   | <b>1,248</b>   |
| <b>Total Equity and Liabilities</b> |       | <b>14,314</b>  | <b>12,617</b>  |

The financial statements on pages 7 to 32 were approved by the board of directors on 21 August 2007 and were signed on its behalf by



**K Neilson**  
Director



**A M McDougall**  
Director and Company Secretary

# Craneware Limited

## Consolidated cashflow statement for the year ended 30 June 2007

|                                                               | Notes | 2007<br>\$'000 | 2006<br>\$'000 |
|---------------------------------------------------------------|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                   |       |                |                |
| Cash generated from operations                                | 21    | 2,626          | 2,489          |
| Interest received                                             |       | 446            | 235            |
| Tax (paid) / refunded                                         |       | (1,638)        | 1,516          |
| Net cash from operating activities                            |       | 1,434          | 4,240          |
| <b>Cash flows from investing activities</b>                   |       |                |                |
| Purchase of plant and equipment                               |       | (504)          | (84)           |
| Capitalised intangible assets                                 |       | (433)          | (27)           |
| Net cash used in investing activities                         |       | (937)          | (111)          |
| <b>Cash flows from financing activities</b>                   |       |                |                |
| Dividends paid to company shareholders                        |       | (1,000)        |                |
| Net cash used in financing activities                         |       | (1,000)        |                |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |       | <b>(503)</b>   | <b>4,129</b>   |
| Cash and cash equivalents at the start of the year            |       | 10,167         | 6,038          |
| Cash and cash equivalents at the end of the year              |       | 9,664          | 10,167         |

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007**

### **Basis of preparation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, if applicable.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

IFRS 1 (First Time Adoption of International Financial Reporting Standards) sets out the rules for first time adoption of IFRS. Generally, a company must determine IFRS compliant accounting policies and then apply these retrospectively to derive its opening or "transition" balance sheet.

The impact of adopting IFRS on the income statement and balance sheet for the year ended 30 June 2006 is set out in Note 27.

## **1 Principal accounting policies**

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied, unless otherwise stated.

### **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. 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.

### **Basis of consolidation**

The consolidated income statement and balance sheet include the accounts of the parent company and its subsidiary made up to the end of the financial year. Intra group revenue 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 income statement of the parent company is not presented.

### **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.

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Principal accounting policies (continued)**

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. All other revenue is recognised rateably over the term of the sub licence agreement.

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.

#### **Tangible assets – Plant and Equipment**

All equipment and fixtures are stated at historical cost less depreciation. Depreciation is provided to write off the cost 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 |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of assets are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

#### **Acquired Intangible Assets**

Computer software and licensed to use technology are capitalised at cost and amortised on a straight line basis over a prudent estimate of the time that the Group is expected to benefit from them, which is typically three to five years.

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Principal accounting policies (continued)**

#### **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.

#### **Impairment Tests**

The Group considers whether there is any indication that non current assets are 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.

#### **Taxation**

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Taxation is computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

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" below, 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.

#### **Investments in subsidiary**

The investment in subsidiary is stated at cost.

#### **Operating leases**

The costs of operating leases are charged on a straight line basis over the duration of the leases in arriving at operating profit.

#### **Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all conditions pertaining to the grant. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Principal accounting policies (continued)**

#### **Financial assets**

The group classifies its financial assets in the following categories (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At each balance sheet date included in the financial information, the group held only items classified as loans and receivables.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairments. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating expenses in the income statement.

#### **Financial liabilities**

The only financial liability held by the group at each balance sheet date included in the financial information is trade payables. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Inventories**

Inventories consist of consumables and are valued at the lower of costs and net realisable value.

#### **Cash and Cash Equivalents**

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

#### **Employee Benefits**

The Group operates a defined contribution Stakeholder Pension Scheme as described in Section 3 of Welfare Reform and Pensions Act 1999. Private medical insurance is also provided to every employee.

#### **Share Based Payments**

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 the share options in issue over incentive shares 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'.

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Principal accounting policies (continued)**

#### **Dividends**

Dividends are recorded in the accounts in the year in which they are approved by the shareholders. Interim dividends are recognised as a distribution when paid.

#### **Forthcoming Accounting Standards**

At the date of approval of these financial statements the following standards which have not been applied in these financial statements were in issue but not yet effective: IFRS 7 “Financial Instruments: Disclosures” and IFRS 8 “Segment Reporting”. The Directors expect that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements when they come into effect for periods beginning on or after 1 January 2007.

### **2 Critical Accounting Estimates and Judgements**

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

- **Provision for impairment of trade receivables:** the Group assesses trade receivables for impairment which requires the directors to estimate the likelihood of payment forfeiture by customers.
- **Revenue recognition:** the Group assesses the economic benefit that will flow from future milestone payments in relation to sub licensing partnership arrangements. This requires the directors to estimate the likelihood of the Group, its partners, and sub licensees meeting their respective commercial milestones and commitments.
- **Capitalisation of development expenditure:** the Group capitalises development costs provided the conditions laid out below have been met. Consequently the directors require to continually assess the commercial potential of each product in development and its useful life following launch.
- **Provisions for income taxes:** the Group is subject to tax in the UK and US and this requires the directors to regularly assess the applicability of its transfer pricing policy.
- **Share based payments:** the Group requires to make a charge to reflect the value of share based equity settled payments in the period. At each grant of options and balance sheet date, the directors require to assess the value of the business and whether there has been an increase in the fair value of equity settled share options, their likely vesting dates, and expected participants.

