



the
craneware
group™

Craneware plc

Annual Report & Financial Statements

For the year ended 30 June 2023

Registered Number SC196331

| | |
|---|---------|
| Final Results | 3 |
| Solutions | 4-5 |
| Chair's Statement | 6 |
| Strategic Report: Operational and Financial Review | 7-13 |
| Strategic Report: Key Performance Indicators | 14-15 |
| Strategic Report: Principal Risks and Uncertainties | 16-24 |
| Strategic Report: Environmental, Social and Governance (ESG) Introduction | 25 |
| Strategic Report: Non-Financial and Sustainability Information Statement | 26-33 |
| Strategic Report: Environmental, Social and Governance (ESG) Statement | 34-46 |
| Strategic Report: Section 172 (1) Statement | 47-51 |
| Stakeholder Engagement | 52-55 |
| Directors, Secretary, Advisors and Subsidiaries | 56 |
| Board of Directors | 57-58 |
| Directors' Report | 59-65 |
| Corporate Governance Report | 66-79 |
| Remuneration Committee's Report | 80-97 |
| Independent Auditors' Report to the members of Craneware plc | 98-103 |
| Consolidated Statement of Comprehensive Income | 104 |
| Statements of Changes in Equity | 105 |
| Consolidated Balance Sheet | 106 |
| Company Balance Sheet | 107 |
| Consolidated Statement of Cash Flows | 108 |
| Company Statement of Cash Flows | 109 |
| Notes to the Financial Statements | 110-151 |



"The Craneware Group's support is strong, and the vendor is very prompt in answering questions and finding information. They take time to explain how to do things, and they are very responsive to needs. The vendor has great involvement in our success, and we have regular one-on-one calls with our point person."

Director
May, 2023

Financial Highlights (US dollars)

| | |
|-------------------|---|
| \$174.0m | Revenue increase of 5% to \$174.0m (FY22: \$165.5m) |
| \$54.9m | Adjusted EBITDA¹ increased 6% to \$54.9m (FY22: \$51.8m) |
| \$169.0m | Annual Recurring Revenue² increased to \$169.0m (H1 FY22: \$166.4m), with an associated Net Revenue Retention ³ value in excess of 100% (FY22: n/a) |
| \$13.1m | Statutory Profit before tax \$13.1m (FY22: \$13.1m) |
| 87.0c | Basic adjusted EPS¹ 87.0 cents (FY22: 89.0) and adjusted diluted EPS 86.3 cents (FY22: 88.1 cents) |
| 26.3c | Basic EPS 26.3 cents (FY22: 26.8 cents) and diluted EPS 26.1 cents (FY22: 26.5 cents) |
| 92% | Robust Operating Cash Conversion⁴ at 92% of Adjusted EBITDA (FY22: 80%) |
| \$78.5m | Total Cash and cash equivalents \$78.5m (FY22: \$47.2m) |
| \$83.0m | Total Bank Debt \$83.0m (FY22: \$111.6m) |
| 16.0p (20.19c) | Proposed final dividend of 16.0p per share (20.19 cents) (FY22: 15.5p, 18.80 cents) giving a total dividend for the year of 28.5p per share (35.95 cents) (FY22: 28.0p, 33.96 cents) up 2% |

Operational Highlights

- Migration of customers onto the **Trisus[®] platform now complete**, providing the foundation for future product and customer expansion
- **Trisus[®] Chagemaster** secured first place in the Chagemaster Management category of the “**2023 Best in KLAS Awards: Software & Services**” – a record 13th time for the Group, demonstrating the success of the migration process and enhancements made to the underlying application
- Strong levels of customer retention, maintained at **+90% in the year**
- **Continued investment in R&D and innovation** to capitalise on the growing market opportunity, including the recent launch of Trisus Labor Productivity, addressing the highest single cost category for any healthcare organisation
- **Total R&D costs** that have been capitalised **are already covered** by the total combined value of contracts written for the Trisus[®] related products
- **First third-party partner applications** are now accessing the **Trisus[®] platform**, with the potential to add to ARR in future years

¹ Certain financial measures are not determined under IFRS and are alternative performance measures as described in Note 27 of the financial statements.

² Annual Recurring Revenue (“ARR”) includes the annual value of license and related recurring revenues including transaction revenues at 30 June 2023 that are subject to the underlying contracts and where revenue is being recognised at the reporting date.

³ Net Revenue Retention is the percentage of revenue retained from existing customers over the measurement period, taking into account both churn and expansion sales.

⁴ Operating Cash Conversion is cash generated from operations (as per Note 19), adjusted to exclude cash payments for exceptional items and movements in cash held on behalf of customers, divided by adjusted EBITDA.

⁵ When we refer to ‘Craneware’, or ‘The Craneware Group’ or ‘Group’ in the annual report we mean the group of companies having Craneware plc as its parent and therefore these words are used interchangeably.

Our applications and industry-leading team of experts contextualize operational revenue integrity and 340B compliance

Revenue



Trisus® Chargemaster

Designed with the user in mind, Trisus Chargemaster enhances efficiency in workflow, collaboration, and communication across clinical and financial teams.



Trisus® Claims Informatics

Trisus Claims Informatics, a retrospective charge capture analytical application, identifies high-impact areas of risk for your team to investigate.



InSight Medical Necessity®

InSight Medical Necessity serves all parts of your organization that need instant access to medical necessity requirements, from admissions and order-entry to medical records and external practices.



InSight Audit®

InSight Audit is a powerful application that allows your organization to manage and streamline audit reporting, tracking and workflow processes to improve audit results with reduced compliance and financial risks.



Appeal Services

The Craneware Group has the experienced staff you need to review your denials, write successful appeals, and overturn improper denials.



Trisus® Supply

Align data sets from the item master, chargemaster, and operator with automated reviews to eliminate disparity which can result in lost or incorrect data and revenue.



Trisus® Supplies Assistant

Our proprietary supplies coding search function delivers HCPCS codes, UNSPSC codes, manufacturer, description, catalog ID, status indicator, reimbursable flag, revenue codes, and other reference information – in a single screen.

Pricing



Trisus® Pricing Transparency

Trisus Pricing Transparency helps you meet the requirements of the rule and go beyond posting prices by providing valuable analytics to monitor market dynamics.



Trisus® Pricing Analyzer

Trisus Pricing Analyzer simplifies and automates the price-modeling process. Your organization can readily assess the potential impact of pricing changes, such as revenue shortfalls or changes in payor contracts.



Trisus® Decision Support

Trisus Decision Support goes beyond traditional cost and accounting tools and provides insights into resource consumption on the patient level.



Senturion™ Professional Services

As the leader in value cycle solutions for nearly 20 years, hospitals of all sizes and types rely on The Craneware Group's Professional Services to help address their toughest challenges. We deliver results that lead to improved revenue recognition and retention.

l, financial, and clinical data, providing insights that clearly demonstrate realistic
 nce opportunities for our customers.

340B



Sentinel®

Sentinel helps you capture more by providing detailed tracking of all drug activity at the 11-digit NDC level for a complete audit trail and more insights into your pharmacy operations.



Trisus® Medication Financial Management

Trisus Medication Financial Management assesses purchase, billing, and remittance data sets to provide visibility into margins, at the medication level



Trisus® Medication Compare

Trisus Medication Compare helps pharmacy leaders leap to value-based care by comparing treatments, medications, processes, and costs to help identify treatment plans that achieve the best patient outcomes



Sentrex®

Sentrex is a SaaS-based solution that helps covered entities expand medication access while maintaining compliance with evolving legislation.



Trisus® Medication Formulary

Trisus Medication Formulary combines data from the formulary, charge transactions, and medication purchases to ensure all purchases are captured in the formulary, coded, and charged correctly.



Referral Verification System™

Our Referral Verification System (RVS™) leverages your existing Sentrex® platform to access referrals initially deemed ineligible, helping you reclaim eligible prescriptions and capture more 340B opportunity.



Trisus® Medication Claim

Designed to help you accelerate payment for pharmacy claims and minimize claim denials, while managing complex, government-mandated reporting requirements.

Cost



Trisus® Labor Productivity

Designed with the user in mind, Trisus Labor Productivity enables healthcare providers to strategically manage, analyze, and plan the deployment of their workforce for cost-effective care.



Trisus® Medication Analytic Solutions

Prioritize, diagnose, and resolve issues in your medication systems to impact finances, workflow efficiencies, and patient outcomes while mitigating compliance risks.

Services



Professional Services Catalog

Our team members act as an extension of your team, bringing with them 20+ years of experience working with thousands of covered entities and contract pharmacies.



Customer Journey to Value Cycle Success

Hospitals and health systems across the country leverage the passion of our professionals, strength of our data and innovative high-value solutions to drive better outcomes for all.

Chair's Statement

In a year marked by the continuation of the Public Health Emergency in response to the pandemic, I am pleased to report on a period of robust performance. While we did not achieve the revenue growth we anticipated at the start of the year, due to the Group's services related lines of business taking longer to recover than previously expected, the team nonetheless delivered growth in key financial metrics, continued to execute on our product migration strategy, and closed the year on an improving trading trajectory.

With the Public Health Emergency in the US now declared over, attention is returning to improving the value and resilience of the healthcare system. Through Trisus, our cloud-based data analytics and intelligence platform, we can be a central player in the digitalisation of US healthcare. The team is focused on capturing this opportunity through product expansion and the delivery of value to our extensive customer base.

Steady, profitable growth

Group revenues for the year increased 5% to \$174.0m (FY22: \$165.5m) with an adjusted EBITDA increase of 6% to \$54.9m (FY22: \$51.8m) maintaining our target EBITDA margin of above 30%. Within this, software and related revenue increased by 5% to \$159.1m, accounting for 92% of revenue. This growth, coupled with healthy levels of customer retention, at above 90%, drove growth in underlying ARR to \$169.0m (31 December 2022: \$166.4m), with an associated Net Revenue Retention value in excess of 100%.

As at 30 June 2023, the Group maintained strong total cash and cash equivalent balances of \$78.5m (30 June 2022: \$47.2m) with a reduced total bank debt of \$83.0m (30 June 2022: \$111.6m).

The Group's strong cash generation and high levels of revenue visibility provides the Board with the confidence to maintain our investment levels in the business, to support our growth aspirations.

A valuable position from which to build

We hold an enviable central position within the US healthcare industry, with approximately 40% of registered US hospitals as Craneware customers, including more than 12,000 US hospitals, health systems, affiliated retail pharmacies and clinics, and data sets covering more than 175 million unique patient encounters.

The successful completion in the year of the migration of customers onto Trisus provides the foundation for future growth acceleration. Looking ahead, we will continue to seek ways to extend our Trisus platform, through product development, partnerships and M&A.

Increasing our Board expertise

We were delighted to welcome Anne McCune, a new Non-executive Director, to the Board in November. Anne is a recognised leader in the US Healthcare industry, who has served as a senior Executive for several leading academic hospital and physician centres and as a Managing Director in healthcare consulting firms. Anne is currently a Community Board member of the Strategy and Transformation committee at Salinas Valley Memorial Healthcare System in California.

Making a positive contribution to society

Our Purpose is to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to deliver quality care to their communities.

The tangible positive impact our solutions can make on the lives of others continues to be a great motivator for our talented team. The Craneware Group has always had a strong commitment to social responsibility and community engagement, which has been enhanced by the integration of our 340B offerings in recent years. As a Group, we have developed many initiatives over the past several years which contribute to our sustainability credentials, and we continue to develop a number of programmes and opportunities to positively impact the community around us.

The Group has always been cognisant of the importance of sustainability and Environmental, Social and Governance ('ESG') matters, particularly in the context of the Group's Purpose. However, we recognise that these areas are constantly evolving and that organisations must continually strive to do more and as such an ESG Committee has been established. We detail more of the impact the Group makes, within the communities we serve, in our ESG Statement within the Annual Report.

On behalf of the Board, I would like to thank all of The Craneware Group team for their continued passion and commitment to serving our customers.

An improving outlook

The breadth of solutions The Craneware Group can provide, as well as the power of its operational and administrative platform and data, give the Board confidence in the Group's ability to provide the insights its customers need to deliver greater value healthcare to their communities.

With the sales growth experienced in the final quarter of the year delivering incremental revenues, combined with further momentum in the current period, the Group has seen a positive start to trading in the new financial year.

The Group's balance sheet strength, high levels of ARR and early signs of increasing customer confidence, leave the Group well positioned for FY24 and beyond.



Will Whitehorn
Chair
4 September 2023

Strategic Report: Operational and Financial Review

Operational Review

We are pleased to have delivered a robust financial performance in the year, achieving growth in revenue and EBITDA whilst maintaining a strong balance sheet. These results demonstrate the resilience of the Group through a prolonged period of disruption across the US healthcare landscape and I am grateful for the team's hard work and dedication, amidst a challenging environment.

We successfully completed our primary strategic focus for the year - the migration of customers onto Trisus, our cloud-based platform. With the transition complete, we can focus on the continued expansion of the Trisus product offering, which we anticipate will in turn drive customer expansion.

While remaining cognisant of the challenges our customers and partners continue to face, we are encouraged by improving prospects across our market. The COVID-19 public health emergency in the US was formally declared over in May 2023, and with the related pressures on hospitals starting to ease we are seeing attention turn to the improvement of hospitals' underlying operations and financial performance. This was reflected in a healthy close to the financial year, as we saw an increasing number of opportunities enter our pipeline in Q4, with momentum carrying over to the new financial year.

Market – supportive underlying trends

The US healthcare market continues to experience challenges across three broad areas: clinical, financial and operational.

The clinical arena is grappling with issues such as the impact of the opioid epidemic, a mental health crisis and an aging population increasing the demand for services around chronic conditions and long-term care. Financially the cost of healthcare in the US has been increasing significantly, including the cost of prescription drugs, medical procedures and associated insurance premiums. Meanwhile, against this backdrop, operational pressures are increasing, with managers having to navigate issues such as a shortage of healthcare professionals and wage inflation.

Addressing the challenges through data and insights

The combination of these factors means our customers are being asked to do more, with less. We believe the key to successfully achieving that, while improving patient care, is through accurate, accessible and meaningful data and insights, providing the ability to deliver enhanced services, improved infrastructure, governance and the ability to make smarter choices around resource allocation.

However, to make those smarter choices our customers need to manage and analyse vast amounts of data, which presents significant and costly considerations for hospitals, like scalability, interoperability, processing costs, security, and compliance.

Our vision is for the Trisus platform and its applications to address these challenges, providing connected technology in the cloud. Our Trisus platform and applications combine revenue integrity, cost management and decision enablement into a single cloud-based platform. Through our Data Foundations programme of work, Trisus brings

together siloed data from the various existing software systems in a hospital or healthcare system, normalises that data and applies prescriptive analytics to provide insights to support informed decision making regarding a hospital's finances and operations, in one place.

This digitalisation of healthcare and improvement of processes through the use of data insights, as opposed to merely digitising healthcare, for example recording an individual healthcare encounter in an electronic form such as the recent move to electronic health records, provides the foundation for Value Based Care and enables the transformation of the business of healthcare.

We provide customers with the ability to build effective strategies related to revenue, pricing, cost, and compliance to mitigate the internal and external challenges described above, delivering real financial returns and freeing up resources that can be re-invested and re-deployed by healthcare providers to support the clinical care of their communities and tackle their clinical challenges.

Growth Strategy – *innovation to profoundly impact US healthcare operations which will drive demand and expand our addressable market*

To date, our growth has been driven through increases in market share and product set penetration (land and expand). In recent years, we have invested in the development of the Trisus platform; a sophisticated cloud delivered data aggregation and intelligence platform which will be the foundation for our future growth.

We are building on top of Trisus to strengthen our current products, leverage our data assets to expand our offering, integrate third party solutions to the platform and benefit from the scalability of cloud-technology.

Through our 20+ year history in the US healthcare market, we have collected our own unique and extensive data set, which we believe contains the insights that will generate our products of the future. While we have always had a team analysing this data, the growth in AI means it is now easier and faster to do so. Meanwhile, we are also using AI and machine learning to make our coding more efficient and productive.

Two Growth Pillars

Our growth strategy has two fundamental growth pillars:

1. The transition of our customers to cloud delivered versions of our existing on-premise solutions, to act as a gateway to the benefits and additional applications on the Trisus platform

We are pleased to now have all our customers connected to, and benefiting from, the Trisus platform.

Of particular importance has been the migration of our previous flagship application, Chargemaster Toolkit, customers onto our Trisus Chargemaster offering. This has been carried out in phases over the last 36 months, as we have expanded the functionality of Trisus Chargemaster.

We were delighted Trisus Chargemaster secured first place in the Chargemaster Management category of the "2023 Best In KLAS Awards: Software & Services" during the year. For The Craneware Group, this is a record 13th time, more than any other vendor in our space. The award demonstrates

Growth Strategy [Cont'd]

the success of the migration process, the enhancements made to the application and the high levels of customer support delivered by our teams.

All existing products now available as Trisus solutions, which will be further enhanced

During the year we continued to re-engineer our existing offerings into cloud-based applications – improving the benefits of our offerings to customers to facilitate the smooth transition onto Trisus. This continual improvement will be an ongoing process. The depth of our product offering continues to grow through the mining of the proprietary and regulatory data that we collect, identifying new ways the data can illuminate and support decision making within the hospital provider environment. We now have datasets for over 175 million unique patient encounters, providing incredibly valuable insights for our customers.

Whilst our Revenue Integrity and 340B related applications sit on different technology stacks within the Trisus platform, they both supplement and further enrich the Trisus data sets. Eventually the work we are doing with our Trisus Data Foundations programme will enable the full integration of these stacks, making our offerings yet more attractive to customers as the speed and depth of insights available is increased.

The four Medication related Trisus applications launched last year, replacing and adding to our non-340B pharmacy offerings, have been well received and we anticipate will support expansion sales in current and future periods.

Data Foundations increasing the interoperability of applications to increase speed of entry to the platform and facilitate cross sale

As part of our Data Foundations programme of work, we are utilising the advances in AI and data processing to increase the interoperability and connectivity of our applications, while making the platform's back-end processes more efficient and effective. For example, new customers coming onto the Trisus platform will only require one data feed, thus accelerating entry to the platform and its benefits.

Six application suites

The Trisus applications have now been grouped into six Trisus® Optimisation Suites, bringing together the applications that address specific strategic issues facing healthcare providers and are powered by the same sub-set of customer data. Through bringing the applications into suites, we aim to make it easier for our customers to identify which of our multiple additional applications are likely to unlock immediate value and address their challenges most effectively, based on their existing data within the Trisus platform.

The product portfolios are: Trisus Pricing Integrity, Trisus Data Integrity, Trisus Business of Pharmacy, Trisus Revenue Protection Optimisation, Trisus Charge Capture Optimisation and Trisus Value-based Margin & Productivity.

Launch of Trisus Labor Productivity

Towards the end of the financial year we were pleased to launch a new application, Trisus Labor Productivity, to

encouraging early feedback, addressing the concerns of the market around effectively managing the workforce. Staff costs represent the single highest cost for any healthcare organisation. In addition, staffing shortages have resulted in a need to do more with less. Trisus Labor Productivity enables our customers to optimise their staffing by department or organisation, providing insights into daily staffing and productivity outcomes using detailed analytics and predictive modelling, thereby reducing costs and confusion for greater efficiency. The application also integrates payroll, timecard, hospital EMR/ADT events, and general ledger costs in one location for reporting, analysis, and strategic management of the workforce.