### **3 Financial risk management**

#### **Financial risk factors**

The group’s activities expose it to a variety of financial risks: market risk (primarily currency risk and cash flow interest risk rate), credit risk and liquidity risk.

Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **3 Financial risk management (continued)**

#### *(a) Market risk*

##### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group operates primarily in the USA however a significant proportion of costs are incurred in Sterling.

Due to the size of the group, management are required to continually assess the group's foreign exchange risk against the group's functional currency, and whether to hedge against such exposure.

At 30 June 2007, if Sterling had weakened/strengthened by 10% against the dollar with all other variables held constant, post tax profit for the year would have been \$250,000 (2006: \$200,000) higher/lower respectively, mainly as a result of foreign exchange gains/losses on Sterling denominated transactions and the translation of Sterling denominated trade payables.

##### *(ii) Cash flow and interest rate risk*

As the group has no significant interest bearing assets or liabilities, other than cash held on deposit at variable rates, the group's income and operating cash flows are substantially independent of changes in market interest rates.

#### *(b) Credit risk*

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and trade receivables. In order to minimise the group's exposure to risk, all cash deposits are placed with reputable banks and financial institutions. The group's exposure is reduced due to contractual terms which require installation, training, annual licensing and support fees, to be paid annually in advance.

#### *(c) Liquidity risk*

Management review the liquidity position of the group to ensure that sufficient cash is available to meet the underlying needs of the group as they fall due for payment.

The group's financial liabilities to be settled on a net basis falling due within one year were \$421,103 (2006: \$119,336) and are the contractual undiscounted cash flows. There is no difference between the undiscounted liabilities and the amounts shown in Note 23 as the group's financial liabilities are all short term in nature.

#### **Capital risk management**

The group is cash generative and trading is funded internally. As a result, management do not consider capital risk to be significant for the group.

### **4 Revenue**

The Group revenue is derived entirely from the sale, supply, installation and ongoing support of software products to hospitals within the United States of America and is deemed to have no other segments.

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 5 Net operating expenses

Net operating expenses are made up as follows

|                                     | 2007   | 2006   |
|-------------------------------------|--------|--------|
|                                     | \$'000 | \$'000 |
| Administrative expenses             | 6,730  | 5,421  |
| Sales and marketing expenses        | 3,839  | 2,988  |
| Share based payments                | 2,191  | 286    |
| Depreciation of plant and machinery | 152    | 93     |
| Amortisation of intangibles         | 56     | 260    |
| Exchange gain                       | (62)   | (65)   |
| Net operating expenses              | 12,906 | 8,983  |

### 6 Operating profit

The following items have been included in arriving at operating profit

|                                     | 2007   | 2006   |
|-------------------------------------|--------|--------|
|                                     | \$'000 | \$'000 |
| Staff costs (Note 8)                | 9,701  | 5,230  |
| Depreciation of plant and equipment | 152    | 93     |
| Amortisation of intangible assets   | 56     | 260    |
| Impairment of trade receivables     | 109    | 190    |
| Purchased licences expensed         | 111    | 104    |
| Operating lease rents for premises  | 174    | 135    |

#### Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditors as detailed below

|                                       | 2007   | 2006   |
|---------------------------------------|--------|--------|
|                                       | \$'000 | \$'000 |
| Statutory audit parent company        | 45     | 36     |
| subsidiary company                    | 29     | 25     |
| Tax compliance and other tax services | 43     | 38     |
| Employee incentive advice             | 13     | 44     |
| Other assurance services              | 30     |        |
|                                       | 160    | 143    |

### 7 Grant

|                                          | 2007    | 2006    |
|------------------------------------------|---------|---------|
|                                          | \$000's | \$000's |
| Grants received / receivable in the year | 200     |         |

The grant receivable in the year related to an application made by the Group for a RSA grant. The criteria to qualify for this consisted of adding to existing development and support staff. This grant is not shown separately on the income statement but reduces net operating expenses.

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 8 Staff costs

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

|                          | 2007<br>Number | 2006<br>Number |
|--------------------------|----------------|----------------|
| Sales and distribution   | 21             | 16             |
| Production               | 26             | 22             |
| Research and development | 26             | 17             |
| Administration           | 17             | 14             |
|                          | 90             | 69             |

Employment costs of all employees including executive directors

|                                  | 2007<br>\$'000 | 2006<br>\$'000 |
|----------------------------------|----------------|----------------|
| Wages and salaries               | 6,890          | 4,479          |
| Social security costs            | 620            | 465            |
| Share based payments             | 2,191          | 286            |
| Total direct costs of employment | 9,701          | 5,230          |

Key management compensation

|                                           | 2007<br>\$'000 | 2006<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| Salaries and short term employee benefits | 1,295          | 858            |
| Post employment benefits                  | 19             | 98             |
| Share based payments                      | 967            | 132            |
| Total key management compensation         | 2,281          | 1,088          |

Highest paid director

|                          |     |     |
|--------------------------|-----|-----|
| Remuneration             | 305 | 196 |
| Post employment benefits | 305 | 196 |

Key management compensation given above is for the Group Directors only and includes fees to third parties for director's services including non executive directors Retirement benefits are accruing to 2 directors under a defined contribution scheme (2006 3)

### 9 Share based payments

The Group has an equity settled share based payment scheme, whereby options over shares in Craneware Limited can be granted to employees and directors A charge is shown in the income statement of \$2,190,911 (2006 \$286,432) as detailed in Note 8 above

Options over Ordinary shares and Incentive shares are granted at par value and are exercisable and vest on a sale of the Group as defined in the Company's Articles of Association The performance schedule determining the vesting of options over Incentive shares is based on the valuation of the Company at such an event Options lapse upon leaving employment or if not exercised within 10 years from the date of grant

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 9 Share based payments (continued)

The fair value of options granted was estimated on the date of grant using the Black Scholes option pricing model as adjusted for dividends. The Company estimates the number of options likely to vest by reference to the Group's high staff retention rate, and expenses the fair value over the relevant vesting period. Volatility has been estimated by reference to similar companies whose shares are traded on a recognised stock exchange.