2. Value driven Customer Expansion

It is the intention that the product enhancements and expansion described above will facilitate cross sell and upsell to existing customers, alongside an increase in average contract value to new customers. The addition of new customers and the expansion with existing customers will in turn drive growth in ARR.

ARR at 30 June 2023 increased in the six months to \$169.0m from \$166.4m reported at 31 December 2022, demonstrating the Group's continued high levels of contracted revenue visibility. We continue to see the opportunity to accelerate ARR growth over the medium term, as we unlock the considerable cross and upsell opportunities within our enlarged customer base. The Group is now in a position to report a Net Revenue Retention figure, from the point of our first ARR calculation, which was 100% for the six months to 30 June 2023. Customer retention for the year exceeded 90%, which is testament to the value Craneware brings to its customer base.

With the first stage of cloud-based enhancements for existing products now complete, we can turn our focus to the development of new applications and the extension of existing applications, to expand our capabilities and provide benefits to our customers. We anticipate this in turn will facilitate a greater level of cross sale and product penetration across our extensive customer base over time.

We also continue to see considerable cross sale opportunity between our 340B and Revenue Integrity customers and this will be an ongoing area of focus.

We are encouraged to see expansion sales to existing customers represent 81% of our total 'new' sales in the year, demonstrating the positive response of our customers to the increased ROI derived from the uptake of additional cloud applications. However, this does mean our sales to new customers as a percentage of our total new sales is behind historical norms, consistent with the narrative reported by other vendors that support hospitals. We expect to see this mix move back towards our historical norms in the near term, as healthcare is once again returning its focus to Value Based Care now the impacts of the pandemic are dissipating.

We also formalised our partnering processes during the year, with the aim of hosting third party application providers on the platform. In the future, revenue from these partnerships, which are not directly derived from Trisus

applications, will be categorised as third party revenues while they are in the test phase. Once their value to customers has been proven, we will seek to transition into recurring revenue models, adding to our ARR.

Due to recent hospital fears surrounding cyber security, the market environment is hindering new customer growth by smaller software providers, and we therefore anticipate that this will encourage smaller software providers to see the value of their applications being delivered through the Trisus platform, a certified HITRUST partner. In turn, our customers will benefit from complementary applications which will help them derive greater insight into their operations and financial performance without increasing their exposure to cyberthreats while we will benefit from a revenue share with the partner.

While organic growth across our portfolio remains the priority, we continue to evaluate the market for M&A opportunities and will continue to pursue strategically aligned companies that will accelerate our growth strategy, although it is unlikely that any acquisitions in the short-term will be of the relative scale of Sentry. We maintain the same four key acquisition criteria of which target companies must fit into at least one, being: the addition of relevant data sets; the extension of the customer base; the expansion of expertise; and the addition of applications suitable for the US hospital market. We view our partnering programme as a potential for building a pipeline of future M&A activity based on the mutual benefits derived by both partners.

Our People and Community

Central to our Purpose is how we support our customers and, in turn, how they support their communities and how we collectively work towards delivering our strategy as a team within The Craneware Group. Our solutions benefit society; they continue to deliver value for our customers, through the provision of accurate financial data, insight and analytics, that can be reinvested to support our customers in the provision of care to their communities. In addition, our 340B pharmacy solutions enable our customers to generate cost savings which go directly to the provision of care for the underserved in their communities. The Craneware Group is also directly involved with the 340B Matters initiative, which aims to educate the market regarding the importance of the 340B program for the non-profit healthcare facilities that provide accessible and affordable care within their communities.

We recognise the value of our employees and that supporting our customers and the achievements of the Group is due to their efforts. Our team is a talented mix of employees from diverse backgrounds, which brings a high level of innovation and collaboration. We believe in the importance of fostering a team environment while also celebrating the individuals within the team. We continue to invest in the team, our facilities and working practices and we welcome feedback and suggestions for improvements through a range of employee engagement mechanisms.

Complementing our Purpose and reflecting the causes which are important to our employees, our team, has meant that, for many years, the Group has continually developed a number of programmes and opportunities to positively

and directly impact the community around us. This has been achieved with our initiatives driven by our employees through Craneware Cares and the Craneware Cares Foundation.

Craneware has advanced and supported many social initiatives and continues to do so. However, we are conscious of the need to coordinate all of our ESG-related initiatives and policies, including environmental considerations, to enable greater alignment to our ESG focus areas and also recognising the general increased interest in ESG-related credentials by our stakeholders. With these considerations in mind, we established an ESG Committee during the year. We provide further details of these activities and the ESG Committee with our ESG Statement.

Financial Review

For the year ended 30 June 2023, The Craneware Group is reporting an increase in revenue of 5% to \$174.0m (FY22: \$165.5m) and a 6% increase in adjusted EBITDA to \$54.9m (FY22: \$51.8m).

These results reflect a robust revenue performance against the backdrop of an industry recovering from and dealing with the aftereffects of the COVID-19 public health emergency. The challenge for our customers has, inevitably, impacted on Craneware, despite the solid performance of our annual software licence revenues, we have not seen the return of our professional services to the expected pre-pandemic levels as a percentage of our revenues.

All industries and companies, including US healthcare and Craneware, have had to meet the challenges of the current macro-economic climate, including rising wage, medication, and supply cost inflation as well as key staffing shortages. Craneware has been successful in navigating these inflationary challenges during the year, and as such we have delivered an adjusted EBITDA performance in line with the Board's expectations. Our Adjusted earnings per share, however, has been impacted by the significant increases in interest rates that have occurred. With the interest we paid in the year increasing from \$3.1m to \$6.5m, our interest charge increased by 28% to \$6.4m (FY22: \$5.0m). In addition, our amortisation charge increased by 32% or \$1.9m from the previous year. As a result, we are reporting a 2% reduction in our adjusted earnings per share to 87.0 cents per share (FY22: 89.0 cents per share).

The increased scale and our enlarged portfolio of products following the successful integration of Sentry Data Systems, mean we can do even more to support our customers as they look beyond the impact of the pandemic and return their focus to the delivery of Value Based Care. The need for accurate financial data, supporting analytics and the insights those analytics can bring has never been more important.

Underlying Business Model and Professional Services

The new contracts we sign with our customers provide a licence for the customer to access specified products throughout their licence period. At the end of an existing licence period, or at a mutually agreed earlier date, we look to renew these contracts with our customers.

Financial Review [Cont'd]

Under the Group's business model, we recognise software licence revenue and any minimum payments due from our 'other long term' contracts evenly over the life of the underlying contract term.

In addition to the licence fees, we have a number of 340B customers whose underlying contracts provide for a number of associated transactional services in addition to their licences. These transactional services, whilst highly dependable and recurring over the life of the contract, see some variation period to period based on the volume of transactions. Transactional services are recognised as we provide the service, and we are contractually able to invoice the customer.

In any year, we also expect revenue to be recognised from providing professional and consulting services to our customers. These revenues are usually recognised as we deliver the service to the customer, on a percentage of completion basis. As we have previously reported, the challenges US hospitals have had regarding shortages of available staff have continued to impact our ability to deliver professional services throughout the year. As a result, we have not seen the return in our professional services revenues expected and as such we are reporting Professional Service in the year of \$13.7m (FY22: \$13.9m).

This year, for the first time, we are reporting Other Revenue of \$1.1m (FY22: \$nil). These revenues are derived from our ability to leverage the Trisus platform in new and innovative ways. This was both through new ways to use our data assets to directly support our customers, and through hosting third-party applications on the platform. These revenues are recognised at the point we are able to invoice our customers. They are not, initially, deemed recurring in their nature, however once proven we expect many of these revenue opportunities to deliver future annual recurring revenue.

Annual Recurring Revenue

By renewing our underlying contracts, and ensuring we continue to deliver the transactional services to our customers, we sustain a highly visible recurring revenue base, which means sales of new products to existing customers or sales to new hospital customers add to this recurring revenue.

Annual Recurring Revenue ("ARR") demonstrates the annual value of licence and transactional revenues that are subject to underlying contracts.

At our interim results we tightened our definition of ARR to only include the annualised effect of bookings that are subject to an underlying contract and have generated revenue by the reporting date. This was done to better align future growth of ARR to near term revenue growth as well as facilitate the calculation of a Net Revenue Retention metric. This change primarily relates to the exclusion of contract pharmacy bookings where go live has not yet happened and therefore they have not contributed to revenue in the year.

As a result, ARR is now defined as the annual value of licence and related recurring revenues including transaction

revenues as at the Balance Sheet date that are subject to underlying contracts and where revenue is being recognised at the reporting date.

ARR at 30 June 2023 increased to \$169.0m from the \$166.4m reported at 31 December 2022, demonstrating the Group's continued high levels of contracted revenue visibility. The Group is also reporting Net Revenue Retention for the first time, from the point of our first ARR calculation, which was 100% for the six months to 30 June 2023. Customer retention for the year exceeded 90%, which is testament to the value Craneware brings to its customer base.

Gross Margins

Our gross profit margin is calculated after taking account of the incremental costs we incur to obtain the underlying contracts, including sales commission contract costs which are charged in line with the associated revenue recognition and the direct costs of professional services employees who deliver the services required to meet our contractual obligations.

The gross profit for FY23 was \$148.4m (FY22: \$142.4m). This represents a gross margin percentage of 85% (FY22: 86%) which is in line with the expected Gross Margins of the Group.

Operating expenses

Net operating expenses (to Adjusted EBITDA) increased 3% to \$93.5m (FY22: \$90.6m), which is a below inflation increase and reflects our ongoing prudent cost control, including our ability to balance our investment between the US and the UK (and the associated Sterling exchange rate). This ultimately allows us to continue to deliver an Adjusted EBITDA margin of +30%.

Product innovation and enhancement continue to be core to this future and our ability to achieve our potential. We continue to pursue our buy, build, or partner strategy to build out the Trisus platform and its portfolio of products. As we are cash generative, we are able to use our cash reserves to further "build" alongside the acquisition activities in the year and therefore continue to invest significant resource in R&D.

The total cost of development in the year was \$50.6m (FY22: \$51.1m). We continue to capitalise only the costs that relate to projects (including enhancements to our existing products) that have yet to be released to the market and will deliver new "future economic benefit" to the Group. With the total amount capitalised in the year, being \$15.0m (FY22: \$13.5m) representing 30% of total R&D spend in FY23 (FY22: 26%) which is still below our historical norms of 35 to 40% of total R&D spend.

We continue to believe this investment is an efficient and cost-effective way to further build out our Value Cycle strategy alongside any acquisition strategy. As specific products are made available to relevant customers, the associated development costs capitalised are amortised and charged to the Group's income statement over their estimated useful economic life, thereby correctly matching costs to the resulting revenues.

Net impairment reversal/ (charge) on financial and contract assets

This relates to the movement in the provision for the impairment of trade receivables in the year. Following the considerable efforts in this year since the acquisition of Sentry and our ongoing relationships with customers across the Group we are seeing a reversal in the year of \$2.1m (FY22: charge of \$0.5m).

Adjusted EBITDA and Profit before taxation

To supplement the financial measures defined under IFRS the Group presents certain non-GAAP (alternative) performance measures as detailed in Note 27. We believe the use and calculation of these measures are consistent with other similar listed companies and are frequently used by analysts, investors and other interested parties in their research.

The Group uses these adjusted measures in its operational and financial decision-making as it excludes certain one-off items, allowing focus on what the Group regards as a more reliable indicator of the underlying operating performance.

Adjusted earnings represent operating profits, excluding costs incurred as a result of acquisition, its integration and share related activities (if applicable in the year), share related costs including IFRS 2 share-based payments charge, interest, depreciation and amortisation ("Adjusted EBITDA").

In the year, total costs of \$0.5m (FY22: \$2.1m) have been identified as exceptional. These relate primarily to the one-off costs associated with the back-office systems integration of Sentry. As such, these costs were adjusted from earnings in presenting Adjusted EBITDA.

Adjusted EBITDA has grown in the year to \$54.9m (FY22: \$51.8m) an increase of 6%. This reflects an Adjusted EBITDA margin of 32% (FY22: 31%), confirming we continue to meet our target of a combined Group adjusted EBITDA margin of 30+%.

Following the amortisation charge relating to acquired intangible assets relating to the Sentry acquisition of \$20.9m (FY22: \$20.2m), profit before taxation reported in the year is \$13.1m (FY22: \$13.1m).

Taxation

The Group generates profits in both the UK and the US. The Group's effective tax rate is primarily dependent on the applicable tax rates in these respective jurisdictions. Following the Sentry acquisition, whose profits are solely generated in the US, the Group now generates a higher proportion of its profits there.

Following the substantive enactment of the increase in UK corporation tax rate to 25% effective from 1 April 2023, the UK corporation tax rate for the financial year increased from 19% to 20.5%.

Other factors impacting the effective tax rate include tax deductibility of amortisation of acquired intangibles, tax losses brought forward in the new enlarged group and the number of share options exercised and the associated tax treatment. Reconciliation of the tax charge for the year can be seen in Note 9. As a result the effective tax rate for the year ended 30 June 2023 is 29% (FY22: 28%).

EPS

The Group presents an Alternative Performance Measure of Adjusted EPS, to provide consistency to other listed companies. Both Basic and Diluted Adjusted EPS are calculated excluding costs incurred as a result of acquisition and share related activities, being \$0.4m (tax adjusted) in the year (FY22: \$1.6m) and amortisation of acquired intangibles of \$20.9m (FY22: \$20.2m).

Adjusted EPS, despite increased levels of Adjusted EBITDA, has decreased 2% to \$0.870 (FY22: \$0.890) as a result of increased bank interest charges and intangible amortisation in the year. Adjusted diluted EPS has decreased to \$0.863 (FY22: \$0.881). Basic EPS in the period reduced to \$0.263 (FY22: \$0.268) and Diluted EPS reduced to \$0.261 (FY22: \$0.265).

Prior Year Restatements

As reported in the prior year Financial Statements, the Group completed its assessment of the fair value of the assets and liabilities acquired and the consolidated balance sheet and on the 12 month anniversary of the Sentry acquisition the "window" to complete this assessment closed.

However, during the current year, the Group has identified an item of disclosure that requires adjustment and, following the completion of the various US tax returns, two matters relating to the tax balances recorded in the opening balance sheet of the acquired business where the incorrect fair value had been assessed. None of the items impact the Consolidated Statement of Comprehensive Income nor any profit measures reported by the Group in the prior year.

Disclosure adjustment

Deferred Income, non-current and current liabilities – following a review of deferred income acquired through the Sentry acquisition, we have identified \$4.8m of deferred income which should have been disclosed as a non-current rather than a current liability, and as such this has been corrected.

There is no change to the recorded Total Assets and Liabilities of the Group as a result of these disclosure restatements.

Taxation adjustments

Deferred and Current Taxation – Following completion of the current year tax returns it was identified that an asset class included in the opening balance sheet of the Sentry acquisition had incorrectly been given a "tax basis" and as such the deferred tax liability included \$3.2m and the tax debtor included \$0.4m incorrectly in relation to this asset class (with the net balance being in Goodwill). To correct this both the deferred tax liability and tax debtor have been reduced and Goodwill has been reduced by \$2.8m.

Provision for Sales Taxes due – In the period since the acquisition of Sentry, we have worked diligently to ensure the acquired companies were in good standing with all the States in which they operated. As part of this process

Financial Review [Cont'd]*Taxation adjustments [Cont'd]*

we identified two States where there were amounts due in respect of periods prior to the acquisition. Whilst we continue to work to reduce any liability, a provision should have been made in respect of the net amounts that were potentially due – being \$0.4m and as such this provision has been made as part of this re-statement.

Cash and Bank Facilities

Cash generation and a strong balance sheet have always been a focus of the Group. Our business model provides the basis for high levels of cash generation, and we continue to monitor the quality of our earnings through Operating Cash Conversion, this being our ability to convert our Adjusted EBITDA to “cash generated from operations” (as detailed in the consolidated cash flow statement).

In the year, we have made improvements in the operating cash conversion of Sentry and as a result achieved Operating Cash Conversion across the combined Group of 92% in the year (FY22: 80%).

We continue to invest in our future and return funds to our shareholder base via our progressive dividend policy, returning \$12.1m in the current year (FY22: \$13.0m), the reduction being due to exchange rates and the majority of our dividends being paid in Sterling.

Also, as part of the funding for the acquisition of Sentry, the Group entered into a debt facility and during FY22 drew down \$120m of secured funding provided by our consortium of banking partners. This facility was provided on a 3+1+1 year term basis. During the year, \$28m (FY22: \$8m) of the loan has been repaid, \$8m of the term loan on schedule and the amount drawn down on the Revolving Credit Facility was reduced by \$20m. All covenants have been met, and the second extension of the term has been agreed. We continue to thank our banking partners, alongside our shareholders, for their continued support of our growth strategy.

Cash reserves at the year-end were \$78.5m (FY22: \$47.2m). Restricted cash was disclosed separately in the prior year. As the Group is unable to hold these amounts outside of its own treasury facilities, these “restricted cash” balances have now been incorporated within cash and cash equivalents for FY23 rather than being classified separately on the face of the balance sheet (FY22: \$1.3m). Total borrowings of \$83.0m (FY22: \$111.6m) gives the Group both significant liquidity and a strong balance sheet.

Share Buy Back

On 12 April 2023, the Group commenced a share buyback programme (of up to £5m). The shares purchased through this programme are held in treasury and will be used to satisfy employee share plan awards. The programme is being undertaken using a phased approach. The programme is operating under the authority granted to the Company by shareholders at the Company's Annual General Meeting, held on 15 November 2022, and within the regulatory guidance on the quantity of shares the Company may purchase on any single day.

Under this programme we have purchased 223,632 Ordinary Shares (FY22: nil) at a total cost of £3.09m (\$3.87m). These shares represent 0.63% of the Company's issued Ordinary Shares and are being held in treasury. The Board considers that a share buyback provides an optimal use of cash to deliver value for shareholders by offsetting future dilution from existing employee share plans and as such the share buyback programme continued after 30 June 2023 and is ongoing at the time of approval of this report.

Balance Sheet

Within the balance sheet, deferred income levels reflect the amounts of the revenue under contract that we have invoiced but have yet to recognise as revenue. This balance is a subset of the Annual Recurring Revenue described above and future performance obligations detailed in Note 4.

Deferred income, accrued income, and the prepayment of sales commissions all arise as a result of our SaaS business model described above and we will always expect them to be part of our balance sheet. They arise where the cash profile of our contracts does not exactly match how revenue and related expenses are recognised in the Statement of Comprehensive Income. Overall, levels of deferred income are significantly more than any accrued income and the prepayment of sales commissions, we therefore remain cash flow positive in regard to how we account for our contracts.

Currency

The functional currency for the Group, debt and cash reserves, is US dollars. Whilst the majority of our cost base is US-located and therefore US dollar denominated, we have approximately one quarter of the cost base situated in the UK, relating primarily to our UK employees which is therefore denominated in Sterling. As a result, we continue to closely monitor the Sterling to US dollar exchange rate and where appropriate, consider hedging strategies. The average exchange rate throughout the year was \$1.2043 as compared to \$1.3317 in the prior year. The exchange rate at the Balance Sheet date was \$1.2619 (FY22: \$1.2128).

Dividend

In proposing a final dividend, the Board has carefully considered a number of factors including the prevailing macro-economic climate, the Group's trading performance, our current and future cash generation and our continued desire to recognise the support our shareholders provide. After carefully weighing up these factors, the Board proposes a final dividend of 16.0p (20.19 cents) per share giving a total dividend for the year of 28.5p (35.95 cents) per share (FY22: 28p (33.96 cents) per share), an increase of 2%. Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 December 2023 to shareholders on the register as at 24 November 2023, with a corresponding ex-Dividend date of 23 November 2023.

The final dividend of 16.0p per share is capable of being paid in US dollars subject to a shareholder having registered to receive their dividend in US dollars under the Company's Dividend Currency Election, or who register to do so by the close of business on 24 November 2023. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 24 November 2023. The final dividend referred to above in US dollars of 20.19 cents is given as an example only using the Balance Sheet date exchange rate of \$1.2619/£1 and may differ from that finally announced.

Outlook

With the COVID-19 public health emergency in the US formally declared over in May 2023 and the related pressures on hospitals starting to ease, we have begun to see US hospitals return their attention to providing Value-Based Care and investing in digitalisation, using data insights provided by the Trisus platform to transform and improve their processes. We remain committed to providing the tools our customers need to manage their operations and finances more efficiently, as we seek to transform the business of US healthcare together.

Against this backdrop, we are pleased to have seen the strong sales momentum seen at the close of the year carry through into the start of the new financial year, resulting in a growing sales pipeline. We are confident that our resilient business model, extensive customer base, high levels of Annual Recurring Revenue, together with our strategy for delivering growth centred on the expansion of the Trisus platform, will enable us to create further long-term value for all our stakeholders.



Keith Neilson
Chief Executive Officer
4 September 2023



Craig Preston
Chief Financial Officer
4 September 2023

Strategic Report: Key Performance Indicators

The key performance indicators listed below are focused on growing our revenues and improving our revenue mix as well as improving earnings growth for our shareholders and generating sustainable cashflows. Detailed explanation of the movements is contained in the Financial Review on pages 9 to 13.

| Key Performance Indicator Review | | |
|----------------------------------|-----------------|----------|
| <i>Revenue Growth</i> | 2023 | 2022 |
| Revenue | \$174.0m | \$165.5m |
| Growth | 5% | 119% |

Through the Group's SaaS revenue recognition model, underlying sales levels in the current year combine with prior year's sales and continued high levels of customer retention, to increase the recurring revenue reported each year. The long-term nature of our contracts supports sustainable growth with the majority of revenue resulting from current year sales being recognised in future periods.

| <i>Annual Recurring Revenue</i> | 30 June 2023 | 31 Dec 2022 |
|---------------------------------|-----------------|----------------|
| Annual Recurring Revenue | \$169.0m | \$166.4m |
| Growth | 2% | n/a |

Annual Recurring Revenue includes the annual value of licence and recurring transaction revenues as at 30 June 2023 that are subject to underlying contracts.

At our interim reporting, to better align future growth of ARR to near term revenue growth, our definition of ARR was tightened to only include bookings that can be contractually invoiced or have generated revenue by the reporting date. As a result, ARR is now defined as the annual value of licence and related recurring revenues including transaction revenues as at the Balance Sheet date that are subject to underlying contracts and where revenue is being recognised at the reporting date.

ARR at 30 June 2023 increased to \$169.0m from the \$166.4m reported at 31 December 2022, demonstrating the Group's continued high levels of contracted revenue visibility.

| <i>Net Revenue Retention</i> | 2023 | 2022 |
|------------------------------|-------------|------|
| % Net revenue retention | 100% | n/a |

The Group is reporting Net Revenue Retention for the first time, from the point of ARR calculation at 31 December 2022, which was 100% for the six months to 30 June 2023.

| <i>Adjusted EBITDA</i> | 2023 | 2022 |
|------------------------|----------------|---------|
| Adjusted EBITDA | \$54.9m | \$51.8m |
| Adjusted EBITDA margin | 32% | 31% |
| Growth | 6% | 91% |

We take a measured approach to our investment, ensuring to invest to support the future growth of the Group. The continued revenue growth has allowed us to both continue and, in certain areas, accelerate this investment whilst delivering Adjusted EBITDA growth. By taking this approach, we aim to release additional investment, in line with revenue growth, with the focus on delivering profitable growth to all stakeholders.

| <i>Adjusted EPS</i> | 2023 | 2022 |
|---------------------|-------------------|------------|
| Adjusted EPS | 87.0 cents | 89.0 cents |
| Growth | (2)% | 29% |

Adjusted EPS growth demonstrates the Group's overall profitability, adjusted for exceptional items, after taking into account the taxation in the year and any changes in share capital. The Group generates profits in both the UK and the US. The Group's effective tax rate remains dependent on the applicable tax rates in each respective jurisdiction.

Key Performance Indicator Review

| <i>Net Borrowings / Cash</i> | 2023 | 2022 |
|------------------------------|-----------------|-----------|
| Net Borrowings | \$(4.5)m | \$(64.4)m |
| Cash | \$78.5m | \$47.2m |

The Group continues to maintain healthy cash reserves of \$78.5m (FY22: cash (excluding restricted cash): \$47.2m). Net Borrowings has reduced to \$4.5m at 30 June 2023 (FY22: \$64.4m Net Borrowings (excluding restricted cash)) due to repayments on the term loan and a reduction in the outstanding revolving credit facility balance drawn down. This represents a comfortable level of borrowing for the business.

| <i>Net Borrowings / Adjusted EBITDA</i> | 2023 | 2022 |
|---|-------------|--------|
| Net Borrowings / Adjusted EBITDA | (8%) | (124)% |

Net Borrowings as a percentage of Adjusted EBITDA represents the leveraging of the Group's Balance Sheet and its ability to access future funds to continue its buy, build or partner strategy. At the current levels, the Board is comfortable with the level of debt and leveraging of the Group.

| <i>Operating Cash conversion</i> | 2023 | 2022 |
|----------------------------------|------------|------|
| Operating Cash conversion | 92% | 80% |

The Group continues to convert very high levels of the Adjusted EBITDA reported in the year into operating cash flows. Overall Operating Cash Conversion, at 92% for the year ended 30 June 2023, is above the prior year of 80%.

Strategic Report: Principal Risks and Uncertainties

Risk Management, Principal Risks and Uncertainties

Risks and uncertainty (as well as opportunities) are intrinsic factors of conducting a business. To deliver continued sustainable growth, the Group recognises the need to minimise the likelihood and impact of key risks. These risks are both general in nature i.e. business risks faced by all businesses, and more specific to the Group and the market in which it operates. Our approach to risk management and how we intelligently assume risks that will provide for future growth, are key considerations to how we deliver long-term stakeholder value whilst protecting our business, people, assets, capital and reputation.

The Board is very much aware that, as a public company, reputational damage is a risk and as such a key concern. Whilst the risks outlined in this report do not specifically detail the risk from reputational damage, the potential effects to our reputation are not under-estimated by the Board.

The acquisition of Sentry in July 2021 presented the Group with increased opportunities as well as changes in the risk dynamics which have been carefully assessed and monitored during the years since and included within the risk review and assessment process on an ongoing basis.

Risk Management

The Directors have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The Group maintains its internal risk register that forms the foundation of the Board and the Audit Committee review process. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an ongoing basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage. The Board recognises that the nature and scope of risks can change. Whilst review of the risk register is a scheduled item on the calendar of Board agenda items, the Board's consideration of risk matters is not limited to those occasions. Risks and opportunities are factors which are continually considered when the Board is making decisions about the business and strategy.

The Operations Board is chaired by the Chief Executive Officer and also comprises the Chief Financial Officer, the Chief People Officer and seven further members of the Senior Management Team. The risk review is exercised through the monthly management reports and Operations Board meetings and, due to the importance of this topic, there is a sub-committee of the Operations Board (the Risk and Compliance Committee ("R&C Committee"), chaired by the Chief Financial Officer) to ensure there is specific focus on risk review and risk management. The purpose of this Committee is to function as a sub-committee of the Operations Board focused on Corporate Governance responsibilities and risk management.

For each risk identified, the control strategy and who is accountable for discharging that strategy is identified and documented in the meeting minutes. During monthly Operations Board meetings, material emerging risks are reviewed with discussion concerning actions to reduce or monitor Group exposure. In this way, risks are reviewed and updated monthly.

The R&C Committee is a sub-committee of the Operations Board that takes the lead responsibility of monitoring and assessing risks across the Group. The Committee usually meets monthly and comprises the Chief People Officer, the Chief Legal Officer, the Chief Technology Officer and the Chief Information Officer. The Head of Risk and Compliance is the secretary to this committee and attends all meetings.

The Group also has three further committees that report into the R&C Committee; the Security Council, the Health & Safety Committee and the ESG Committee. The Security Council is chaired by the Chief Information Officer and its purpose is to assess current technology risks, approval and implementation of mitigation plans and to inform the Chief Information Officer of future strategy around this key business area. The Health & Safety Committee, chaired by the Chief People Officer, monitors The Craneware Group's compliance with health and safety regulations and develops and monitors the Group's health and safety policies and strategy. The Committee aims to ensure there is a co-ordinated, compliant approach across all Craneware locations to health and safety matters. The ESG Committee was established during the year and is chaired by the Chief People Officer. Further details regarding the ESG Committee are included in the Non-Financial and Sustainability Information Statement and the ESG Statement sections of this Annual Report.

The Corporate Governance Report includes an overview of the Group's internal control systems.

We will continue to enhance our risk management processes, prioritising specific areas of focus, including: cyber security risks and operational resilience, as well as being alert to the identification of emerging risks.

Risk Appetite

Risk appetite is not static and is regularly assessed by the Board to ensure it continues to be aligned with the Group's strategy. The Group's risk appetite defines the level and type of risk the Group is able and willing to accept in order to achieve its strategic aims. The Group's risk appetite influences the Group's culture and operating decisions, and is reflected in the way risk is managed. The Board aims to ensure that the Group is only exposed to appropriate risks which are managed effectively in accordance with the Group's tolerance to risk.

The Group assesses, scores, ranks and then manages individual risks. For each identified risk it is characterised, estimated how often the specified events could occur and a judgement is made regarding the magnitude of their likely consequences. For each identified risk, the risk management priorities are decided by evaluating and comparing the level of risk. This allows each risk to be quantified as to the:

- effect of the risk and its impact;
- likelihood of the risk occurring;
- consideration of any advantage associated with the risk;
- action to avoid or mitigate the risk;
- action to take if the risk occurs.

Principal Risks and Uncertainties

The risks outlined here are those principal risks and uncertainties that are material to the Group. They do not include all risks associated with the Group and are not set out in any order of priority. For each risk an indication is also provided for the estimated trend in the risk exposure being increased, decreased or relatively unchanged compared to the prior year.

The principal financial risks are detailed in Note 3 to the financial statements. How the Board determines and manages risks is detailed in the Corporate Governance Report.

In summary, and as explained in the Operational Review section of this Strategic Report, the US healthcare market is not immune to the macro-economic climate and, with the increasing focus and requirements of the evolving healthcare marketplace, the Group expects the market to continue to be competitive. The US Public Health Emergency was formally declared over in May 2023, however, this has not completely relieved the pressure on healthcare providers. Our customers continue to take steps to create further resilience across their financial operations. We are committed to partnering with our customers by providing the platform, regulatory information and data to enable them to do so. The Group aims to remain at the forefront of product innovation and delivery, through a combination of in-house development and specific acquisition opportunities. This requires the recruitment, retention, and reward of skilled employees, alongside responsiveness to changes and the opportunities that result, as they arise.

Ukraine conflict

Craneware does not have any operations or customers in Ukraine or any bordering countries and the Board considers that the risk of direct operational issues for Craneware, as a result of this situation, is therefore relatively low based on current knowledge. This situation is, however, having geopolitical and macro-economic adverse impacts in the UK and in the US where Craneware operates. The Board continues to keep this situation under review, including the following risks: increasing cyber threat; escalating energy and fuel costs will increase Craneware's costs to power its offices and operations and travel costs; a period of high inflation and longer-term economic downturn may have a detrimental impact on the financial performance of The Craneware Group.

Principal Risks and Uncertainties [Cont'd]

Data & Cyber SecurityTrend since last year: **Increased**

Issue: Security of customer, commercial, and personal data poses increasing risks to all businesses, especially against a backdrop of increasingly complex regulatory environments and safeguards over personal and patient data. The continually increasing instances and variety of cyber and data-related threats presents a significant challenge in terms of securing data and systems against attack. Craneware continues to strengthen its cyber security and information safeguarding capabilities, however it is recognised that the global threat of cyber-attack is increasing along with a larger target area in the Group.

The Craneware Group's utmost priority is the reliable protection of customer data, especially the large amounts of Protected Health Information being processed. If our systems become compromised, this may result in the loss of sensitive data and / or the interruption of services for our customers. This could also lead to a significant Financial risk that can only be partially mitigated through insurance, as well as significant reputational risk.

It is important to continually reinforce the level of awareness of these risks across all personnel within the Group. While it's important to have up to date policies and procedures in place, human error and increasing sophistication of the potential attackers will always pose a risk to organisations.

Mitigating Actions: Security of our systems and data is critical to our business and we strive for strong, effective and comprehensive security and governance aligned to the nature of the data the Group is handling and relevant and evolving regulations. Our systems are monitored and actively managed to mitigate and address any threats. Whilst it is impossible to completely eliminate data and cyber security risk, it is clear that effective mitigation now goes beyond building and operating security controls. The Group continues to invest in strict physical and data security systems and protocols with multiple layers of defences, including data loss prevention systems, internal and external threat monitoring. We deploy comprehensive auditing of our controls and processes targeted in these areas.

The Group has a Security Council, chaired by the Chief Information Officer, which assesses current technology risks, approval and implementation of mitigation plans as well as to inform the Chief Information Officer of future strategy around this key business area. The Group has a dedicated Information Security team to focus efforts on security across the business.

The Group also recognises and supports (including through ongoing employee training and applicable policies and procedures) a sustained evolution of culture within the organisation that embeds security across the business. Along that vein, as many studies suggest that employees and contractors are the most common cause of data breaches, with phishing attacks being the predominant cause, the Group requires mandatory data security training to be completed by all employees on at least an annual basis and when employees join the Group. There is ongoing development and investment in additional training. The effectiveness of this training is regularly tested and, where any shortcomings are identified, employees are required to reperform and supplement their mandatory training.

In view of the importance of the procedures, security, regulation and controls around Craneware's solutions and customer data, since 2019 Craneware has met the requirements for and has maintained the HITRUST CSF certification for its Trisus and InSight solutions and corporate services. Health Information Trust Alliance ('HITRUST' Alliance) is a collaboration with healthcare, technology and information security organisations which develops, maintains and provides broad access to its widely adopted common risk and compliance management and de-identification frameworks; related assessment and assurance methodologies; and initiatives advancing cyber sharing, analysis and resilience.

HITRUST has established a 'common security framework' (CSF) to address the multitude of security, privacy and regulatory challenges facing organisations. The scope of the HITRUST CSF's requirements is wide and requires a very high standard of data security arrangements as these have been set in the context of the accreditation being relevant to US healthcare providers with handling sensitive data (Protected Health Information) and impacts in some way all areas of the business (at least in respect of the required enhancement to the Group-wide IT and data security policies). This serves to inform IT Security roadmaps and significant investments with continued compliance being an ongoing focus. Adherence to HITRUST security requirements go beyond basic government regulations

Sentinel, Sentrex, and Trisus Decision Support applications meet American Institute of Certified Public Accountants (AICPA) Service Organization Controls (SOC) requirements, completing the external audit verified SOC Type II assessments annually. We reconfirm our audit certifications on an annual basis, and regularly evaluate to ensure our certification selections continue to be the best measure of security controls.

Further details regarding the Group's information security arrangements are contained in the Environmental, Social and Governance Statement in this annual report.

Data protection

Trend since last year: **Increased**

Issue: The Group maintains a large amount of customer data and also holds and processes employee data, which is protected and subject to legislative requirements in multiple jurisdictions. We have an obligation to protect the data we hold, whether it is customer or employee data. Loss and/or misuse of this data could result in a loss of reputation, and regulatory sanctions or fines.

The protection of customer data, which includes Protected Health Information, falls under the provision of the Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health ('HITECH') Act. Any data breach must be reported and, depending on the size of the breach, it may be made public which could damage the Group's reputation.

In addition to the regulations for protection of Protected Health Information and also General Data Protection Regulation (GDPR) compliance, over the past few years States across the US have been negotiating and passing data privacy legislation. As legislation is occurring at the State level, there are now a considerable number of variations on data privacy to be addressed, increasing the complexity of compliance and therefore resulting in a higher possibility of non-compliance.

Mitigating Actions: The 'Mitigating Actions' described above for Data and Cyber Security risks are relevant for Data Protection risks too.

The Craneware Group maintains a detailed Information Security Program, which aligns with applicable laws and regulations. This program governs how The Craneware Group employees and applications interact with sensitive, protected customer data. All employees and contractors are required to undertake regular mandatory training in key topics.

The Chief Legal Officer is certified in privacy law in the US and the UK. We continue to ensure we address current and evolving regulations.

The 'Data and Cyber Security' section above contains details regarding the HITRUST CSF certification for Trisus and InSight solutions and also AICPA SOC Type II certification in place for Sentinel, Sentrex, and Trisus Decision Support applications. HITRUST is expanding their security and data privacy controls to cover key legislation.

Intellectual Property Risk

Trend since last year: **No Change**

Issue: The Group's intellectual property is centred around the software solutions and services it develops for customers. Failure to protect, register and enforce (if appropriate) the Group's Intellectual Property Rights could materially impact the Group's future performance. The use of third party contractors within the Group's software development organisation as well as increasing numbers of customers using outsourced partners to operate parts of their finance departments, results in a larger number of third parties having access to the Group's Intellectual Property.

Mitigating Actions: The Group will continue to register its trademarks and protect access to its confidential information, as appropriate. The Group continues to include appropriate legal protections in its contractual relations with customers, suppliers, and employees. There are developed processes and procedures for the management and control of contractors as well as their access to information. The Group would vigorously defend itself against a third-party claim should any arise. The Group also has in place strict physical and data security processes and encryption to protect its intellectual property.

Principal Risks and Uncertainties [Cont'd]

US Healthcare: Complexity, Evolution, & ReformTrend since last year: **No Change**

Issue: The US healthcare industry, already a complex and highly regulated environment, continues to evolve, with a drive for increased value from healthcare spend and a shift towards consumerisation. The US healthcare market is subject to continual change and as such could impact the Group's market opportunity.

Mitigating Actions: The Group has taken steps to ensure it stays at the forefront of how the industry is interpreting current proposals and actions they are taking. It has and it continues to develop significant industry expertise, across revenue cycle and 340B program aspects, at all levels of management including the Board of Directors. It actively promotes developing further experience throughout the wider organisation by, amongst other things:

- key hires adding to the industry expertise across the Group, both at operational and strategic levels;
- having independent industry experts attend and speak at internal and external Company events;
- regular attendance and speaking engagements by senior management at healthcare forums and industry education events; and
- customer forums.

The Group's Value Cycle strategy, delivering revenue integrity visibility and optimisation as well as 340B program management, together with the ongoing expansion of the Trisus platform strengthens our position as a trusted financial performance partner to hospitals. In addition, the Group continues to innovate and develop further new products to meet evolving market needs, such as the ongoing development of the Group's new products in the medication area. Our focus on the core themes for data gathering, regardless of reimbursement model, enables Craneware to be flexible in assisting hospitals to run more efficiently and adapt to evolving models.

These strategies, in addition to the customer engagement activities outlined on pages 36 to 37, keep the Group at the forefront of industry developments.

The reimbursement environment is constantly evolving. While the threat exists and ongoing changes continue to occur, the situation has been ongoing for some time. Healthcare reform is a point of political focus and fluctuation; reform measures occur in varying directions depending on the political party in power and their success in passing new legislation while in power.