The assumptions for each option grant were as follows:

| Date of Grant                          | 16 Mar 07 | 26 Oct 06 | 11 May 06 |
|----------------------------------------|-----------|-----------|-----------|
| Share price at date of grant           | \$617.77  | \$589.69  | \$561.61  |
| Vesting period (years)                 | 0.45      | 0.84      | 1.30      |
| Expected volatility                    | 40%       | 40%       | 40%       |
| Risk free rate                         | 5.25%     | 4.75%     | 4.50%     |
| Dividend yield                         | 2%        | 2%        | 2%        |
| <b>Options over Ordinary shares</b>    |           |           |           |
| Exercise price                         | \$0.02    | \$0.02    | \$0.02    |
| Number of employees                    | 19        | 5         | 48        |
| Shares under option                    | 189       | 54        | 4,709     |
| Fair value per option                  | \$612.17  | \$579.82  | \$547.18  |
| <b>Options over Incentive shares</b>   |           |           |           |
| Exercise price                         | \$0.002   | \$0.002   | \$0.002   |
| Number of employees                    | 18        | 5         | 42        |
| Shares under option                    | 493       | 50        | 3,680     |
| Weighted average fair value per option | \$1.34    | \$11.05   | \$39.25   |

The following options have been granted over Ordinary shares and Incentive shares:

|                                                   | options<br>number<br>2007 | options<br>number<br>2006 |
|---------------------------------------------------|---------------------------|---------------------------|
| <b>Ordinary options (\$0.02 exercise price)</b>   |                           |                           |
| Outstanding at 1 July                             | 4,709                     |                           |
| Granted                                           | 273                       | 5,034                     |
| Forfeited                                         | (30)                      | (325)                     |
| Outstanding at 30 June                            | 4,952                     | 4,709                     |
| <b>Incentive options (\$0.002 exercise price)</b> |                           |                           |
| Outstanding at 1 July                             | 3,680                     |                           |
| Granted                                           | 591                       | 3,736                     |
| Forfeited                                         | (48)                      | (56)                      |
| Outstanding at 30 June                            | 4,223                     | 3,680                     |

### 10 Finance income

|                             | 2007   | 2006   |
|-----------------------------|--------|--------|
|                             | \$'000 | \$'000 |
| Deposit interest receivable | 446    | 235    |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 11 Tax on profit on ordinary activities

|                                              | 2007       | 2006         |
|----------------------------------------------|------------|--------------|
|                                              | \$'000     | \$'000       |
| Profit on ordinary activities before tax     | 1,843      | 3,310        |
| <b>Current tax</b>                           |            |              |
| Corporation tax on profits of the period     | 1,242      | 1,099        |
| Tax effect of loss carry back                |            |              |
| Adjustments for prior periods                | 60         | 86           |
| Total current tax charge                     | 1,302      | 1,185        |
| <b>Deferred tax</b>                          |            |              |
| Origination & reversal of timing differences | (678)      | (20)         |
| Adjustments for prior periods                | 3          |              |
| Total deferred tax (credit) / charge         | (675)      | (20)         |
| <b>Tax on profit on ordinary activities</b>  | <b>627</b> | <b>1,165</b> |

The difference between the current tax charge on ordinary activities for the period, reported in the income statement, 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

|                                                                   |      |       |
|-------------------------------------------------------------------|------|-------|
| Profit on ordinary activities at the UK tax rate (30%) (2006 30%) | 553  | 993   |
| Effects of                                                        |      |       |
| Adjustment in respect of prior periods                            |      |       |
| Current tax                                                       | 61   | 86    |
| Deferred tax                                                      | 3    |       |
| State tax                                                         | 20   | 16    |
| US tax rate at 34% (2006 34%)                                     | (40) | 5     |
| Expenses not deductible for tax purposes                          | 22   | 65    |
| Adjustment to rate at which deferred tax will unwind              | 8    |       |
| Total current tax charge                                          | 627  | 1,165 |

### 12 Dividends

|                                                | 2007   | 2006   |
|------------------------------------------------|--------|--------|
|                                                | \$'000 | \$'000 |
| Interim dividend \$15 725 / share (2006 \$nil) | 1,000  |        |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 13 Plant and equipment

| Group                                 | Computer<br>Equipment<br>\$'000 | Office<br>Furniture<br>\$'000 | Tenants<br>Improvements<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|---------------------------------|-------------------------------|-----------------------------------|-----------------|
| <b>Cost</b>                           |                                 |                               |                                   |                 |
| At 1 July 2006                        | 390                             | 84                            | 84                                | 558             |
| Additions                             | 138                             | 129                           | 237                               | 504             |
| At 30 June 2007                       | 528                             | 213                           | 321                               | 1,062           |
| <b>Depreciation</b>                   |                                 |                               |                                   |                 |
| At 1 July 2006                        | 274                             | 68                            | 81                                | 423             |
| Charge for year                       | 96                              | 30                            | 26                                | 152             |
| At 30 June 2007                       | 370                             | 98                            | 107                               | 575             |
| <b>Net book value at 30 June 2007</b> | <b>158</b>                      | <b>115</b>                    | <b>214</b>                        | <b>487</b>      |
| <b>Cost</b>                           |                                 |                               |                                   |                 |
| At 1 July 2005                        | 318                             | 73                            | 83                                | 474             |
| Additions                             | 72                              | 11                            | 1                                 | 84              |
| At 30 June 2006                       | 390                             | 84                            | 84                                | 558             |
| <b>Depreciation</b>                   |                                 |                               |                                   |                 |
| At 1 July 2005                        | 200                             | 53                            | 77                                | 330             |
| Charge for the year                   | 74                              | 15                            | 4                                 | 93              |
| At 30 June 2006                       | 274                             | 68                            | 81                                | 423             |
| <b>Net book value at 30 June 2006</b> | <b>116</b>                      | <b>16</b>                     | <b>3</b>                          | <b>135</b>      |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 13 Plant and equipment (continued)

| Company                               | Computer<br>Equipment<br>\$'000 | Office<br>Furniture<br>\$'000 | Tenants<br>Improvements<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|---------------------------------|-------------------------------|-----------------------------------|-----------------|
| <b>Cost</b>                           |                                 |                               |                                   |                 |
| At 1 July 2006                        | 241                             | 64                            | 84                                | 389             |
| Additions                             | 87                              | 94                            | 237                               | 418             |
| At 30 June 2007                       | 328                             | 158                           | 321                               | 807             |
| <b>Depreciation</b>                   |                                 |                               |                                   |                 |
| At 1 July 2006                        | 182                             | 54                            | 81                                | 317             |
| Charge for year                       | 55                              | 21                            | 26                                | 102             |
| At 30 June 2007                       | 237                             | 75                            | 107                               | 419             |
| <b>Net book value at 30 June 2007</b> | <b>91</b>                       | <b>83</b>                     | <b>214</b>                        | <b>388</b>      |
| <b>Cost</b>                           |                                 |                               |                                   |                 |
| At 1 July 2005                        | 206                             | 56                            | 83                                | 345             |
| Additions                             | 35                              | 8                             | 1                                 | 44              |
| At 30 June 2006                       | 241                             | 64                            | 84                                | 389             |
| <b>Depreciation</b>                   |                                 |                               |                                   |                 |
| At 1 July 2005                        | 145                             | 44                            | 77                                | 266             |
| Charge for year                       | 37                              | 10                            | 4                                 | 51              |
| At 30 June 2006                       | 182                             | 54                            | 81                                | 317             |
| <b>Net book value at 30 June 2006</b> | <b>59</b>                       | <b>10</b>                     | <b>3</b>                          | <b>72</b>       |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 14 Intangible assets

#### Research and development and computer software

|                            | Group                         |                                |                 | Company                       |                                |                 |
|----------------------------|-------------------------------|--------------------------------|-----------------|-------------------------------|--------------------------------|-----------------|
|                            | In Process<br>R & D<br>\$'000 | Computer<br>Software<br>\$'000 | Total<br>\$'000 | In Process<br>R & D<br>\$'000 | Computer<br>Software<br>\$'000 | Total<br>\$'000 |
| Cost                       |                               |                                |                 |                               |                                |                 |
| At 1 July 2006             | 536                           | 122                            | 658             | 536                           | 78                             | 614             |
| Additions                  | 331                           | 102                            | 433             | 331                           | 92                             | 423             |
| At 30 June 2007            | 867                           | 224                            | 1,091           | 867                           | 170                            | 1,037           |
| Amortisation               |                               |                                |                 |                               |                                |                 |
| At 1 July 2006             | 522                           | 79                             | 601             | 522                           | 55                             | 577             |
| Charge for the year        | 14                            | 42                             | 56              | 14                            | 28                             | 42              |
| At 30 June 2007            | 536                           | 121                            | 657             | 536                           | 83                             | 619             |
| <b>NBV at 30 June 2007</b> | <b>331</b>                    | <b>103</b>                     | <b>434</b>      | <b>331</b>                    | <b>87</b>                      | <b>418</b>      |
| Cost                       |                               |                                |                 |                               |                                |                 |
| At 1 July 2005             | 536                           | 95                             | 631             | 536                           | 61                             | 597             |
| Additions                  |                               | 27                             | 27              |                               | 17                             | 17              |
| At 30 June 2006            | 536                           | 122                            | 658             | 536                           | 78                             | 614             |
| Amortisation               |                               |                                |                 |                               |                                |                 |
| At 1 July 2005             | 286                           | 55                             | 341             | 286                           | 45                             | 331             |
| Charge for the year        | 236                           | 24                             | 260             | 236                           | 10                             | 246             |
| At 30 June 2006            | 522                           | 79                             | 601             | 522                           | 55                             | 577             |
| <b>NBV at 30 June 2006</b> | <b>14</b>                     | <b>43</b>                      | <b>57</b>       | <b>14</b>                     | <b>23</b>                      | <b>37</b>       |

### 15 Investment in subsidiary

#### Company

|                                  | 2007       | 2006       |
|----------------------------------|------------|------------|
|                                  | \$         | \$         |
| Value at 1 July                  | 109        | 109        |
| <b>Net book value at 30 June</b> | <b>109</b> | <b>109</b> |

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<br>Issued Shares held by Craneware<br>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.