Regulatory EnvironmentTrend since last year: **Increased**

Issue: The Group operates in an increasingly complex and heavily regulated market environment at both the federal and state levels. This includes very specific requirements and policies in dealing with, for example, data privacy, security, labour / employment, anti-kickback statutes, compliance with and operation of the 340B program. This risk is also driven by new state-level data privacy legislation which is coming into play on a rolling basis across the US, in addition to existing 340B and GDPR and HIPAA regulations.

The US regulatory environment is driven by three areas of government focus that includes Congressional actions (federal and state), Judicial decisions, and Administration actions. When there is uncertainty in regulatory oversight or a desire for change in policy, it drives either judicial or congressional engagement or the opportunity for constituents to provide comments to the Administration. In the case of healthcare, there is a current drive to lower drug pricing, create transparency, and reduce the total cost of care.

An increasing number of drug manufacturers (24) have been excluding their products from 340B contract pharmacies or placing further data requirements on covered entities in order to alleviate these exclusions. These exclusions are reducing covered entities' 340B benefits and, as a result, potentially curtailing their ability to provide services in their underserved communities. These restrictions and their implications have led to litigation (which is ongoing) both on and from the manufacturers with the federal government agency Health Resources and Services Administration (HRSA). Additionally, legislation is ongoing in some states that have enacted protections for their covered entities. The outcome of these actions or any legislation to limit the scope and benefit of 340B could result in a fundamental change (reduction) in potential revenue.

Additionally, we continue to monitor the annual changes to the hospital outpatient prospective payment system (OPPS) that is administered by the Centers for Medicare and Medicaid Services (CMS) and any regulatory changes that can impact healthcare reimbursement and payer strategies.

The Group operates in both the UK and the US and is therefore exposed to the changes in the political and economic environments of both jurisdictions.

Mitigating Actions: The Group has a Risk & Compliance Committee, comprised of the Chief Information Officer, Chief People Officer, Chief Financial Officer, Chief Technology Officer, and the Chief Legal Officer to oversee activities and concerns pertaining to the strict regulatory environment.

All employees and contractors are required to undertake regular mandatory training in key topics. In addition to utilising external experts in the relevant areas, senior management regularly attend educational events and forums to keep up to date with evolving regulations.

Legislative changes are occurring on a regular basis. The Risk & Compliance Committee, which is made up of senior management from both countries, oversee activities and concerns pertaining to the strict regulatory environment.

Complex Market Dynamics**Trend since last year: Increased**

Issue: The global economic environment continues to be uncertain. Factors such as the post-pandemic environment, staffing shortages, inflation, Russia's invasion of Ukraine and supply chain issues, along with increased legislation around healthcare and healthcare reform in the US require healthcare organisations to continuously shift in response to the changing environment.

While the critical health risks of the pandemic have subsided, the pressure on healthcare providers continues and the drive for increased value from healthcare spend and the shift towards consumerisation remains.

Consolidations and the scrutiny around some of those mergers among healthcare providers have increased. Continued consolidation around technology service providers has accelerated. The evolving market in US Healthcare continues to place significant pressure on healthcare providers, which is resulting in ongoing market consolidation. As a result, the Group's market is increasingly dominated by larger hospital networks. Failure to enhance products, ensure scalability or add to the current product suite could significantly limit the Group's market opportunity and leave it unable to meet its customers' evolving needs.

Mitigating Actions: Healthcare economies are increasingly challenged in terms of cost relative to outcomes. Providers need to adjust to achieve margins that allow them to re-invest in clinical care. The continued move to value-based care is consistent with The Craneware Group's Value Cycle strategy and the ongoing expansion of the Trisus Platform including our 340B product portfolio.

The Group continues to innovate and develop further new products to meet market needs. The Group has taken steps to ensure it stays at the forefront of how the healthcare organisations are interpreting current proposals and the actions they are taking, including continually adding to and developing industry expertise at all levels of management including the Board of Directors.

Competitive Landscape**Trend since last year: No change**

Issue: New entrants to the market or increased competition from existing competitors and those with vertical growth strategies could significantly impact the Group's market opportunity.

Mitigating Actions: The Group continually monitors its competitive landscape, including both existing and potential new market entrants. Significant barriers to entry continue to exist, including but not limited to the significant data content built over the Group's history that exists within its products. The Group continues to expand and develop its product portfolio and to ensure its products are platform agnostic and actively seeks partnerships with other healthcare IT vendors. The Trisus platform continues to evolve and expand, with new modules being released and a growing customer base. Our longer-term contracts help limit any unexpected customer departures. We also monitor customer satisfaction to ensure delivery of services meets customer expectations.

The Group's combined suite of applications and industry-leading team of experts help our customers contextualise operational, financial and clinical data, providing valuable insights and best practice. These value cycle insights deliver revenue integrity and 340B compliance, as well as margin and operational intelligence – something no other single partner can provide.

Management of Growth**Trend since last year: No Change**

Issue: Significant growth, both organically and through acquisition, can place strain on the current management bandwidth and other resources across the Group. There is a risk that significant reliance can be placed on a few members of the senior management team, the retention of which cannot be guaranteed. If the correct level of investment in people and technology is not maintained it is possible that the quality of the Group's service offering could drop and/or cost control and operational effectiveness will deteriorate.

Mitigating Actions: Organisational development and design, including Lean initiatives, and aligning the corporate infrastructures are helping drive accountability to the most appropriate levels.

Management bandwidth continues to be built at all senior levels of the organisation, this includes the Transformation Office. The Transformation Office supports current and future significant initiatives as the Group grows and evolves. The Operations Board has also benefitted during the year from the addition of the new Chief Technology Officer.

Ongoing leadership development programs ensure that the next generation of Craneware leadership is equipped to manage the growth of the organisation.

The Group has a programme of continual investment in all aspects of the business including: operational, financial and management controls, procedures and training programmes. This is constantly reviewed and monitored to ensure that the Group can continue to maintain the high standards of customer service and product development activities.

Principal Risks and Uncertainties [Cont'd]

Acquisition Risk**Trend since last year: No Change**

Issue: The Group has a stated acquisition strategy, as explained within the Operational and Financial Review section of the Strategic Report. Any acquisition carries with it an inherent risk, including failure to identify material matters that could adversely affect future Group performance and failure to effectively integrate an acquired business in order to realise the anticipated benefits (including strategic goals, synergies and cost savings).

Mitigating Actions: The Group and Board members individually have relevant experience in regard to completing acquisitions and this experience has been added to in recent years through key appointments to the Operations Board. The Craneware Group continues to mature and has both wider management bandwidth and more experience to manage and integrate an acquisition. In addition, and where appropriate, the Board appoints independent professional advisors to assist in the consideration of potential acquisitions and to assist management in the due diligence process. The integration of the Sentry business, following its acquisition by Craneware in July 2021, was managed on a phased basis, using established change management controls and strong leadership support across the organisation. Experience gained from that integration process will assist with the management of the integration of any future acquisitions.

Macro-economic Environment**Trend since last year: Increased**

Issue: The Group has significant operations in the UK and, predominantly, the US and is therefore exposed to the changes in the political and economic environments of both as well as relevant aspects of the global environment. The current macro-economic environment has several compounding influences which are resulting in headwinds and challenges for many businesses globally. These factors include (but are not limited to): widening political divide; climate of social instability and increased industrial actions; increase in interest rates; rise in food and commodity prices; resulting cost of living increases and salary inflation pressures; increased employee attrition globally; supply chain issues; instability and uncertainties caused by the Russia / Ukraine conflict. The compounding influences of these factors are setting the stage for significant inflation and higher interest rate environment over a currently unknown timeframe. Any worsening of economic conditions could lead to further cost inflation and reduced healthcare budgets which could impact demand for the Group's solutions and services.

Employee retention is an increasing challenge to all businesses. This issue is compounded by the ability to attract talent with specific skillsets and experience. Globally there is a restricted supply of qualified personnel within the technology sector. There are also associated costs of recruitment, onboarding and training. The potential impact is that we will have a gap in the required resources needed to deliver on our short-term strategic goals. Falling short of these will impact customer contracts and revenue. High levels of attrition can have a negative impact on the performance of the business, on customer service and on organisational culture.

Mitigating Actions: Macro-economic risks are outside the Group's control, but the Group will continue to focus on ensuring it has effective measures in place to identify and react quickly to changes in macro-economic conditions, including robust planning, forecasting and resource allocation procedures. The Group's current financial position includes a strong balance sheet and cash generation. There is regular monitoring of economic trends, review of financial forecasts and scenarios and tracking contract prices. This supports regular forecast updates that allow the Board to monitor the performance of the Group on a timely basis and respond accordingly. The Group has experienced Board members and senior management in both the UK and in the US.

There is close monitoring of the inflationary environment and the impact of inflationary increases is being assessed by financial modelling. Our long term contracts with customers often contain annual increases which provide an element of annual increased revenue to offset increasing costs.

With operations across both the UK and the US, we are able to recruit from talent pools in both geographies. We continue to develop and enhance our employee value proposition, specifically the balance between investing in reward and other factors which are important to our employees such as learning and development, employee engagement initiatives and our Dynamic Working Framework. These are outlined in the Environmental, Social and Governance Statement. We conduct monitoring of salary and total compensation structures compared to benchmarks. Regular reviews are performed and benchmark data obtained to understand and manage salary trends. Further monitoring of attrition rates and exit interviews provide insight into the impact on the Group and help to direct actions.

Compliance with debt finance facility covenants**Trend since last year: No Change**

Issue: As part of the funding for the acquisition of Sentry, the Group entered into debt facility arrangements which provide up to \$140m of secured funding. This secured committed debt facility, comprises a term loan and a revolving credit facility. Details of these borrowings are provided in Note 21 to the financial statements. The loan agreements require specific bank covenants and quarterly reporting to ensure compliance with the conditions of the loan facilities. If the covenants were breached, the lenders could take action against the Group. This could include the lenders using their security over the Group's assets to repay the outstanding debt, thus adversely impacting shareholders.

It is necessary that the borrowings are appropriately managed to ensure the Group continues meet all obligations as they fall due, to ensure the Group has sufficient headroom to execute on our strategy and to deliver returns for our shareholders.

Mitigating Actions: There is regular monitoring of financial information across the organisation, including monitoring of compliance with the loan covenants. The forecasting process enables evaluation of projected financial information against the bank covenant requirements and this is kept under review.

The Group benefits from high levels of recurring revenues leading to strong cash generation which is improving levels of headroom against the borrowing facilities and reducing leverage. The Group's loan facility is provided by a broad and supportive banking syndicate and the business is operating well within the loan covenants. The loan facility has been drawn down to the extent of \$120m of which \$84m was outstanding at 30 June 2023 comprising a \$24m term loan and a \$60m revolving loan facility. These facilities were originally due to expire on 30 June 2026 and on 7 June 2024 respectively.

We retain regular and detailed dialogue with our lenders. During the year ended 30 June 2023, we have completed the second extension of our banking facilities, as described on page 12. Based on the relationships we have developed and regular engagement, each of the banks were supportive and agreed the requested extension of the facilities. This demonstrates the positive support we continue to receive from our banking partners.

Banking Environment**New Risk**

Issue: The financial services industry, and notably banking, have faced significant challenges that have led to increased risk impacting cashflow and lending products.

In 2023, the unexpected collapse of a large US Bank resulted in issues with access to assets, employee credit cards, cash receipts, and the stability of significant loans. Many businesses, including The Craneware Group, were impacted by the situation. This risk of contagion to other banks remains a possibility.

Further industry risks exist with increased threats of security breaches, exacerbated by global conflicts and national tensions.

Mitigating Actions: Insurance measures are already in place, along with good relationships with a number of financial institutions allows the Group's cash reserves being "spread" across multiple banks.

We continue to implement process improvements, including increasing visibility on high-value contracts which result in significant payments into a single account. Insurance measures have also been reviewed to ensure as effective coverage as is possible.

We retain regular and detailed dialogue with our lenders, and these relationships continue to be supportive.

Emerging Risks

Emerging risks are newly developing risks that cannot yet be fully assessed but that could, in the future, affect the viability of our strategy. In addition to known risks, we are consistently reviewing and re-assessing other emerging risks and the need for mitigation, as well as reporting to the Board, as part of our existing risk management processes. These processes include the identification of relevant internal and external factors and are designed to capture those emerging risks which are current and those that will impact future periods.

Climate Change

The Group is aware that, for all businesses, the profile and therefore impact of climate-related risks are likely to change not just in terms of physical impacts but also as a result of evolving government policy to enable transition to low carbon economies. Climate change has both immediate effects and progressive, long-term effects on the risk profile of all businesses. In the short-term there is an increasing frequency of extreme weather events (wind/rain/flood); this may lead to significant changes in certain costs, including but not limited to taxation e.g. on emissions. In addition to any physical impacts, Governments may seek to introduce new regulations in this area to accelerate the transition to a low carbon economy. The profile and therefore impact of climate-related risks are set to alter as government policy evolves. The actions required to reduce carbon usage and to mitigate the impacts of climate change may be wide-ranging, resulting in an increase in operational costs or capital expenditure. Climate-related risk considerations, including governance arrangements, are disclosed within the Group's Non-Financial and Sustainability Information Statement.

Emerging Risks [Cont'd]*Climate Change [Cont'd]*

The nature of Craneware's operations, i.e. not manufacturing or transporting goods, means its environmental impact is relatively low compared with other sectors and our overall risk from climate change is assessed as low. However, all businesses, including Craneware, must recognise the importance of responding appropriately and reducing their contribution to global climate change. Also, as the size of the Group grows, we are conscious of the impact our operations may increasingly have on the environment. Craneware aims to manage its environmental impacts responsibly and this is further outlined within the Environmental, Social and Governance Statement.

In regard to specific risks to Craneware; existing resilience plans include mitigation strategies for extreme weather events; energy costs are a relatively small proportion of its costs and likely regulatory interventions are seen as manageable; and we already rely on video conferencing technology, thereby reducing our travel requirements. The Group also remains cognisant of the significant reputational risk if it does not continue to respond appropriately to global climate change.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have considered the viability of the Group over the three-year period from 30 June 2023.

Considerations that impact this assessment include the Group's current financial position, including the addition of the bank facility and other available financial resources, the Group's SaaS business model as outlined within the Strategic Report, the Group's strategic initiatives, the financial forecasts, the Group's cost base and annual forecast.

In the current year this assessment has also included consideration of the continuing impact of the current macro-economic climate on viability.

With regard to the current economic climate, significant increases in inflation and the increased cost of current interest rates have been modelled as part of this assessment for their impact on the Group's cost base.

In addition, the Directors assessed the current banking facilities and the Group's ability to satisfy the terms and covenants of the loan agreements, effective from July 2023.

The Directors also considered several other factors including the Group's risk management and internal control effectiveness and the principal risks and uncertainties and their likelihood of occurrence within the period of assessment.

The Directors consider that three years is an appropriate period for this assessment as it corresponds with the outlook used internally and for strategic planning.

The SaaS business model with its underlying long-term contracts (as described earlier in the Strategic Report), high levels of associated cash generation and long-term focus on customer success provides a foundation of revenue for

future years. This foundation of contracted revenue forms the basis of the scenarios considered by the Directors in making this assessment, including a scenario which envisages no revenue growth and a reduction in revenues during the assessment period. The Group also has a committed but undrawn facility available to it of \$60m. The Directors confirm that they have a reasonable expectation that the Group will be able to withstand the impact of this severe adverse scenario, should this occur during the three-year assessment period.

The Directors have therefore considered, in making this assessment, the Group's current financial position and future prospects and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period from 30 June 2023. However, future assessments of the Group's prospects are naturally subject to uncertainty that increases with time and therefore future performance cannot be guaranteed.

Strategic Report: Environmental, Social and Governance (ESG) Introduction

ESG Committee Chair's Introduction

At the heart of our culture is our aim to operate in an ethical way that allows us not only to meet the needs of our stakeholders, but most importantly have a profound and positive impact on the communities in which we operate and the wider society. Our Purpose is to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to provide quality care to their communities. This social impact cannot be underestimated. In FY23 we delivered significantly over \$1 billion of benefit to our customers from utilising our solutions, helping them stretch their scarce healthcare resources as far as possible. This social impact continues within our Craneware Cares program, where our employees led many efforts in providing time and precious resources to support the causes in their own communities.

As such ESG or sustainability is, and has been, inherently central to the Purpose of The Craneware Group. I am therefore delighted to chair the newly formed ESG Committee and, along with my colleagues, to support and facilitate our strong sustainability practices and ethos.

It's important to note that we, as a software and services provider, operate with a low impact on the environment, and where we do create a carbon footprint, we are working diligently to reduce this. We are also focussed on ensuring that our people practices reward our employees for their contribution to The Craneware Group's success and foster an inclusive, equitable, diverse, and ethical culture.

In light of this we introduce our three ESG Focus Areas, and provide the details of our ESG initiatives and activities of the ESG Committee within our ESG Statement on pages 34 to 46. Highlights of these three ESG Focus Areas are summarised in the table below.

We hope you find our first Non-Financial and Sustainability Information Statement and accompanying ESG Statement informative.



Issy Urquhart
Chair of the ESG Committee & Chief People Officer

| | | |
|---|--------------------------------------|---|
| DRIVEN BY OUR PURPOSE : to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to provide quality care to their communities | Key ESG Focus Area | Overview of our ESG credentials |
| | Our Customers & Community | Our solutions benefit society, supporting our customers' financial stability and sustainability so that they can focus and prioritise patient care and provide healthcare services which benefit their communities. In FY23 our customers have seen significantly in excess of \$1 billion benefit from utilising our solutions, helping to stretch scarce healthcare resources as far as possible. Craneware Cares, our CSR program, is driven and led by our employees and forms a central and important part of life at Craneware; coordinating our approach to charitable giving and community outreach. > Further details are in our ESG Statement |
| | Our People | We have a talented mix of employees from diverse backgrounds, which brings a high level of innovation and collaboration. Our diversity metrics are on page 38. Our reward practices, working arrangements, learning & development, employee engagement strategies, talent acquisition and wellness focus support our diversity aims and facilitate a culture of high contribution, equality and inclusion. > Further details are in our ESG Statement |
| | Our Environment | Our environmental impact is relatively low and our climate-related risks are not material. However, in the global challenge of climate change we have a part to play by reducing our environmental impact. We have various initiatives underway and in plan to reduce emissions and energy use and supporting environmentally responsible practices. > Further details are in our Non-Financial and Sustainability Information Statement (on pages 26 to 33) and in our ESG Statement |
| LEADERSHIP AND OVERSIGHT BY THE BOARD OF DIRECTORS (Our Governance framework includes: business ethics, corporate governance, information security, anti-bribery and corruption, modern slavery, whistleblowing policy) | | |
| UNDERPINNED BY OUR CULTURE and VALUES FRAMEWORK | | |

Strategic Report: Non-Financial and Sustainability Information Statement

In accordance with section 414CB of the Companies Act 2006 (the 'Act'), the Board provides, within this Statement, the climate-related financial disclosures for the Group of companies which has Craneware plc as its ultimate parent company (the 'Group').

This is the Group's first year of reporting in respect of these provisions in the Act and the Group aims to make further progress during the year ending 30 June 2024 in relation to setting appropriate targets and defining key performance indicators to monitor our response to climate-related risks and steps to reduce the Group's impact on the environment.

Introduction and overview

The nature of the Group's operations, i.e. not manufacturing or transporting goods, means that its environmental impact is relatively low compared with other sectors and our overall risk and impact from climate change is assessed as low. As a result of what we do, we are not involved in energy-intensive processes nor does the organisation generate significant emissions or waste however, we understand we all have a role to play in protecting the environment. The Board believes that all businesses, including The Craneware Group, must recognise the importance of responding appropriately and reducing their contribution to global climate change. Consequently, we seek to manage and minimise the Group's impact on the environment through good governance, measuring and monitoring climate-related risks and opportunities and taking steps to reduce energy use, emissions and waste, in alignment with net zero ambitions.

The Board acknowledges that s414CB of the Act states that companies should include disclosures on climate change-related risks and opportunities, where these are material. Although not considered to be material risks and opportunities to the Group at this time, we understand that this information may be useful to stakeholders. We recognise the importance of transparency and reporting for our stakeholders to enable decision making and more effective monitoring of risk mitigations and progress towards targets as we transition to a low carbon economy. Supported by our ESG Committee, the Board aims to keep abreast of this evolving situation by monitoring and ensuring risks and potential opportunities are assessed and that we are implementing appropriate mitigating actions to support the reduction in the Group's environmental impact.

The Board recognises that further development of assessments, emissions data and monitoring in this area are required and we are committed to ensuring progress with these activities through FY24. We intend to enhance our reporting of climate-related information as we make further progress as an organisation towards net zero emissions, in the context of the UK and US governments' targets for net zero by 2050. We have initiated work to better quantify the Group's emissions. We assessed climate-related risks and opportunities and their potential impact (described further below); the results from this assessment along with a more complete composition of the Group's emissions data will form the basis of our targets to manage climate-related risks. We shall build upon the groundwork conducted by

the ESG Committee in the financial year to 30 June 2023 ('FY23') and progress with expanding our sustainability activities in the year ahead and accordingly enhance our climate-related reporting.

However we commit to more immediate actions rather than waiting for data to be gathered or specific targets to be set as climate concerns continue to evolve with an increased urgency. Being aware of our main areas of energy use and emissions we have initiatives already underway. The actions initiated in FY23, which aim to assist with reducing our environmental impact included the following, along with our wider sustainability initiatives that are described within the Environmental, Social and Governance ('ESG') Statement on pages 34 to 46.

- An ESG Committee has been established to support the Board with the operational coordination and direction of the Group's sustainability activities (refer to the Governance section below and our ESG Statement);
- The decision to reduce the rented office space in the US. This will result in an initial 13% reduction in rented office space in early FY24 with further reduction in FY25; we anticipate that in FY24 this could result in a Scope 2 emissions reduction of at least 10% at first. This is described further below in the 'Energy Use and Emissions' section and in the ESG Statement on pages 31 and 32;
- Initial plans and steps taken to gather Scope 3 emissions data and this activity is ongoing;
- Continued migration of internal information technology on-premise services to more energy efficient cloud services;
- Review of some key suppliers' sustainability initiatives, renewable energy policies and other emission reduction actions; this assessment will continue during the year ahead; and
- The encouragement for, and facilitation of, carpooling arrangements for the journey to work for some of our UK office-based employees.

Further actions, which are anticipated to help to reduce our environmental impact, are also in plan for the coming year and we refer to some of these within this Statement and in our ESG Statement. We therefore look forward to reporting on progress in these areas in our FY24 annual report.

The Board is cognisant that the provisions of s414CB of the Act comprise specified climate-related disclosures that are aligned with the Task Force on Climate-related Financial Disclosures ('TCFD'), but do not directly reference these. During our planning activities, we referred to the guidance on the 'Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs' issued by Department for Business, Energy & Industrial Strategy in addition to TCFD guidance.

Set out below are the requirements of the Act in this regard and the sections within this Statement containing the relevant information, other than in the overview description above:

| Requirements of s414CB (2A) Companies Act 2006 | | Section name in this Statement and page number containing this information |
|---|--|---|
| (a) | a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities | Governance (page 27) |
| (b) | a description of how the company identifies, assesses, and manages climate-related risks and opportunities | Risk Management (page 28) |
| (c) | a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process | Risk Management (page 28) |
| (d) | a description of: <ul style="list-style-type: none"> (i) the principal climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed | Climate-related Risks & Opportunities (pages 28 to 30) |
| (e) | a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy | Potential Impacts & Resilience (pages 30 & 31) |
| (f) | an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios | Potential Impacts & Resilience (pages 30 & 31) |
| (g) | a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets | Metrics & Targets (pages 31 to 33) |
| (h) | a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based | Metrics & Targets (pages 31 to 33) |

Governance

The Board of Directors has overall responsibility for sustainability or 'environmental, social and governance' ('ESG') matters including oversight of climate-related considerations and effective management of any climate-related risks and opportunities, as part of the Board's responsibilities to monitor any issues which impact strategy, risk management and the operations of the Group.

During the year ended 30 June 2023 our ESG Committee was established and the Board appointed Issy Urquhart, an executive Director of the Company and the Group's Chief People Officer, to chair the ESG Committee. Membership of this Committee consists of senior representation from across the business, including the Chief Information Officer. The Board maintains oversight of the ESG Committee and approved the terms of reference for its operation and receives regular updates from the ESG Committee. In addition, from an operational perspective, the ESG Committee provides regular updates and copies of Committee meeting minutes to the Risk & Compliance Committee (with three of the members of the ESG Committee also being members of the Risk & Compliance Committee). The sustainability governance framework within the Group is summarised below.

Overview of ESG / Sustainability governance framework



The ESG Committee, for its initial period of operation, has met each month although it is envisaged that the frequency of Committee meetings will reduce to a quarterly cadence following the completion of activities relating to the Committee's formation and initial assessment activities. The ESG Committee's remit is wider than environmental (including climate-related) matters; and the Board has approved three key focus areas within which to structure the ESG Committee's efforts, as explained within the ESG Statement.

Risk Management

The Group's Risk Management process is described on page 16. The management of climate risks has been embedded into those risk management arrangements. The process maintains a consistent approach to the management of climate-related risks, in line with all other risks managed across the business so that their significance is evaluated relative to the same appraisals as other identified risks.

The Board considers that the Group's current processes, including risk management and the operational oversight by the Operations Board and its subcommittees are sufficient at this time to maintain monitoring on climate-related risks and mitigation plans.

Risks identified through this process are assessed based on their potential impact and likelihood of occurrence using defined criteria which are applied throughout the risk assessment procedures. The process also considers mitigation of the risks, the responsible owner(s) within the senior management team, emerging risks and ongoing monitoring.

Alongside the Group's risk management process, the ESG Committee has conducted a preliminary assessment of the identified potential climate-related risks and considered potential climate-related opportunities. This was a qualitative climate risk impact appraisal including consideration of mitigation and adaptation arrangements.

In prior financial years, through this risk management process, climate change was identified as an 'emerging risk'. Overall, our analysis indicated no short term material climate-related risks that would affect our strategy or performance, and therefore it was concluded that climate change remains an emerging risk. However we will continue to evolve and develop our understanding of climate risks, with further appraisals, given the evolving nature of climate change and its progression and impact updates based on scientific data and analyses.

Climate-related Risks and Opportunities

It is acknowledged that many of the more significant and prolonged effects of climate change are expected to arise in the longer term and therefore come with an inherent uncertainty. We have identified those climate-related risks and potential opportunities most likely to affect The Craneware Group as set out below.

In our initial appraisals of climate-related risks, both physical and transitional risks, and opportunities, from climate change, have been considered as well as taking into account the geographical locations in which the Group operates. Physical risks are those arising from the climatic impact of higher average temperatures (such as the increased frequency and severity of extreme weather events), whilst transition risks are those arising from the changes in technology, markets, policy, regulation, and consumer sentiment which will result from the transition to net zero.

None of the identified climate-related risks (which are described below), based on current assessments and mitigations, are expected to have a significant negative or positive impact on the Group's business model and / or strategy. It is considered that the impacts of these risks are not material to an understanding of the business or its strategy but are disclosed to provide context to readers of this Annual Report in relation to the developing nature of climate-related concerns. We appreciate, as is the case for other potential risks, that these should be kept under review and as significant new pertinent information or changes in the business occur.

Climate change is dynamic and is anticipated to have long term implications. Potential climate-related risks are being assessed within the following three time horizons and for the main reasons outlined in the table below:

| | <i>Short term</i> | <i>Medium term</i> | <i>Long term</i> |
|--------------------|---|--|---|
| Time period | Up to 3 years | 3 to 15 years | More than 15 years |
| Rationale | Aligns to our business planning and forecast period | We aim to set some emission reduction targets to be achieved within this timeframe | Covers 2050; the year by which UK and US governments are targeting for net zero emissions |

To date, our climate-related assessments have primarily focussed on short to medium term time horizons with the intention that more detailed and extensive appraisals will be conducted as part of our activities going forward.

The following climate-related risks have been identified as potentially relevant to the Group although none are considered to be material and the impact for each is currently assessed as low. In summary:

| Risk title | Climate-related threats to facilities and infrastructure | Carbon pricing in operations and value chain | Reputational issues linked to environmental performance and reporting |
|-------------------------------------|--|--|--|
| Risk type | Physical | Transition | Transition |
| Potential impact overview | Disruption to operations as a result of severe weather events or long term changes to weather patterns | Increased operating costs due to higher pricing of energy and other inputs | Potential damage to reputation and higher cost of capital |
| Time horizon | Medium | Medium | Medium |
| Impact (with mitigation) | Low | Low | Low |
| Likelihood (with mitigation) | Unlikely | Possible | Unlikely |
| Mitigation / adaptation | Refer to summary below | Refer to summary below | Refer to summary below |

Climate-related threats to facilities and infrastructure

With potentially higher frequency or severity of weather-related events (for example floods, storms) and also longer term changes to weather patterns and associated sea level rises caused by climate change, there is an increased potential for business interruption and damage to premises and infrastructure.

The Group has several mitigations, as a result of its operations, facilities arrangements and business continuity plans. In addition, the Group does not have a dependency on a single physical location and our working arrangements are such that not all of our employees are office-based; the majority of our US employees are home-based. The Group utilises leased office premises in geographically dispersed locations which are not highly vulnerable, based on our current resilience assessment. As a consequence of the pandemic public health restrictions during the past few years, the Group has been able to operate uninterrupted with our office-based employees working from home and, following the lifting of the restrictions, we have a Dynamic Working Framework allowing flexibility to work between home and office (as described within the ESG Statement). Over time the Group has also been migrating internal information technology on-premise services to cloud services therefore increasing resilience from an infrastructure perspective.

Carbon pricing in operations and value chain

As regulations come into effect to implement the emission reductions needed to achieve governments' net zero targets, there is an anticipated increase in the price of carbon to drive organisations to reduce their carbon emissions and energy use. The Craneware Group is therefore likely to see an increase in operational costs resulting from carbon pricing. This is expected to be as a result of our own operations, as well as vendors within our value chain, due to higher costs associated with energy and other inputs. This is anticipated to potentially affect some elements of the Group's operating costs however there are actions already in process and planning will assist with addressing some of this risk, for example the decision we have made to reduce our rented office space in the US will result in a reduction in energy use and emissions (as outlined further below).

The Group will keep under review vendor arrangements and activities in respect of energy use and renewable sources, pricing and vendor initiatives for reducing emissions.

Reputational issues linked to environmental performance & reporting

The Board is aware that, for all businesses, the profile and therefore impact of climate-related risks are likely to change not just in terms of physical impacts but also as a result of evolving government policy to enable transition to low carbon economies. We have an obligation to investors, regulators, and other stakeholders to communicate progress in respect of sustainability considerations including climate-change. Failure to address this risk, which is relatively low for our organisation, could nonetheless result in damage to our reputation and possible regulatory penalties in certain instances. We acknowledge that damage to the Group's reputation could potentially affect all of our stakeholders to some degree.

Whilst the Group's business does not generate large levels of emissions or waste and therefore reputational sensitivities in relation to climate-change could be thought to be low risk, we are mindful of the importance of the collective effort across society to address the challenge of climate change whether or not it is considered to be a high risk in the near term to individual entities. With the establishment of the ESG Committee during FY23 we are taking action to develop and enhance our policies and processes in this area.

Climate-related Risks and Opportunities [Cont'd]

Metrics to track climate related risks

It is recognised that the Group's initiatives to assist with reduction in emissions, in the efforts to address climate change in general, are more relevant and appropriate than developing specific metrics for each climate-related risk (which are each assessed as not material for the Group) however this will be kept under review by the Board and ESG Committee. No climate-related Key Performance Indicators (KPIs) or targets are currently reported by the Group however this information is not considered necessary for an understanding of the business.

Overview

Based on current assessments, we do not expect any material impact to the Group in the short term as a consequence of these identified climate-risks. As a consequence we do not believe it is meaningful at this stage to quantify their financial impacts. Nevertheless we will continue to keep these under review as climate-related projection scenarios continue to evolve and we will also further consider the range of potential impacts, in the medium to long term, to estimate the implications of risks in the longer term.

Climate-related opportunities

A few potential opportunities, which may arise as a direct result of climate-related implications, were identified however these are estimated to not be material to the Group's business model and strategy at this time. These potential opportunities include:

- **Hiring and retaining talent:** it is recognised that employers' sustainability credentials are becoming more important to stakeholders including employees (and prospective employees). Therefore appropriate sustainability initiatives, including those addressing environmental impacts, can help to attract and retain talent. We have a number of environmental and other sustainability activities initiated or in plan, as outlined within the 'Introduction and overview' section of this Statement and in our ESG Statement respectively. The direction, coordination and progression of these initiatives is assisted by our ESG Committee.
- **Efficiency of resource management and renewable energy:** improving the Group's energy use and transitioning to renewable energy sources could help reduce exposure to carbon pricing and also reduce our Scope 2 emissions. However, the Group's current ability to ensure it derives benefit from these opportunities is limited because our office facilities are leased within serviced premises and therefore control over energy supply and waste treatment resides with the landlords. Within the operation of our office space we have recycling points and encourage a reduction in waste such as single use plastics.

Potential impacts and resilience

In this dynamic situation of climate change, we understand the need to assess the appropriateness and adequacy of climate resilience in addressing both physical and transitional climate risks and in estimating the materiality of their impact (on a consistent basis to the materiality estimation for all other identified risks, as described in the Principal Risks and Uncertainties section of this Strategic Report).

As part of its initial assessments, the ESG Committee has referred to climate-related scenario analysis to improve the understanding of the sensitivity of identified potential physical and transition climate-related risks, as summarised in the section above, to different climate outcomes. This assists with the evaluation of the resilience of our business to climate change. Three scenarios (ranging from high to low emissions) were referred to in order to gauge the resilience of the Group's business model and strategy in the context of risks arising in the event of different climate change scenario projections. We recognise that further scenario analysis should be conducted to support a more detailed review and to ensure that the scenario projections we reference in the analysis are the most appropriate for the circumstances and up to date. It is intended that this will be completed during FY24 and the Group will provide information regarding that more detailed scenario analysis in next year's Non-Financial and Sustainability Information Statement.

The ESG Committee referred to scenarios compiled and published by the Intergovernmental Panel on Climate Change (IPCC) in the IPCC's sixth assessment report under climate warming scenarios ('Shared Socio-economic Pathways ('SSPs')') which included:

- SSP5-8.5: a high-emissions scenario (often referred to as 'business as usual'), where carbon emissions continue growing unmitigated; suggesting a likely outcome if global concerted efforts to cut greenhouse gas emissions does not happen. This scenario indicates a pathway to global temperature increase of an average of around 4.4°C above pre-industrial levels by the year 2100 and would therefore lead to more severe physical risks.
- SSP2-4.5: represents a scenario where policies and practices are implemented and nations worldwide undertake emissions reductions effectively and simultaneously. Rate of reductions would be slower than in the SSP1-1.9 scenario. This scenario indicates a global temperature increase to an average of around 2.9°C above pre-industrial levels by the year 2100 and this would still result in an increase in physical climate-related risks.
- SSP1-1.9: a low-emissions scenario which indicates a predicated global temperature increase, on average, to 1.5°C or below compared to pre-industrial levels by the year 2100. This scenario therefore reflects the goal of the Paris Climate Agreement of limiting global warming to less than a 1.5°C increase above pre-industrial levels. This scenario would require rapid global action (by governments and society) and declining emissions.

We have incorporated these scenarios into our initial appraisals of climate change risks and, based on our assessments so far, no significant risks have been identified from the scenario review that we are unable to mitigate. The vulnerability of the Group in the context of the climate-related risks is considered to be low as a result of the mitigations and adaptations referred to in the 'Climate-related risks and opportunities' section above including our working arrangements, use of leased office premises and their locations.

Our business continuity plans seek to ensure that effective business continuity practices and arrangements are in place, so the Group is more likely to be able to prevent, quickly respond to, and assist the organisation to recover from disruptions. The Group's business continuity plans appraise threats, including climate-related effects and impacts, with the aim of mitigations and adaptations being adequate and appropriate.

Metrics and targets

In order to achieve our net zero commitment before 2050 we expect to set a number of targets to be achieved along the way and we aim to define these targets and explain them and provide and update on progress in our FY24 Annual Report. We aim to broaden our collection of, and deepen our analysis of, emissions data to help to enhance our monitoring and reporting and to help the organisation to focus efforts on areas where the greatest reductions can be made from a practical perspective although actions have already been initiated, as summarised within the 'Introduction and overview' section above.

We are reviewing the Group's environmental impact in more detail and developing a carbon emission reduction plan which will involve the setting of incremental targets to monitor progress towards an overall goal of net zero emissions. We expect, for example, to manage goals of reducing emissions by having a series of targets which will enable more practical focus. We appreciate that emissions reductions will only realistically be achieved incrementally and with a collective effort – employee engagement is therefore part of this as is helping our people make sustainable choices. We also appreciate that further work is needed to conclude on appropriate KPIs and this is an aim for the ESG Committee in FY24.

In relation to the selection of metrics for performance-related elements of executive Director remuneration, as noted in the Remuneration Committee's Report, since the financial year end the Remuneration Committee has initiated a benchmarking study to focus on executive Director remuneration policy. The recommendations from that study will be considered by the Committee in FY24.

Reporting of our energy consumption and Scope 1, 2 and one element of Scope 3 emissions is included within our Streamlined Energy and Carbon Reporting (SECR) table within the 'Energy Use and Emissions' section below. We also explain in the section below the extent of our energy use and emissions data and plans for extending that data so that we have a better baseline for setting emission reduction targets and metrics for reporting in the future.

At present we are aiming for carbon reduction and we do not have any short term plans to offset our carbon emissions however this may be an aspect to evaluate as we make further steps along a path to net zero.

Energy Use and Emissions

The Company is required to report its energy use and impact under the Streamlined Energy and Carbon Reporting (SECR) regulations. The data presented below is in respect of the energy usage by the Company and its subsidiaries in the year ended 30 June 2023 whereas the comparisons for the prior financial year are as previously reported and therefore are only in respect of the UK energy usage by the Company.

Although only UK energy usage by the Company is required to be reported in accordance with the SECR Regulations, we have decided to voluntarily extend our energy use and greenhouse gas ('GHG') emissions data collection and reporting for the year ended 30 June 2023 in two ways. Firstly, our energy use and GHG emissions data includes our US leased office premises rather than being only in respect of our UK facilities. Secondly, we have started to report emissions for one category within Scope 3; this being emissions from car travel on business journeys (not commuting). We have widened the extent of this data collection and reporting in order to move towards a better baseline for setting emission reduction targets and monitoring our progress. We will continue to assess and keep under review the extent of our energy use and GHG emissions data collection and completeness with a view to potentially expanding our Scope 3 emissions reporting in the future.