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 16 Inventory

|                   | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------|---------------|---------------|----------------|---------------|
|                   | <b>2007</b>   | <b>2006</b>   | <b>2007</b>    | <b>2006</b>   |
|                   | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Licence inventory | 8             | 19            |                |               |

There are no provisions made against inventory

### 17 Trade and other receivables

|                                                 | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                 | <b>2007</b>   | <b>2006</b>   | <b>2007</b>    | <b>2006</b>   |
|                                                 | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Trade receivables                               | 3,728         | 3,034         | 3,728          | 3,034         |
| less provision for impairment<br>of receivables | (271)         | (278)         | (271)          | (278)         |
| Net receivables                                 | 3,457         | 2,756         | 3,457          | 2,756         |
| Amounts owed by group companies                 |               |               |                | 99            |
| Corporation tax                                 |               |               |                |               |
| Other receivables                               | 131           | 26            | 131            | 26            |
| Prepayments and accrued income                  | 503           | 253           | 344            | 87            |
|                                                 | 4,091         | 3,035         | 3,932          | 2,968         |
| Less non current trade receivables              | (75)          |               | (75)           |               |
| <b>Current portion</b>                          | <b>4,016</b>  | <b>3,035</b>  | <b>3,857</b>   | <b>2,968</b>  |

Amounts owed by group companies are non interest bearing and have no fixed repayment terms

### 18 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 29.5% (2006 30%)

The movement on the deferred tax account is shown below

|                                    | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------------|---------------|---------------|----------------|---------------|
|                                    | <b>2007</b>   | <b>2006</b>   | <b>2007</b>    | <b>2006</b>   |
|                                    | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| At the beginning of the period     | (135)         | (115)         | (66)           | (3)           |
| Income statement (credit) / charge | (675)         | (20)          | (394)          | (63)          |
| <b>At the end of the period</b>    | <b>(810)</b>  | <b>(135)</b>  | <b>(460)</b>   | <b>(66)</b>   |

A deferred tax asset of \$349,846 (2006 \$67,614) has arisen in respect of net operating losses and other timing differences in Craneware Inc. This asset is recognised in the Group balance sheet as the Directors are of the view that Craneware Inc will establish a sufficient pattern of profitability.

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The net deferred tax asset to be recovered within 12 months to 30 June 2007 was \$810,272 (2006 \$134,595).

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 18 Deferred taxation (continued)

| Deferred tax assets recognised        | Accelerated accounting depreciation | Short term timing differences | Losses | Share Options | Total        |
|---------------------------------------|-------------------------------------|-------------------------------|--------|---------------|--------------|
| Group                                 | \$'000                              | \$'000                        | \$'000 | \$'000        | \$'000       |
| At 1 July 2006                        | (8)                                 | (40)                          |        | (88)          | (136)        |
| Charged to income statement           | 4                                   | (39)                          |        | (670)         | (705)        |
| <b>Total provided at 30 June 2007</b> | <b>(4)</b>                          | <b>(79)</b>                   |        | <b>(758)</b>  | <b>(841)</b> |
| At 1 July 2005                        | (4)                                 |                               | (111)  |               | (115)        |
| Charged to income statement           | (4)                                 | (40)                          | 111    | (88)          | (21)         |
| <b>Total provided at 30 June 2006</b> | <b>(8)</b>                          | <b>(40)</b>                   |        | <b>(88)</b>   | <b>(136)</b> |

| Deferred tax liabilities recognised   | Accelerated tax depreciation | Total     |
|---------------------------------------|------------------------------|-----------|
| Group                                 | \$'000                       | \$'000    |
| At 1 July 2006                        | 1                            | 1         |
| Charged to income statement           | 30                           | 30        |
| <b>Total provided at 30 June 2007</b> | <b>31</b>                    | <b>31</b> |
| At 1 July 2005                        |                              |           |
| Charged to income statement           | 1                            | 1         |
| <b>Total provided at 30 June 2006</b> | <b>1</b>                     | <b>1</b>  |

| Deferred tax assets recognised        | Accelerated accounting depreciation | Short term timing differences | Losses | Share Options | Total        |
|---------------------------------------|-------------------------------------|-------------------------------|--------|---------------|--------------|
| Company                               | \$'000                              | \$'000                        | \$'000 | \$'000        | \$'000       |
| At 1 July 2006                        | (8)                                 |                               |        | (59)          | (67)         |
| Charged to income statement           | 8                                   |                               |        | (433)         | (425)        |
| <b>Total provided at 30 June 2007</b> |                                     |                               |        | <b>(492)</b>  | <b>(492)</b> |
| At 1 July 2005                        | (3)                                 |                               |        |               | (3)          |
| Charged to income statement           | (5)                                 |                               |        | (59)          | (64)         |
| <b>Total provided at 30 June 2006</b> | <b>(8)</b>                          |                               |        | <b>(59)</b>   | <b>(67)</b>  |

| Deferred tax liabilities recognised   | Accelerated tax depreciation | Total     |
|---------------------------------------|------------------------------|-----------|
| Company                               | \$'000                       | \$'000    |
| At 1 July 2006                        |                              |           |
| Charged to income statement           | 32                           | 32        |
| <b>Total provided at 30 June 2007</b> | <b>32</b>                    | <b>32</b> |
| At 1 July 2005                        |                              |           |
| Charged to income statement           | 1                            | 1         |
| <b>Total provided at 30 June 2006</b> | <b>1</b>                     | <b>1</b>  |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 19 Called up share capital