The Group has defined its organisational boundary using an operational control approach. Therefore the figures include all office locations in the UK and in the US for the financial year ended 30 June 2023. In the previous financial year, energy usage by subsidiaries, (which are not in the UK), were outside the scope of previous reports and therefore were excluded from the figures. It is intended that a consistent Group basis will be applied for future reporting periods.

Metrics and targets [Cont'd]

Energy Use and Emissions [Cont'd]

| | 2023 | | | 2022 |
|---|---------------|---------------|--------------|---------|
| | Group total | US only | UK only | UK only |
| Energy use (kWh): | | | | |
| Electricity | 580,000 | 492,162 | 87,838 | 81,832 |
| | | | | |
| | 2023 | | | 2022 |
| | Group total | US only | UK only | UK only |
| Gross emissions in metric tonnes of carbon dioxide equivalent (CO₂e): | | | | |
| Scope 1 (Natural Gas) | 1.81 | 1.81 | - | - |
| Scope 2 (Electricity) | 208.84 | 190.65 | 18.19 | 15.82 |
| Scope 3 (business travel – cars only) | 27.09 | 27.09 | - | - |
| | | | | |
| Total of the above Scope 1, 2 and 3 emissions | 237.74 | 219.55 | 18.19 | 15.82 |
| | | | | |
| | 2023 | | | 2022 |
| | Group total | US only | UK only | UK only |
| Intensity measure (average no. of employees) | 734 | 541 | 193 | 189 |
| Intensity ratio in tonnes of CO₂e per employee: | 0.32 | 0.41 | 0.09 | 0.08 |

For the UK data, emissions were calculated from electricity billing information for our UK rented office premises and the UK government's 2023 GHG Conversion Factors Guidance. Emissions from our US rented office premises were calculated using electricity billing information for each office and the US Government's EPA 2021 eGrid conversion factors.

The Group has identified that the key intensity ratio, an expression of the quantity of emissions in relation to a quantifiable factor of business activity, is tonnes of CO₂e per employee. For the 2023 ratio, this is based on the average number of employees in the Group in the year ended 30 June 2023; the 2022 ratio was based on the average number of UK employees in the year ended 30 June 2022.

Office-related energy use (natural gas consumption (Scope 1) and purchased electricity consumption (Scope 2))

During the year to 30 June 2023 the Group had four leased office premises located in: Edinburgh (UK), in Deerfield Beach, Florida (US), in Pittsburgh, Pennsylvania (US) and in Atlanta, Georgia (US).

The Group has minimal Scope 1 emissions generated from the direct consumption of fossil fuels at one of our leased office premises in the US. Other than in that situation, the Group does not purchase fuel.

Scope 2 emissions arise from the purchase of electricity for our leased office premises in the UK and in the US. As shown in the table above, our energy use and resulting emissions from our UK office premises increased in the year ended 30 June 2023 as a result of our UK employees being able to work from the office throughout that year whereas the pandemic public health restrictions in place in the prior year resulted in the office not being fully utilised. Likewise there was greater energy use and emissions from our US offices in FY23 compared to the prior financial year.

As a consequence of the changes in how our employees choose to work, the types of spaces they prefer to work and collaborate in, and also as a result of our commitments to reducing our impact on the environment, we have reviewed our office facility requirements. Following this review we made two significant decisions about our US office space in FY23. We decided not to renew the lease for the office space in Atlanta, Georgia (US) and during the second half of FY23 this office was slowly decommissioned, with the lease expiring in October 2023. In addition, we decided to move office premises within Deerfield Beach in Florida, reducing our facilities footprint in that location and this office relocation is planned to occur in the second half of FY24. We provide further details regarding this plan within the 'Environment' section our ESG Statement on pages 43 and 44.

We expect that, with this initiative, in FY24 our energy use and Scope 2 emissions should reduce by at least 10% compared to FY23 with further reduction anticipated for FY25 based on current information. This will be an important aspect of our emissions reduction targets and timelines.

Scope 3 emissions

In terms of relevant background to the business travel category of Scope 3, all business travel for essential business purposes has to be approved in advance in accordance with our travel policy and authorisation procedures. The level of business travel was higher in the year ended 30 June 2023 reflecting a full year of the easing of COVID-19 pandemic public health restrictions and therefore more in-person delivery of professional services and customer meetings were conducted compared to the prior year. In addition more healthcare sector conferences and trade shows were held as in-person events rather than virtual.

Although we currently do not calculate estimated emissions from employee commuting, we believe that qualitative commentary on this aspect would be helpful context for readers of this report because the Group's employees do not have a daily commute to their workplace. The ESG Statement explains that the majority of our US employees are home-based and for our office-based employees our Dynamic Working Framework enables flexibility in working arrangements between their home and the office. Therefore our office-based employees do not have to commute to an office every day. From a comparative point of view, the extent of employee commuting during the year ended 30 June 2023 was higher than in the prior year reflecting a full year of being able to work in our offices following the lifting of restrictions in relation to the pandemic.

In relation to another element of Scope 3 emissions, the providers of the cloud services and data centres, used by the Group, have carbon reduction or carbon neutral goals and many sustainability and ESG initiatives.

Strategic Report: Environmental, Social and Governance (ESG) Statement

Our Purpose is 'to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to provide quality care to their communities'. We provide solutions and services which improve operational and financial performance, allowing our customers to focus their resources on healthcare priorities, benefitting their patients and communities.

Over several years Craneware has developed many initiatives which contribute to its sustainability credentials and we continue to develop a number of programs and opportunities to positively impact the community around us.

In recognition of the increasing importance to stakeholders of sustainability considerations and their monitoring and measurement, the Board decided that an ESG Committee should be established during the year ended 30 June 2023 to coordinate the ESG-related policies and initiatives and to align these to a more formalised governance framework appropriate to the Group. The Board envisages that the ESG Committee will enable a coordinated and measured approach, at an operational level, to the Group's many activities under the sphere of sustainability (focussed on 'Social' and 'Environmental' initiatives).

ESG Committee

The Chair of the ESG Committee (appointed by the Board) is Issy Urquhart, the Chief People Officer and executive Director of the Company. The membership of the ESG Committee includes senior representation from across the business.

The terms of reference of the ESG Committee were approved by the Board and the Board maintains oversight receiving regular updates.

The general purpose of the ESG Committee is to provide assistance to the Board in implementing the sustainability strategy and reviewing the ESG practices and initiatives ensuring they remain aligned to the ESG strategy.

The remit of the Committee is on three key focus areas: 'Community' and 'People' which form our social agenda and 'Environmental' matters. The Committee also supports the Board's governance responsibilities in respect of sustainability.

Since formation the Committee's time was directed to support the Board's responsibilities in relation to climate-related considerations as referenced in the Non-Financial and Sustainability Information Statement. The Committee's activities continue to evolve as we progress further initiatives in each of the key focus areas, including the oversight of operational measures for reductions in energy use and emissions to enable the reduction in the Group's environmental impact, aligned to national governments' net zero emission targets by 2050.

Other activities of the ESG Committee included the following:

- Reviewing availability of emissions data, particularly for our US offices and from significant vendors;
- Consideration of the extension of energy use and Scope 1 and 2 emissions data collection and reporting beyond the mandatory UK only information;
- Reviewing climate-related risks identified through the Group's risk management procedures, and mitigating actions;
- Consideration of different climate change scenarios and an overview of potential impacts;
- A review of various ESG initiatives including a review of plans and updates on progress;
- A review of business travel procedures and availability of carbon / emissions data; this will be progressed in FY24;
- Assisting with responses to ESG questionnaires received from shareholders.

Three key focus areas have been approved by the Board, appropriate to the Group's Purpose and responsibilities, to serve as a framework within which the Group's ESG efforts are prioritised and to direct the work of the ESG Committee. These are summarised below:

ESG Framework: Key Focus Areas



| | |
|---|---|
|  Community | <ul style="list-style-type: none"> • Customer needs met in support of their community impact • Advocacy for care access through hospitals and clinics • Corporate Social Responsibility focused on philanthropic and economic impact |
|  People | <ul style="list-style-type: none"> • Diversity, Equity & Inclusion • Engagement • Learning Culture • Wellbeing |
|  Environment | <ul style="list-style-type: none"> • Facilities • Travel • Data Centres • Vendors |

Our Solutions benefit our Customers and their Communities



For more than 20 years, Craneware has partnered with hospitals and health systems across the US to help improve and sustain operational financial performance. Craneware now serves approximately 40 percent of registered US hospitals, including more than 12,000 US hospitals, health systems and affiliated retail pharmacies and clinics. The Craneware Group's solutions benefit society. Our solutions help deliver value for our customers through the provision of accurate financial data, insight and analytics. Our solutions help to save our customers significant administrative time, resources and costs. Therefore we support our customers' financial stability and long-term sustainability so that they can focus on and prioritise patient care and provide healthcare services which benefit their communities. Supporting our customers and the vital work their teams provide has been, and will continue to be, a top priority for The Craneware Group.

The Craneware Group comprises expertise in clinical analytics and value cycle solutions, pharmacy procurement, compliance and utilisation management solutions and provision of real-time pharmacy data analytics. This makes The Craneware Group a concentration of intellect, skill and experience across the healthcare finance and 340B continuum.

Within its portfolio of solutions available to support customers, The Craneware Group provides software solutions for optimising performance related to the relationship between eligible hospitals and retail pharmacies in the community via the vital, complex 340B Drug Pricing Program. The Craneware Group's 340B management solutions support customers involved in the 340B Program (outlined in the section below), assisting eligible healthcare organisations ('covered entities') with regulatory compliance and pharmacy procurement and utilisation, thereby enabling them to generate cost savings which go directly to the provision of more care for the underserved in their communities. Pharmacy is the largest cost area for US hospitals apart from personnel costs.

Supporting 340B management

The 340B program enables substantially discounted (or free) prescriptions to be provided to low income or uninsured patients and also enables eligible healthcare organisations to use pharmacy cost savings to fund crucial programs that may not otherwise be financially possible.

The 340B Drug Pricing Program

The 340B Drug Pricing Program ('340B Program') requires drug manufacturers to provide considerable discounts on outpatient medications in order to have their drugs covered by Medicaid and Medicare Part B.

Health Resources and Services Administration (HRSA) (of the US Department of Health and Human Services) administers the 340B Program. HRSA describes the 340B Program as enabling 'covered entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.'^{*}

Eligible healthcare organisations for the 340B Program include Medicare / Medicaid Disproportionate Share Hospitals, children's hospitals, certain rural hospitals, State AIDS Drug Assistance programs, HRSA-supported health centers and additional federal grantees as described by the 340B law.

** Source: www.hrsa.gov/opa/index.html*

The 340B program does not present a cost to US taxpayers; the savings come from manufacturer discounts on outpatient medications. The percentage of 340B sales, of the total sales of medication in the US, has steadily increased over the last decade, with an emphasis on pharmacy participation and the high cost of specialty medications accounting for much of the growth.

The Craneware Group aims to help our customers, which are eligible healthcare organisations, build and manage a successful 340B program. Our 340B solutions will continue to advance, taking into account customer needs.

Advocacy

The healthcare marketplace that The Craneware Group serves, and provides software and services to, can be impacted by a three-pronged strategy through state and federal Congressional actions, government agency policies referred to as "administration", and judicial or court outcomes.

These influencing branches of the government that can impact the 340B program and demand that The Craneware Group have an ear to the ground to understand what policies may shift how our products and services are delivered. The Craneware Group has a team of advocates internally and externally that monitor state and federal policies that may impact 340B/value cycle or other components of healthcare (i.e. Medicare, Medicaid, Health Information Technology, Security). The team provides input into strategy and how The Craneware Group can influence these policies through notice and comment opportunities or meetings with government officials to provide insights.

In March 2023, The Craneware Group publicly announced that it supports and underwrites the advocacy group '340B Matters'.

Our Solutions benefit our Customers and their Communities [Cont'd]

About 340B Matters

340B Matters is an informational campaign that seeks to protect the 340B program for the non-profit healthcare facilities and patients who benefit from it. 340B Matters is supported and underwritten by Sentry Data Systems, Inc., now The Craneware Group. The 340B Matters website is at www.340bmatters.org

The core mission of 340B Matters is to protect the 340B program from corporate entities aiming to severely restrict access to reduced cost outpatient medications for non-profit healthcare organisations. 340B Matters supports patients over profits; the advocacy group lends a voice to all safety-net hospitals that provide accessible and affordable care to their most vulnerable populations.

The Craneware Group, in stepping forward as the power behind 340B Matters, demonstrates our continued and unwavering commitment to being more than just a revenue intelligence and 340B performance partner. We are committed to transforming the business of healthcare with our customers, closely engaging with them to achieve operational and financial goals that make healthcare more accessible and affordable for more people; including advocacy efforts to support safety-net providers and their mission to serve the unmet need in their communities.

Supporting our customers with 340B management – responding to industry demands impacting our customers

Example: The Craneware Group is helping Covered Entities contend with contract pharmacy exclusions

In 2020, at the height of the COVID-19 pandemic, a small number of drug manufacturers began to implement their own policies for managing 340B utilisation increases through excluding contract pharmacies from 340B purchases for their medications or a subset of their medications. Since that time, it has grown to 24 participating drug manufacturers which have the largest volume of prescriptions. These contract pharmacy exclusions are reducing covered entities' 340B benefits and curtailing their ability to provide services in their communities – the impact for affected customers is real and has lasting effects on caring for the most vulnerable.

Recognising these challenging circumstances, The Craneware Group is committed to supporting its affected customers in a number of ways, including: compilation of impact reports for each of our customers; providing enhancements to our solutions; and the development of resources to assist our customers. We have prepared guides, court summaries and articles to help customers decipher the various manufacturer letters and other information. In addition, within our secure customer community we provide updates as changes occur.

Further information regarding our pharmacy solutions and other 340B-related activities by The Craneware Group is contained on our website at: www.thecranewaregroup.com/solutions/340b-pharmacy/

Our Trisus Platform

We partner with our customers through the provision of

our solutions and related services, we assist them in solving problems efficiently and aligning data sets to provide actionable insights that are digestible, achievable and measurable. In doing this we help our customers optimise their revenue, allowing them to stretch scarce resources further across their communities' healthcare.

We offer not just exceptional support but ongoing education and a strong consultative approach to best practices that are provided by our team of enthusiastic professionals, committed to our Purpose, with deep industry experience.

As explained within the Operational and Financial Review sections of this Strategic Report, we will continue to invest in expanding the capabilities of the Trisus platform, developing additional applications and tools, to provide further actionable insights that bring tangible benefits to our customers.

Our Customers

Customer engagement

We recognise the importance of, and are fully committed to, engaging with our customers in meaningful, two-way conversations. Understanding the needs of our customers allows us to provide value-adding solutions and services. We continually enhance our customers' experience through several targeted initiatives that support our award-winning customer success efforts during implementation, professional services engagements, and ongoing customer support. We have outlined some of these initiatives below:

How we engage: examples of our Customer Engagement initiatives

The Advisory Council powered by The Craneware Group

This forum represents leadership from within The Craneware Group as well as key leaders from our customer organisations. The Advisory Council focuses on themes central to revenue integrity and 340B program management, compliance, precision, and advocacy to jointly define the future of scalable and cost-effective value cycle solutions. Through innovative and collaborative focus groups, we collect qualitative feedback, which is prioritised and refined into application features and services. This enables us to add value that benefits our customers and their communities as well as informing Craneware on issues of strategic importance related to the market, our applications and services; meeting the evolving needs of healthcare organisations through strategic, focused effort to transform the business of healthcare. Ongoing member feedback is also collected through surveys and thought leadership projects. The Advisory Council are also asked to participate in Communities of Practice training sessions and attend webinars delivered by The Craneware Group.

Executive Relationship Program

This program provides our strategic accounts an exclusive experience with executive and senior leaders at The Craneware Group. This program connects c-suite executives and decision makers with executives within The Craneware Group enabling us to grow and foster relationships over the course of the customer journey to better support our customers in transforming the business of healthcare.

The Craneware Group Performance Summit

The Performance Summit is our key customer event held annually in October. The event is a broader opportunity to engage customers, providing users of The Craneware Group's applications and services with educational and networking opportunities. We have seen an increase year after year in attendee numbers to this event since it moved to a virtual format in 2020.

Educational webinars

The Craneware Group regularly offers complimentary live webinars providing training and thought leadership across our solutions. Webinars cover live demonstrations of our solutions and also educational topics including billing, coding and regulatory changes which impact hospitals' revenues and costs, including compliance with the 340B Program.

Advocacy

An overview of our advocacy activities is provided above. The Craneware Group is involved in a range of annual advocacy events, including webinars and speaking engagements in relation to the 340B Program and committee participation with leading advocacy organisations.

Publications

The Craneware Group's thought leaders contribute to blogs, newsletters, case studies, white papers, and insights to provide customers real-time content on breaking industry news and software functionality. Our 340B solution customers receive a weekly newsletter with product and industry updates and a monthly blog that provides insights and perspectives on current events impacting healthcare and the 340B program.

The Academy

The Academy is our knowledge centre, with a triple aim: professional development, Craneware knowledge, and industry knowledge. Access to The Academy allows our customers to access materials specific to their needs and the use of our solutions. The Academy provides a high standard of healthcare financial industry training to support ongoing customer education and certification. This is complemented by courses that provide testing scenarios and hands-on practice within the system. We enjoy recognising and celebrating our customers on their certifications.

Instructor Led Customer Training Programs

The Craneware Group offers over 50 different courses to our 340B customers who can select from various topics to address their product training needs. In addition, we host the foundations courses and webinars for external customers. The Foundations program is a 12-week instructor led program for our 340B solutions with the option for an annual recertification.

Customer Experience

The customer experience encompasses everyone at The Craneware Group, and we work across all departments to place the customer's voice at the centre of everything we do. We base our efforts on a robust data collection process that analyses customer sentiment to help us identify opportunities for improvement. This information is instrumental in the development of our customer journey map, visually detailing how we can help customers at every step. We train our employees to put the needs of customers first, with a bias toward action. In addition, we regularly monitor all customer experience initiatives using a dashboard of internal metrics intentionally selected to encourage continuous improvement. The Craneware Group has a department dedicated to customer experience to provide oversight and to coordinate our efforts in these activities.

Account Management Survey (for customers of our 340B Program solutions)

In January 2023 our 340B account executives added a new survey to the automated transactional questionnaires we send to our customers through our customer relationship management platform, providing an additional feedback loop for continuous improvements in our customer experience. The Craneware Group donates \$5 to the American Cancer Society each time a customer completes this type of survey.

Customer Care Team (for customers of our Revenue Integrity solutions)

This is a designated team of problem-solving, relationship specialists. Their focus includes partnering with customers to engage and optimise the value of our solutions, services, webinars, and expert advice.

KLAS Results

KLAS's annual "Best in KLAS" report provides unique insight gathered from thousands of healthcare organisations across the US. Best In KLAS is a recognition awarded to vendors whose solutions help healthcare providers deliver better patient care.

As highlighted in the Operational Review section of this Strategic Report, The Craneware Group's Trisus Chargemaster secured top ranking in the Chargemaster Management category of the '2023 Best In KLAS Awards: Software & Services'. We received a 91.3 overall score from our customers. The Craneware Group has also witnessed continued improvement for its Sentinel and Sentrex solutions in the 340B Management Systems category, with the overall score from our customers this year being an increase from our previous rating in 2022.

Our People



People are at the heart of every connection we build, whether it be with our customers or our employees. We recognise the value of our employees and that the success of The Craneware Group is due to their efforts.

Culture

The Framework provides our organisation with a clear definition of “who we are and how we perform”. It is part of employees’ onboarding when they join Craneware and underlies, and is interlinked to, contribution management. The Framework comprises: Craneware’s values and characteristics (guiding principles) which also connect to each competency in our competency model, strengthening the way in which the organisation recognises the Framework within employee contribution management.

The Craneware Group Framework has five core values:

- **Be Authentic**
- **Demonstrate integrity**
- **Provide excellent service**
- **Work hard to the highest quality**
- **Enjoy the challenge**

Each value has a characteristic or guiding principle which articulates the way the value typically presents itself by our employees.

One of the outcomes of Contribution Management is to assess that the values and characteristics, along with the competencies, are being demonstrated in how our team members deliver their day-to-day contribution which is in turn recognised and linked to reward throughout the organisation. We celebrate employees who embody our Framework through an employee nominated annual Framework Award which is presented to employees who have demonstrated the values to the highest degree.

Diversity, Equity and Inclusion

The Craneware Group respects the dignity and rights of all of its employees. We have a talented mix of employees from diverse backgrounds, which brings a high level of innovation and collaboration. We believe in the importance of fostering a team environment while also celebrating the individuals within the team.

We do not tolerate any sexual, physical or mental harassment of our employees. We operate an equal opportunities policy and specifically prohibit discrimination

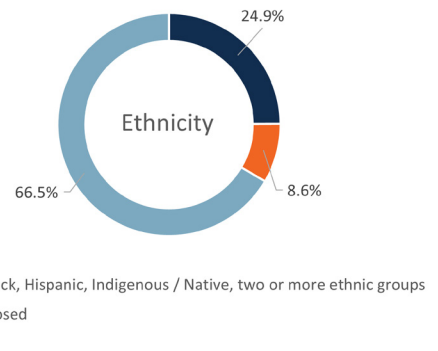
on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation. We do not employ underage employees.

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 employees 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 Group 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.

At the end of the financial year, our team comprised 47% female and 53% male employees (at 30 June 2022: 47% female and 53% male employees). At Operations Board plus vice president level, the composition is approximately 34% female and 66% male (at 30 June 2022: 37% female and 63% male employees). The Board of Directors is 33% female and 67% male directors (at 30 June 2022: 25% female and 75% male directors). The average base salary for female employees compared to male employees is approximately 1.04:1.

We monitor diversity data across the employee lifecycle spanning applicant tracking for open positions, hiring decisions through to pay and promotion decisions during employment which includes gender, ethnicity, age data.

The following chart shows the ethnicity profile at The Craneware Group as at 30 June 2023 which was 66.5% White; 24.9% Black, Hispanic, Asian, Indigenous/Native, or Two or more Ethnic groups; with a further 8.6% of employees not specifying ethnicity.



In the year to 30 June 2023, we continued to evolve our Diversity, Equity and Inclusion (“DEI”) programme. Our focus was on ensuring our day to day practices had a lens on equity and inclusion such as updating our employment policies where appropriate, scrutinising our pay and promotion decisions, and introducing additional inclusive benefits such as our fertility benefits. We also held sessions for managers on Mental Health Literacy and gathered information on DEI from our engagement survey. In the year ahead, we will relaunch “Craneware Spaces” our Group-wide DEI programme. This will include accumulating more data from our employees to support decision making, hosting education sessions, engaging community partners in talent acquisition, and elevating the DEI content in our leadership development programmes.

Employee engagement and communication

The Craneware Group is dependent on having an engaged team, that is motivated and aligned with the Group's values and culture. We recognise the value of our employees and that the success of the Group is due to their efforts.

How we engage: examples of our Employee Engagement activities

Advocacy Group

Towards the end of FY23 we commenced a review of our employee engagement and advocacy approaches which included the review of our employee advocacy group, taking into account considerations of this body for the longer term. This review considered the size and scale of the organisation and the cultural requirements for an organisation across two geographies with the aim to implement the proposed solution during the first half of FY24. This group will continue to have the remit of being a platform for the voice of the employee, providing a continual feedback loop to leadership and a resource and support for employee-led initiatives.

Employee engagement surveys

In February 2023, we held our annual employment engagement survey. A range of questions around leadership, management and the strategy were included. As well as quantitative feedback, employees were also able to provide text comments. We had a high response rate of 84% and we were therefore confident acting on the results. The overall engagement index was 71, which increased our index closer to previous norms and there were several highly scoring areas from the survey. In addition, results from the engagement survey informed a Group-wide action plan to focus the on lower scoring areas. Each action plan area has an Executive Sponsor, and they are partnered with a change practitioner to ensure successful outcomes from the action plan. Regular updates regarding progress and the status of the Group-wide action plan are communicated regularly through cascades and on the Group's intranet. Managers can access their own manager dashboard within the survey tool and create localised action plans to complement and reinforce the Group-wide action plan. The results from the survey and the Group-wide action plan were presented to the Board of Directors and the Board are updated on action plan progress.

To continue to improve the way The Craneware Group measures engagement and drives engagement outcomes, a new engagement survey provider has been chosen and is in place from early in FY24.

Annual all-employee meeting (plus mid-year update)

A key part of the meeting is the explanation and cascade to all employees of Group-wide strategic themes and outcomes, as agreed by the Board, and related operational plans and deliverables (with key performance indicators). The teams are provided with regular updates on these strategic themes and progress with deliverables throughout the year through cascades from the Operations Board as well as on the Group's intranet. The event also provides employees with updates regarding product development and customer engagement activities in addition to an overview of US healthcare sector trends.

All-employee Townhalls

On a minimum six monthly basis, usually following the full and half year financial results announcements, an all employee update is hosted by the CEO and CFO to provide an update to employees on the business. There is a question and answer section at the end of these meetings which provides the opportunity for employees to ask questions.

Ongoing communication

An inclusive working environment and a culture of openness are maintained by the regular dissemination of information. We use the Group-wide intranet as a main point of communication to share information and updates with employees. The intranet hosts the employee handbook in addition to employee, company, and industry news and other departmental and Group-wide information such as employee wellness activities and Craneware Cares initiatives. The intranet is also a place for employees to recognise their colleagues through a digital notice board called 'Cudos, Cheers and Chat'; Cudos being the name of our Recognition Program.

We also use Teams channels to communicate general reminders on a Group-wide basis for topics including Craneware Cares initiatives, wellness and benefits.

Each week a 30 minute 'Craneware Information Mini Series' Teams meeting is held and all employees are invited to attend (the sessions are also recorded and made available on the Group's internet in case employees are unable to attend). The presenter and topic change each week and is a way for employees to understand what other employees and teams are working on across the business, including regular updates from the Craneware Cares team.

Leadership Roundtables

The Leadership Roundtable is an informal face-to-face gathering of one or two Operations Board members and 8 to 10 employees (which is a mixture of employees from different departments with various tenure). The Chair of the Board of Directors attended one of the Roundtables during the year. The purpose is for Leadership to get to know the employee population better, to learn about their experience of The Craneware Group, and to understand the challenges they may be facing and potential solutions they have. This is also a great opportunity for employees to get face time with the leaders and to learn more about The Craneware Group from their perspective.

Community initiatives

Craneware Cares, an employee committee, links an element of employee engagement with relevant community engagement in an ongoing and active mechanism. Further details are contained in the 'Our Community' section below.

The Stakeholder Engagement overview section from page 52 explains how employee engagement outcomes are considered in the discussions and decision making of the Board of Directors

Our People [Cont'd]

Office working space

The Craneware Group has offices located in Edinburgh (UK), Pittsburgh (US), and Deerfield Beach, Florida (US). Our head office in Edinburgh was extensively renovated and refurbished in FY22 with the re-design of the space complementing the Dynamic Working Framework by the creation of more collaborative areas to work with colleagues whilst offering a range of different desk configurations, collaborative spaces, meeting areas and spaces to spend time away from work areas to relax and socialise with colleagues. Our office premises, and related initiatives, are described further in the Environment section below.

Lean initiatives

The Craneware Group has a continuous improvement mindset that embraces a Lean culture which respects and empowers employees. The Transformation Office is responsible for coordinating and deploying organisational initiatives and strategy to connect the corporate vision to the day-to-day operations. By applying progressive business planning and change management techniques, The Craneware Group is positioned to achieve immediate business targets while implementing frameworks that are lean, foster innovation and provide opportunities to make rapid and impactful changes. Additionally, through the implementation and execution of shared best practices, the Transformation Office provides the tools and data to support operational success. This success is achieved by optimising and aligning the drivers of performance (people, culture, processes, and measures) with the business strategy in order to deliver maximum value to the customer.

Talent Acquisition and Onboarding

The Craneware Group wishes to attract and retain the best people. Our Talent Acquisition team, in partnership with hiring managers, are responsible for identifying, acquiring, assessing and supporting with the onboarding of new joiners. We promote our opportunities, internally and externally, through our applicant tracking system and careers portal and applications are reviewed by our experienced team. Our Talent Acquisition team have completed unconscious bias training, enabling them to present an inclusive shortlist of suitable candidates to our hiring managers. Hiring managers also undergo unconscious bias awareness sessions through our manager LINK programme. We offer candidates a structured selection process and use a competency-based framework, against which to interview candidates, in order to ensure consistency and fairness.

Many of our employees are sourced via our Employee Referral Programme. This programme encourages our team to introduce talented professionals to The Craneware Group and build our brand within the local business community.

The onboarding of new employees into The Craneware Group is considered key to having employees who are role ready as soon as possible. We have a comprehensive corporate onboarding programme which is delivered online through the Academy learning management system. In addition to the corporate onboarding, hiring managers also deliver department specific onboarding.

Learning and development

Contribution management is the process whereby employees collaborate with their line manager to plan, monitor, and review their goals and overall contribution to The Craneware Group. It links the contribution of each individual to the overall strategic direction of the organisation and provides clarity and transparency around expectations. The process aims to drive a high contribution culture across the Group with strategy alignment, organisational development, and founded on The Craneware Group Framework and Purpose.

The Craneware Group endeavours to provide an environment and culture where all employees can develop their skills. Our employees are encouraged to maintain a personal development plan, linked to their role and goals, as part of the contribution management process. Personal development plans identify proposed areas for learning as well as training and development that employees wish to complete.

Career Pathways, which are available for reference on the Group's intranet, illustrate the possibilities and potential routes to career progression, serving as a resource for employees with management support to develop their careers within The Craneware Group.

Craneware's employee learning management system, called the Academy, hosts on demand learning solutions, covering a wide range of topics. Each employee has a personal log-on and account within the portal system which allows the allocation and tracking of training including product knowledge; leadership development; process guides; and onboarding modules for newer employees. The system also enables the control of (and tracking of) mandatory and annual training modules.

LinkedIn Learning, also an online training platform, provides employees with on demand access to over 16,000 instructor led courses covering a wide range of business and technology skill sets. The Craneware Group enables full, unlimited, access to LinkedIn Learning for all employees. Managers have the ability to create learning pathways and customised curriculums supporting both individual and team development and also complementing the onboarding process. During FY23, our employees invested more than 4,200 hours on training modules through the Academy and LinkedIn Learning.

In addition, we have three categories of leadership programs to bring together and further develop internal leaders. This includes LINK which is a program of bite sized sessions on leadership and management topics led by managers for managers, offering the participants the forum to discuss and share management challenges and successes. This drives a supportive manager network and culture where ideas, opportunities and best practices can be shared.

The Craneware Group also supports individualised professional development and other development in line with role-based requirements to meet business needs.

Reward

Our reward strategy aims to link pay progression to contribution through our Contribution Management process to promote a contribution culture. We aim to remain competitive and keep pace with the market through compensation structures which are developed from robust benchmarking.

The Group has a median pay positioning policy and as such has sought to position, on average, base salaries at the median of the market for all employees in respect of their role, their contribution and company affordability.

We value the health and wellbeing of our employees and their families. We offer a comprehensive benefits package to our employees including medical insurances, life assurance, pension and 401K plans, work-life balance benefits. We also commenced the introduction of fertility benefits in both the UK and US in support of our DEI programme.

In the UK, Craneware offers employees the opportunity to participate in Cyclescheme, Techscheme and season ticket loan arrangements. All employees can also access discount platforms which offer a variety of discounts on specified purchases and expenditure including grocery shopping, insurance, travel and leisure events and activities. We enhanced our benefits offering in FY23 for UK employees including the addition of company-paid critical illness insurance and the availability of a range of health assessments. An electric vehicle leasing scheme, through a salary sacrifice arrangement, is being introduced in FY24.

During FY23 we also reviewed our various leave policies to ensure that they are inclusive and equitable across all employee populations.

The Remuneration Committee of the Company's Board of Directors recognises the importance of providing a wider population of our employees with the opportunity to become Craneware plc shareholders in the future, which promotes alignment to shareholder interests and aids recruitment and retention. As such, share option awards were granted during the year to employees in junior roles in addition to the usual senior leadership grants. Further details are included in the Remuneration Committee's Report.

We also operate a Save As You Earn ('SAYE') share option plan for UK employees and an Employee Stock Purchase Plan ('ESPP') for US employees. These share option plans were launched in the financial year ended 30 June 2020 with a further grant of share options under these share option plans in FY21.

Recognition

Employee recognition is embedded into Craneware's culture, and includes an extensive range of opportunities for recognition, from casual recognitions to formal annual peer-nominated awards. The Cudos programme, as it is known, also includes service commitment awards, and informal peer to peer acknowledgements.

Health & Safety

The Health & Safety Committee, which is chaired by our Chief People Officer, meets on a quarterly basis to review related topics, discuss proposals, and make recommendations. These activities are reported to the Group's Risk and Compliance Committee.

Our Health & Safety Committee operates cohesively across the organisation and it conducts reviews to ensure compliance with legislation, guidelines, training and certification both in the US and UK. Our focus is to ensure that we comply with health and safety requirements in our offices including the management of the retirement of our Atlanta office and, in FY24, the relocation of our Deerfield Beach office, as outlined in the Environment section below.

In accordance with our Health & Safety policy, we have a shared responsibility with employees for achieving safe working conditions, both in our offices and whilst working from home or any other remote location and achieve this by ensuring our Home Working & Display Screen Equipment assessments meet current regulations as well ensuring our employees are knowledgeable of our lone working policies and procedures. In addition, we review our business continuity plans, and our physical security plans, at least annually to ensure that our policies and procedures provide a safe working environment for all our employees.

As part of creating a safe work environment for our employees, The Craneware Group tracks all Health & Safety Incident Reports. There was one incident reported across all of the Group's offices and our home-based employees in FY23.

The Craneware Group endeavours to support our employees in their wellbeing. We do this by conducting safety sessions in our offices and introducing our new employees to both our First Aiders and our Mental Health First Aiders. We also train our managers in supporting their teams with their wellbeing. In FY23, we introduced a question into our Employee Engagement Survey about employee wellbeing. This survey question scored highly, and employees left comments in the survey in recognition of the support they receive from their managers about their wellbeing. Further information is provided within the Wellness section below.

Craneware Wellness

Our Dynamic Working provides flexibility in working arrangements for our office based employees supporting a balance between work and life demands and demonstrates our commitment to the wellbeing of our team.

The Craneware Wellness programme is designed to encourage and support a healthy lifestyle for our employees by providing educational tools and resources and having fun with challenges and events. There is a section of the Group's intranet which is dedicated to Wellness information. In FY23 we launched our new wellness tool which is a platform that provides more opportunity for employees to access wellness awareness and education and the tool facilitates the creation of fun challenges across the organisation or in a smaller group of colleagues. We have reintroduced the provision of in-person yoga classes in the Edinburgh office. Our US

Our People [Cont'd]

Craneware Wellness [Cont'd]

employees receive a cash incentive for attending their annual preventative care appointments in support of their wellbeing.

The Craneware Group strives to be an organisation where employees feel supported and empowered to speak about their mental health. Our Mental Health First Aiders are non-judgemental points of contact and reassurance to anyone experiencing a mental health issue or a mental health crisis or if they are concerned about someone else's mental health. There is a section within the Craneware Wellness area of the Group's intranet dedicated to Mental Health and Wellness which includes links to publications, webinars and guidance, organisations which can provide assistance and also information regarding our Mental Health First Aiders. All employees have access to an Employee Assistance Programme which offers access to a confidential helpline 24 hours a day, 365 days a year.

Our Community



'Our Community' Focus Area also encompasses our commitment to corporate social responsibility and community engagement. Complementing our Purpose and reflecting the causes which are important to our employees, The Craneware Group has for many years continually developed a number of programs and opportunities to positively impact the community around us.

Craneware Cares

Craneware Cares and the Craneware Cares Foundation are driven by our employees and form a central and important part of life at Craneware; they coordinate our approach to charitable giving and corporate responsibility within our communities. The Craneware Cares Foundation and Craneware Cares, which operate through an internal committee, have both been in operation for several years and over this time they have expanded the scope and scale of their activities.

An executive committee and various sub-committees comprising employees from across the business coordinate all charitable giving and volunteering for the Group in both the US and the UK. All charitable giving in the US is distributed through the Craneware Cares Foundation, an official charitable foundation.

Craneware Cares continued with its 'Spotlight Charity' model of planned yearly fundraising in FY23. Our quarterly

charities again alternated between US and UK based charities, which are nominated and chosen entirely by employees. In the year ended 30 June 2023, Craneware Cares supported the following four diverse organisations selected as our Spotlight Charities:

- Action for Children (UK)
- The National Breast Cancer Foundation (US)
- The Trussell Trust (UK)
- The Wounded Warrior Project (US)

Craneware Cares raised funds for all of these Spotlight Charities; combining employee donations and corporate donation-matching, enabling The Craneware Group to make a significant contribution to each organisation.

In addition to supporting these quarterly Spotlight Charities, Craneware Cares continued to support our longstanding 'Lotus Backpack' fundraising campaigns and further additional causes throughout the year, including ad-hoc employee fundraisers and charity work. Supporting our employees in their personal charitable endeavours is a core and popular component of the Craneware Cares identity and we not only provide monetary support but also 'Volunteer Time Off' (VTO) days for employees so they can volunteer in their local communities.

Some of the causes which Craneware Cares assisted during the year ended 30 June 2023 included the following wide-ranging initiatives:

- A 'Charity Golf Classic' golf tournament and charity auction was organised by The Craneware Group which raised funds for Action for Children, our selected Spotlight Charity at that time of the year.
- A team of our UK employees took part in the 'Pentlands Peaks Challenge' which involved the team hiking up two peaks in the Pentlands Hills near Edinburgh to raise donations for the nominated charities for this event.
- The UK Lotus Backpack campaign involved a donation of holiday gifts of art kits and clothing for disadvantaged children in the Edinburgh area. In the US, the Lotus Backpack committee completed a successful Fall Fundraiser in support of two elder care projects. The Spring Fundraiser also benefitted from generous employee donations and corporate donation-matching that supported three animal charities to purchase care items and medical coverage for pets.
- In honour of 'Movember', the annual global fundraising event directed to The Movember Foundation's efforts to improve men's health, The Craneware Group supported a large fundraising drive, involving a number of activities across the whole organisation. These included an activity challenge on our company nominated wellness app which raised a total of over \$4,500 thanks to the collective efforts of many employees in the UK and in the US.
- In September and November 2022, two hurricanes made landfall in Florida and caused terrible devastation. Craneware Cares made a donation to Feeding South Florida in order to assist people displaced by these extreme weather events.