#### Allotted called up and fully paid

|                              | 2007   |        | 2006   |        |
|------------------------------|--------|--------|--------|--------|
|                              | 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

|                               | 2007      |        | 2006      |        |
|-------------------------------|-----------|--------|-----------|--------|
|                               | Number    | \$'000 | Number    | \$'000 |
| Equity share capital          |           |        |           |        |
| Ordinary shares of 1p each    | 9,980,361 | 165    | 9,980,361 | 165    |
| Ordinary A shares of 1p each  | 19,639    |        | 19,639    |        |
| Incentive shares of 0.1p each | 5,087     |        | 5,087     |        |

The Company has four classes for share in issue at each reporting date

- Ordinary shares of 1 pence each
- Ordinary A shares of 1 pence each
- Incentive shares of 0.1 pence each
- Category "A" Member Shares

The shares have the following conditions

#### *Voting rights*

Both classes of ordinary share carry one vote per share at general meetings of the Company. The Incentive Shares and Category A Member Shares do not carry any vote.

#### *Dividends*

The profits of the Company available for distribution shall be used to pay dividends in the following order of priority

In paying to the holders of the A ordinary share and ordinary shares (pari passu as if the same were one class of share) in respect of each financial year of the Company a dividend ("the Participating Dividend") as follows

|                     |                                                                                                                                                                                                                                                                                |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Amount</b>       | a sum equal to 30% of Net Profit                                                                                                                                                                                                                                               |
| <b>Accrual Date</b> | accruing from the end of the financial year in which the Company first has sufficient distributable reserves in order for the relevant dividend to be paid in full and the Board has approved such payment                                                                     |
| <b>Payment Date</b> | subject to the approval of the board of directors not later than 4 months after the end of the relevant accounting period or within 14 days after the audit report on the accounts of the Company for the period is signed by the Company's auditors, whichever is the earlier |

Once the foregoing dividend has been paid any remaining profits which the Company may determine to distribute shall, if the holders of 75% of the A ordinary shares and the holders of 75% of the ordinary shares agree in writing, be distributed amongst the holders of the ordinary and A ordinary shares (pari passu as if the same were one class of share) unless the holders for the time being of 75% of the A ordinary shares and the holders of 75% of the ordinary shares agree otherwise.

The Incentive Shares and Category "A" Member shares shall confer upon their holders no right to receive any dividend (whether in cash or specie) or any other form of distribution.

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 19 Called up share capital (continued)

#### *Return of capital*

Subject to the provisions of the Act, the proceeds of (i) any liquidation, dissolution or winding up of the Company (other than for the purposes of reconstruction) and (ii) any return of capital by the Company to Shareholders (other than by way of capitalisation of reserves) after the payment of the Company's liabilities shall be applied as follows

- first, in paying to the holder of each A ordinary share the subscription price paid on that share, together with a sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the return of capital,
- second, in paying to the holder of each ordinary share the subscription price paid on the share, together with any sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the Share Sale,
- the balance of such Proceeds shall be distributed equally amongst the holders of the A ordinary shares and ordinary shares (pari passu as if the same constituted one class of share) in proportion to the number of fully paid A ordinary shares and ordinary shares held by them respectively provided that once the sum of £100,000,000 has been paid under this arrangement on each A ordinary share, each ordinary share and each Category "A" Members Share the holder of each Incentive Share shall be entitled to receive £0.001 on each Incentive share held by him

#### *Exit provisions*

In the event of a share or asset sale where the net proceeds are equal to or in excess of US \$60,000,001 less

- (i) the total of all sums paid by the Company to holders of original shares by way of a return of capital (either by way of share buy back, share redemption or otherwise, but excluding any and all dividends or other distributions), plus
- (ii) the total of all sums received or due to the Company in respect of any subscription for new equity share capital (as defined in section 744 of the Act) in the Company (the "Threshold Value"),

The directors shall not register any transfer of shares unless the proceeds of such share sale are distributed in the following order of priority (save in respect of any shares not sold in connection with that share sale)

- first, in paying to the holder of each A ordinary share the subscription price paid on that share, together with any sum equal to any arrears or accruals of the dividends on such share is calculated down to the date of the Share Sale,
- second, in paying to the holder of each ordinary share and Category "A" Member Shares the subscription price paid on that share, together with any sum equal to any arrears or accruals of the dividends on such share calculated down to the date of the Share Sale,
- the balance of the Proceeds of such Share Sale shall be distributed equally amongst the holders of the A ordinary shares, the ordinary shares and the Incentive Shares (pari passu as if the same constituted one class of share) in proportion to the number of fully paid A ordinary shares, ordinary shares, Category "A" Member Shares and Incentive Shares held by them respectively

If the company, or any of its subsidiaries, is admitted to the Official List of the UK Listing Authority and the admission to trading on the London Stock Exchange plc's market for listed securities or the granting of permission for any of the share capital of the Company or any of its subsidiaries to be dealt in on (i) any recognised stock exchange (as defined in the Financial Services and Markets Act 2000) including NASDAQ and EASDAQ or (ii) the Alternative Investment Market of the London Stock Exchange plc, then immediately prior to, and conditional on the flotation, the Company shall allot and issue to each holder of the A ordinary shares a bonus issue from the share premium account or any profits or reserves available for distribution of such number of A ordinary shares calculated as follows

$$BS = (P/TC) \times (1 - (\text{total A ordinary shares in issue} / \text{total equity shares in issue})) \times \text{total equity shares in issue}$$

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 19 Called up share capital (continued)

Where

BS = the number of bonus shares to be issued to the holders of the A ordinary shares

TC = the valuation (in pounds sterling) placed upon the whole of the issued equity share capital of the Company (including any bonus shares) as shown in a prospectus or listing particulars published in connection with such Flotation less the gross amount of any new money raised by the Company from the subscription for new shares issued by the Company at the time of an in connection with such flotation

P = the total subscription monies paid by each Investor for 'A' Ordinary Shares in the Capital of the Company

If, while there are any Incentive Shares in issue or after any outstanding options to subscribe for Incentive Shares have vested but not been exercised, a flotation occurs, where the net proceeds is equal to or in excess of the Threshold Value, the Incentive Shares shall convert into, and any such options shall convert into options to subscribe for, such number of ordinary shares as, in the reasonable opinion of the Board and the "Investors" (3i plc and Scottish Equity Partners Limited), have a value equal to the value to the holders of Incentive Shares of the rights given above with regard to priority of settlement

#### *Conversion of Ordinary A shares*

The holders of the A ordinary shares may at any time convert the whole of their A ordinary shares into a like number of ordinary shares and the ordinary shares resulting from the conversion shall rank from the date of conversion pari passu in all respects with the other ordinary shares in the capital of the Company

On the date of conversion the Company shall pay a dividend to the holders of the A ordinary shares of a sum equal to all arrears and accruals of the Participating Dividend calculated down to the date of conversion

### 20 Statement of changes in equity

| Group                        | Share<br>Capital<br>\$'000 | Share<br>Premium<br>Account<br>\$'000 | Retained<br>Earnings<br>\$'000 | Other<br>Reserves<br>\$'000 | Total<br>\$'000 |
|------------------------------|----------------------------|---------------------------------------|--------------------------------|-----------------------------|-----------------|
| At 1 July 2005               | 1                          | 1,823                                 | (2,911)                        |                             | (1,087)         |
| Other reserves               |                            |                                       |                                | 286                         | 286             |
| Retained profit for the year |                            |                                       | 2,145                          |                             | 2,145           |
| At 30 June 2006              | 1                          | 1,823                                 | (766)                          | 286                         | 1,344           |
| Other reserves               |                            |                                       |                                | 2,191                       | 2,191           |
| Retained profit for the year |                            |                                       | 1,216                          |                             | 1,216           |
| Dividends (Note 12)          |                            |                                       | (1,000)                        |                             | (1,000)         |
| At 30 June 2007              | 1                          | 1,823                                 | (550)                          | 2,477                       | 3,751           |
| <b>Company</b>               |                            |                                       |                                |                             |                 |
| At 30 June 2005              | 1                          | 1,823                                 | (2,836)                        |                             | (1,012)         |
| Other reserves               |                            |                                       |                                | 210                         | 210             |
| Retained profit for the year |                            |                                       | 2,050                          |                             | 2,050           |
| At 30 June 2006              | 1                          | 1,823                                 | (786)                          | 210                         | 1,248           |
| Other reserves               |                            |                                       |                                | 1,583                       | 1,583           |
| Retained profit for the year |                            |                                       | 1,356                          |                             | 1,356           |
| Dividends (Note 12)          |                            |                                       | (1,000)                        |                             | (1,000)         |
| At 30 June 2007              | 1                          | 1,823                                 | (430)                          | 1,793                       | 3,187           |

Other reserves relate to share based payments as detailed in Note 1 accounting policies

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 21 Cash flow generated from operating activities

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

| Group                                                | 2007<br>\$'000 | 2006<br>\$'000 |
|------------------------------------------------------|----------------|----------------|
| Profit before tax                                    | 1,843          | 3,310          |
| Finance income                                       | (446)          | (235)          |
| Depreciation on plant and equipment                  | 152            | 93             |
| Amortisation on intangible assets                    | 56             | 260            |
| Share based payments                                 | 2,191          | 286            |
| Movements in working capital                         |                |                |
| Decrease / (increase) in inventory                   | 11             | 104            |
| (Increase) / decrease in trade and other receivables | (1,056)        | (797)          |
| (Decrease) / increase in trade and other payables    | (125)          | (532)          |
| Cash generated from operations                       | 2,626          | 2,489          |

### 22 Cash and cash equivalents

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000 | 2006<br>\$'000 |
| Cash at bank and in hand | 9,664          | 10,167         | 9,116          | 9,474          |

The effective rates on short term bank deposits were 5.25% (2006: 4.80%)

### 23 Trade and other payables - current

|                                 | Group          |                | Company        |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000 | 2006<br>\$'000 |
| Trade payables                  | 421            | 119            | 195            | 57             |
| Amounts owed to group companies |                |                | 470            |                |
| Social security and PAYE        | 262            | 69             | 117            | 69             |
| Corporation tax                 | 764            | 1,099          | 562            | 1,048          |
| Accruals                        | 754            | 1,272          | 241            | 551            |
| Advance receipts                | 60             | 163            | 60             | 162            |
|                                 | 2,261          | 2,722          | 1,645          | 1,887          |

Amounts owed to group companies are non interest bearing and have no fixed repayment terms

### 24 Contingent liabilities and financial commitments

#### (a) Capital commitments

The Group has no capital commitments at 30 June 2007 (2006: \$nil)

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 24 Contingent liabilities and financial commitments (continued)

#### (b) Lease commitments

The Group leases certain land and buildings. The commitments payable by the Group under these leases are as follows

|                       | 2007<br>\$'000 | 2006<br>\$'000 |
|-----------------------|----------------|----------------|
| Within one year       | 172            | 166            |
| Between 2 and 5 years | 379            | 368            |
|                       | <b>551</b>     | <b>534</b>     |

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.

#### (c) Contingent Liabilities

In connection with the appointment of a former director and chairman of the Company, it was proposed that an option arrangement over 757 ordinary shares of 1 pence each in the capital of the Company be considered for grant. The details and terms of this option arrangement required to be determined, considered and approved by the Company. No such consideration, determination or approval occurred prior to his date of resignation as a director of the Company, on 15 April 2005. The Company recently resolved not to grant share options and advised the former director of this decision. The Company was subsequently advised, on 28 July 2007, that he did not agree with this decision and was proposing to pass the relevant papers to his lawyers for consideration. The Company has received no further communication from the former director or his advisors.

### 25 Related party transactions

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

| Group                                                        | 2007    |                            | 2006    |                            |
|--------------------------------------------------------------|---------|----------------------------|---------|----------------------------|
|                                                              | Charged | Outstanding<br>at year end | Charged | Outstanding<br>at year end |
|                                                              | \$      | \$                         | \$      | \$                         |
| Investor monitoring fees                                     | 21,344  | 848                        | 31,970  | 49,283                     |
| <b>Fees for services provided as Non Executive Directors</b> |         |                            |         |                            |
| K J Lyon                                                     | 53,725  | 908                        | 53,703  | 4,419                      |
| N P Heywood                                                  | 43,919  | 5,812                      | 25,422  | 2,159                      |

# Craneware Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 25 Related party transactions (continued)

| Company                                                       | 2007                   |                            | 2006                   |                            |
|---------------------------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|
|                                                               | Charged/<br>(credited) | Outstanding<br>at year end | Charged/<br>(credited) | Outstanding<br>at year end |
|                                                               | \$                     | \$                         | \$                     | \$                         |
| Investor monitoring fees                                      | 21,344                 | 848                        | 31,970                 | 49,283                     |
| <b>Fees for services provided as Non Executive Directors</b>  |                        |                            |                        |                            |
| K J Lyon                                                      | 53,725                 | 908                        | 53,703                 | 4,419                      |
| N P Heywood                                                   | 43,919                 | 5,812                      | 25,422                 | 2,159                      |
| <b>Amounts due to (from) Craneware Inc Subsidiary company</b> |                        |                            |                        |                            |
| Sales commission                                              | 6,402,959              |                            | 4,974,054              |                            |
| Net operating expenses                                        | 1,583,133              |                            | 497,945                |                            |
| Balance (Notes 16 & 23)                                       |                        | 470,278                    |                        | (98,412)                   |

Investor monitoring fees have been charged by the Groups institutional shareholders (Scottish Equity Partners Limited, 3i plc and Lothian Investment Fund for Enterprise Limited) who hold A Ordinary and Ordinary shares in Craneware Limited

There were no other related party transactions in the period which require disclosure in accordance with IAS24

### 26 Ultimate controlling party

The directors have deemed that there are no controlling parties of the Company

### 27 Adoption of IFRS

These are the Company's first accounts prepared in accordance with IFRS for the year ending 30 June 2007

The accounting policies on pages 11 to 15 have been applied in preparing the accounts for the years ended 30 June 2006 and the preparation of an opening IFRS balance sheet at 1 July 2005

In preparing its opening IFRS balance sheet and accounts for the year ended 30 June 2006, the Company had adjusted amounts reported previously in accounts prepared in accordance with UK GAAP

A summary of the impact of the effects of IFRS on the Company balance sheet at 30 June 2006 and on the income statement for the year ended 30 June 2006 is shown below

# **Craneware Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **27 Adoption of IFRS (continued)**

|                                                                    | <b>2006</b><br><b>\$'000</b> |
|--------------------------------------------------------------------|------------------------------|
| Total equity at 1 July 2006 (as previously reported under UK GAAP) | 1,256                        |
| Effect of adoption of IFRS from 1 July 2006                        | <u>88</u>                    |
| Total equity at 1 July 2006 (as restated)                          | <u>1,344</u>                 |

#### **Summary of Impact on the Income statement for the year ended 30 June 2006**

The table below sets out a summary reconciling the Company's UK GAAP to IFRS income statement for the year ended 30 June 2006

|                                                                  | <b>2006</b><br><b>\$'000</b> |
|------------------------------------------------------------------|------------------------------|
| Profit for the year as previously reported                       | 2,343                        |
| IFRS2 Share based payment                                        |                              |
| Additional charge for employee share option scheme               | (286)                        |
| IFRS2 Deferred tax                                               |                              |
| Additional deferred tax asset provision for share based payments | <u>88</u>                    |
| IFRS profit as restated                                          | <u>2,145</u>                 |

#### **Summary of Impact on the Balance sheets as at 30 June 2006**

The table below sets out a summary reconciling the Company's net assets reported under UK GAAP and IFRS as at 30 June 2006

|                                                            | <b>2006</b><br><b>\$'000</b> |
|------------------------------------------------------------|------------------------------|
| Net asset as previously reported                           | 13,460                       |
| IFRS 2 Deferred tax asset                                  |                              |
| Additional deferred tax provision for share based payments | <u>88</u>                    |
| Net assets as restated                                     | <u>13,548</u>                |