- When communities and infrastructure in parts of Turkey and Syria were significantly affected by a devastating earthquake in February 2023, one of our Edinburgh-based employees initiated a fundraising campaign for the World Care Foundation's Earthquake Aid Appeal and Craneware Cares matched all employee donations. This helped raise funds to provide essential aid to people in Turkey and in Syria affected by the tragedy.
- The arrangements for our Atlanta office closure, as described within the Environment section below, enabled us to donate boxes of unused office supplies to our long-term charity partner in the US, Thomasville Heights Slater Elementary School, to support their students. Craneware Cares also made a donation to the school's campaign to provide special t-shirts to their final year students.
- The Craneware Group also donated prizes to charity auctions in the UK for Cancer Research UK and The Yard.

The Craneware Group's mid-year organisation-wide meeting in January 2023 gave UK employees the opportunity to take part in a number of activities to support charitable causes during the face to face meeting including the donation of items to a local food bank and the Edinburgh Dog & Cat Home. In addition, employees helped to stuff over 100 teddy bears for The Teddy Trust, a UK-based charity which works with aid agencies and other charities to ensure that the teddy bears reach children across the world who are affected by war, poverty or abuse. All the profits from a corporate-branded merchandise stall and other charity donation initiatives throughout the day contributed to a great fundraising total to benefit several UK based charities.

During the year, Craneware Cares also supported many charities in the US and in the UK, delivering aid, research and support in a range of sectors, brought to the attention of the committee by our employees through their own charity work.

In total during the year ended 30 June 2023, Craneware has contributed \$40,706 (FY22: \$47,943) to over 30 charities across all of our many fundraising campaigns, employee-led donations and corporate donations.

The employee-hosted 'Craneware Information Mini Series' ('CIMS'), as explained in the Employee Engagement section above, is frequently used to provide updates and cast a spotlight on the various CSR initiatives across the Group, and to showcase how employees can get involved and support the Craneware Cares programmes. The CIMS sessions can be interactive whereby messaging and chat during and after the session is encouraged as part of this weekly forum.

In addition to these initiatives, the Craneware Cares team organise quarterly social gatherings both in person and virtually.

Volunteer Time Off ('VTO')

We also encourage the fundraising activities of Craneware Cares to be supplemented by Volunteer Time Off days so employees can take paid leave to support projects and charities in their own communities.

During the year our employees had the opportunity to take part in volunteering opportunities as part of a 'VTO Day in May' campaign. This was inspired in the UK specifically by the national volunteering initiative, 'The Big Help Out,' in honour of the King's Coronation. This resulted in many employees both in the UK and US volunteering in a range of community-based events and initiatives spanning healthcare, animal rescue services, community environment, educational and youth projects, clubs and events.

Environment



Craneware aims to minimise any environmental impacts of its business activities. As a SaaS company we are not involved in any energy-intensive processes nor do we generate significant waste. We have leased office facilities. Whilst our environmental impact is relatively low compared with other sectors, this does not reduce our commitment to reducing our environmental impact.

We are in the initial stages of our journey to measure and reduce our impact on the environment, however we are committed to making continuous improvements. This has been part of the work of the ESG Committee during the year, as described in our Non-Financial and Sustainability Information Statement. It is the Group's policy to support and encourage environmentally sound business operations, with aspects and impact on the environment being considered at Board level and with operational coordination by our ESG Committee.

Facilities and employee working arrangements

Across the organisation we utilise leased office premises located in Edinburgh (UK), in Deerfield Beach, Florida (US) and in Pittsburgh, Pennsylvania (US). Whilst the acquisition of Sentry in July 2021 resulted in the Group gaining additional rented office space in Florida, our office footprint in the US is relatively small in comparison to the number of our employees; the majority of our US employees are home-based. Our Dynamic Working Framework also significantly reduces the impact of daily commuting upon the environment.

As a consequence of the changes in how our employees choose to work, the types of spaces they prefer to work and collaborate in, and as a consequence of our commitment to the environment, we have reviewed our facility requirements. As a result of this review, we made

Environment[Cont'd]

Facilities and employee working arrangements [Cont'd]

two significant decisions about our US office space. We decided not to renew the lease for the office space in Atlanta, Georgia (US) and during the second half of FY23 this office was slowly decommissioned, with the lease expiring in October 2023. In addition, we decided to move office premises in Deerfield Beach in Florida, reducing our facilities footprint and this relocation is planned to occur in the second half of FY24.

As part of the decommissioning of the Atlanta office and the planning for the move to the new office space in Deerfield Beach, we are implementing sustainable practices as far as practicable. We donated a wide range of items to local organisations such as homeless charities and schools rather than allow serviceable goods become landfill.

The rented office suite for our head office in central Edinburgh is within a building which has an Energy Performance Certificate (EPC) rating of B which denotes a high level of energy efficiency, according to the current rating system. The whole building features a full Building Energy Management System (BEMS), which helps to optimise the energy efficiency of all tenant suites and common areas. Office facilities have light timers and sensors to help conserve energy. The building also includes large and centrally maintained communal garden areas at both ground level and roof level for the enjoyment of tenants.

Our rented office space in Deerfield Beach, Florida is within a property which holds the globally recognised 'Leadership in Energy and Environmental Design' (LEED) certification focused to be environmentally responsible and use resources efficiently. Additionally, this property has an Energy Star rating of 88 which promotes energy efficiencies.

The rented office suite which we used in previous years and for part of FY23 located in Atlanta, Georgia (US) is also recognised with sustainability achievement and awarded with the Gold LEED Certification.

Greenhouse gas emissions and energy use in our rented office premises are summarised within the Non-Financial and Sustainability Information Statement on pages 31 and 32.

The Craneware Group actively encourages employees to move to a paperless environment and reduce printing requirements whenever possible. All offices have recycling points for paper, cardboard, tins, and plastic throughout the suites. Throughout FY23 we have moved to more sustainable practices, where possible, such as reducing the use of single use plastic for water consumption in our US offices.

Our facilities-related plans for FY24, with oversight and direction by the ESG Committee, include the following initiatives which will assist in our aims to reduce our organisation's environmental impact:

- Enhancing employee engagement in environment-related initiatives through a more active campaign driven from the ESG Committee;
- Updates to be provided to employees regarding our recycling arrangements at our offices and reminders

to be enhanced at onboarding;

- Further reduction in single use items in our offices and, when necessary, continue to source and use biodegradable items whenever single use items are unavoidable;
- Ensuring sustainability considerations continue to be factored into the arrangements for the fit out of new leased office space in Deerfield Beach, Florida; and
- In the planning and management of the relocation to new leased office space in Deerfield Beach, a focus on minimising the extent of items going to landfill: reuse, recycle or donate.

Vendors

As part of The Craneware Group's environmental sustainability goals we aim to partner with vendors who have a strong commitment to the environment wherever possible. This has led to many previously internal IT services being migrated to a 100% carbon neutral cloud services vendor and ensuring our data centre providers are using renewable energy for power and cooling and/or have strategies in place to reduce emissions in line with climate science through science-based targets.

Travel

We do not provide company vehicles to employees or Directors nor do we operate any form of vehicle fleet. Although there has been some increase in trans-Atlantic and domestic US business travel in FY23 (being a full year without COVID-19 pandemic public health restrictions), as a mainly virtual workforce, we continue to leverage technologies such as video conferencing as an alternative to travel. When domestic travel is deemed necessary within the US, we encourage booking via a travel portal to enable data collection and review, as we continue to aim to progress to more sustainable travel practices.

Relative to the size of our team, the overall daily commuting time and distance incurred by our employees (and consequently the related emissions generated by that activity) is not extensive. As described above, the majority of our US employees are home-based and our office-based employees across the Group work flexibly between their home and an office under our Dynamic Working Framework which significantly reduces the impact of daily commuting upon the environment.

The leased office space for our head office in central Edinburgh is easily reached by public transport, by bicycle or on foot. The Craneware Group encourages cycling to work and all the related health and environmental benefits this brings by participating in the Cyclescheme programme. In addition, the Company encourages and helps facilitate carpooling arrangements in the UK.

Our planned travel-related initiatives for FY24, with oversight and direction by the ESG Committee, include:

- Introduction of salary sacrifice electric vehicle leasing scheme for UK employees;
- Regular and ongoing communication with UK employees about the relevant benefits of the Cycle to Work scheme and season ticket loan scheme in

- support of public transport arrangements;
- Further development and updates to our business travel policy and data availability when travel and accommodation choices are viewed by employees, prior to booking. This is intended to allow more informed decisions (including, when available, carbon-related considerations by employees) when selecting travel and accommodation for essential business trips; and
- Facilitating employee engagement in travel and environment-related initiatives through the introduction of a subgroup of the ESG Committee to help drive these activities.

Shareholder communications

Craneware offers its shareholders the opportunity to register to receive shareholder communications, such as the annual report, notice of annual general meeting, and related forms of proxy, electronically rather than printed documents.

Governance

The Board of Directors of Craneware plc seeks to continue to ensure the overarching objective that the governance of the Company and the Group contributes to its long-term sustainable success and achievement of wider objectives, including the Company and the Group's contribution to the communities in which it operates and wider society. Recognising the importance of corporate governance matters, Craneware plc (an AIM listed company) has selected the UK Corporate Governance Code 2018 as its corporate governance framework although this Code has been drafted in the context of larger, main market listed companies. The Board is primarily responsible for the overall conduct of the Group's business and for promoting the long-term success of the Group. Our Corporate Governance Report is set out on pages 66 to 79 which includes an explanation of our corporate governance arrangements including the Board composition, committee structure and responsibilities.

Our Purpose, business model, strategy and Board operations are focused on delivering long-term benefits for all of our stakeholders while maintaining a high standard of ethical business conduct. These responsibilities are embedded in our culture, our values and our Purpose. We are committed to conducting our business with honesty and integrity and it is expected that these high standards be maintained throughout the organisation.

Our Business Ethics Policy is a mandatory policy for all employees and for any contractors and consultants engaged by us. The Policy includes and explains the process and arrangements for reporting any ethics violations. To ensure a high level of understanding of business ethics within our business, we provide training to our employees as part of our annual mandatory Legal and Regulatory curriculum as well as this training being included in the onboarding programme for new employees.

Information security, data security and data protection

The Craneware Group prioritises the reliable protection of customer data. Our aim is to defend against reasonably anticipated threats and hazards, including risks created

by unauthorised access, to the security and integrity of sensitive customer information entrusted with The Craneware Group. Since the Company's inception, the healthcare landscape has evolved and created new data security challenges for US hospitals and health systems. We have evolved alongside our customers to meet these challenges. With presence in the UK and US, and as part of the Healthcare industry, Craneware has substantial obligations and interest in data protection and ensuring access security. Key legislation includes the Health Insurance Portability and Accountability Act (HIPAA & HITECH as amended) in the US and General Data Protection Regulation (GDPR) (EU and UK), which have specificity on protecting patient data and personal data.

The Craneware Group maintains a detailed Information Security Program which aligns with applicable laws and regulations. This program governs how The Craneware Group employees and applications interact with sensitive, protected customer and corporate data. The policies and procedures which inform the Information Security Program are reviewed and updated no less than annually and with any significant changes to relevant laws, regulations, infrastructure or company structure.

Oversight of the Information Security Program is managed by The Craneware Group's Security Council and led by the Chief Information Officer. The Council is comprised of expert representatives from the following functional areas: Chief Technology Officer; Information Security; Information Technology Infrastructure; Platform Engineering; DevOps and Corporate Risk and Compliance. The Craneware Group employs a dedicated Information Security Team and additionally contracts with specialist third party services who assist with monitoring, testing and improving our security position and technology. The Craneware Group requires stringent training on information security and data protection for all employees annually and when new employees join the Group. The highest ethical standards are foundational to company's code of conduct.

Data and Information System assets include customer data and company resources; these are protected with Data Loss Prevention software and processes. The Craneware Group's Information Security Program manages those assets that are subject to legislative requirements i.e. HIPAA and GDPR.

We require and compel adherence with all applicable laws and regulations regarding data privacy and security. In view of the importance of the procedures, security, regulation and controls around our solutions and customer data, since 2019 The Craneware Group has maintained HITRUST Certification for its Trisus, InSight solutions and Corporate Services, as well as associated operational processes. It is an external, validated audit of Craneware's security and data privacy practices based on the US Government's National Institute of Standards and Technology (NIST) CyberSecurity and Privacy Framework, ISO27001 and HIPAA. Health Information Trust Alliance ('HITRUST' Alliance) is a collaboration with healthcare, technology and information security organisation which develops, maintains and provides broad access to its widely adopted common risk and compliance management and de-identification frameworks; related assessment and assurance

Governance [Cont'd]

Information security, data security and data protection [Cont'd]

methodologies; and initiatives advancing cyber sharing, analysis and resilience. HITRUST is considered to be a gold standard for security frameworks within the healthcare industry.

HITRUST has established a 'common security framework' (CSF) to address the multitude of security, privacy and regulatory challenges facing organisations. The scope of the HITRUST CSF's requirements is wide and requires a very high standard of data security arrangements as these have been set in the context of the accreditation being relevant to US healthcare providers with handling sensitive data (Protected Health Information) and impacts in some way all areas of the business (at least in respect of the required enhancement to the Group-wide IT and data security policies).

Full HITRUST CSF assessments are conducted every two years; interim assessments are conducted each intervening year. For HITRUST, our products and corporate infrastructure are evaluated against nearly 600 controls mapped across 19 domains including Infrastructure Protection and Security, Configuration Management, Vulnerability Management, Third Party Assurance, Business Continuity/Disaster Recovery, Risk Management and Data Privacy. Our portfolio of product groups regularly conducts penetration testing using external security testing companies. The testing occurs in conjunction with major product updates and no less than annually.

340B Sentinel & Sentrex, and Trisus Decision Support applications meet American Institute of Certified Public Accountants (AICPA) Service Organization Controls (SOC) requirements, completing the external audit verified SOC Type II assessments annually.

The Craneware Group engages with third party auditors to support effective security practices and compliance with appropriate regulations. We regularly evaluate to ensure our certification selections continue to be the best measure of security controls.

The Craneware Group also follows individual US state-based guidance and criteria where appropriate.

A copy of The Craneware Group's Information Security Statement is on the website at: www.thecranewaregroup.com/security-statement/

Modern Slavery

In accordance with The Modern Slavery Act we publish our annual slavery and human trafficking statement. The latest statement can be found on the Craneware website at www.thecranewaregroup.com/modern-slavery-statement/. The Craneware Group does not permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains. We are committed to conducting our dealings with customers, suppliers, employees and the communities in which they are based, with the utmost integrity and, as such, we are committed to supporting the elimination of acts of modern slavery. Our Anti-Slavery and Human Trafficking Policy reflects our commitment to act

ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and in our business, we provide training to our employees as part of our annual mandatory Legal and Regulatory curriculum.

Anti-bribery and corruption

As a UK company, we are bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct within and outside of the UK. In addition, we uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. The Group has an Anti-Corruption and Bribery Policy which applies to anyone working for The Craneware Group or on our behalf in any capacity. To ensure that employees are aware of this policy and relevant aspects of the Bribery Act, we provide training to our employees as part of our annual mandatory Legal and Regulatory curriculum.

Whistleblowing Policy

One element of providing a supportive and open culture within the organisation, is our Whistleblowing Policy and associated annual awareness training. This Policy includes arrangements by which employees, consultants or contractors may, in confidence and also anonymously should they wish, raise concerns regarding possible improprieties in matters of financial reporting or other matters. These concerns would then be investigated and followed up appropriately. Craneware's Board of Directors has provision to review these arrangements and any reports arising from their operation.

Strategic Report: Section 172(1) Statement

This section of the Strategic Report intends to set out how the Directors, both individually and collectively, have had regard to the following factors when undertaking their duties during the year ended 30 June 2023.

In accordance with the Companies Act 2006, each director of a company has a duty to promote the success of the company. **Section 172(1)(a) to (f) of the Companies Act 2006 ('s172 (1)')** requires a director of a company to act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long-term;
- b. the interests of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the company.

The Directors consider, both individually and collectively, that they have taken these factors into account when exercising their duty to promote the success of the Group and of the Company during the year. In addition, more information is provided in this annual report relating to matters relevant to the Section 172 (1) statement in the following pages:

| Section 172 (1) Factor | Examples | Further information on page(s) |
|--|---|--|
| Likely consequences of any decision in the long term | <ul style="list-style-type: none"> • Craneware's aim, driven by its purpose, of generating long term value for its stakeholders through its business model and strategy • Principal Risks and Uncertainties • Viability Statement | 7 to 24 |
| Interests of the Company's employees | <ul style="list-style-type: none"> • Employee engagement and communication • Diversity, equity and inclusion • Health and Safety • Employee wellness programmes • Dynamic Working Framework • Employee learning and development initiatives • Employee reward (including share plan awards) | 38 to 42 |
| Fostering business relationships with suppliers, customers and others | <ul style="list-style-type: none"> • Stakeholder engagement activities • Consideration of Environmental, Social and Governance matters | 52 to 55; 34 to 46 |
| Impact of operations on the community and the environment | <ul style="list-style-type: none"> • The Purpose of The Craneware Group • Craneware Cares initiatives • Non-Financial and Sustainability Information Statement • ESG Committee established • Consideration of Environmental, Social and Governance matters and coordination of ESG initiatives | 34 and 35; 42 and 43; 26 to 33; 34; 34 to 46 |
| Maintaining a reputation for high standards of business conduct | <ul style="list-style-type: none"> • The promotion of responsible business operations underpinned by Craneware's Framework, purpose and values • Corporate Governance • Policies and mandatory all employee awareness training including: business ethics, information security, whistleblowing, anti-bribery and corruption, anti-slavery and human trafficking | 34 to 46; 66 to 79; 34 to 46 |
| Acting fairly as between members of the company | <ul style="list-style-type: none"> • Shareholder engagement • Corporate Governance | 53, 73 and 74; 66 to 79 |

The sections referred to in the table above have been incorporated, by reference, into this Section 172 (1) Statement.

In discharging their Section 172 (1) duty, the Directors give careful consideration to these factors and take them into account when making decisions. Induction materials and briefings provided on appointment include an explanation of Directors' duties, and the Board is regularly reminded of their duties. Stakeholder considerations and our culture play an important part in the Board's discussions and decision making in promoting the long-term success of the Company, as outlined in this statement.

Based on the purpose and business model of The Craneware Group and as set out in our Environmental, Social and Governance ('ESG') Statement and in the Stakeholder Engagement Overview section below, the Board identifies our Group's key stakeholders as:

- Our customers
- Our employees
- Our shareholders
- Our bank finance providers
- Our community

and it is committed to effective engagement with these stakeholders. Details of the Group's key stakeholders and how we engage with them are set out on pages 52 to 55. The Board also recognises the importance of, and the responsibilities for, having regard to the impact of the Group's operations on the environment and our collective obligation, within society, to help to address the global challenge of climate change. This is referenced in our Non-Financial and Sustainability Information Statement.

Our key stakeholders have an important role to play in the successful operation of our business and our Directors are fully aware of their responsibilities to the Group's stakeholders under Section 172 (1) and take their responsibilities seriously. The Directors have oversight of stakeholder matters and the Board factors the needs and concerns of the Group's stakeholders into its discussions and decisions in accordance with Section 172 (1).

These responsibilities are embedded in our culture, our values and our purpose. Our purpose, business model, strategy and Board operations are focused on delivering long-term benefits for all of our stakeholders while maintaining a high standard of ethical business conduct. The Board, led by the Chair, ensures that its processes have regard for key stakeholders and that there is sufficient time, information and understanding to properly take into account their interests when making decisions and considering their long-term implications. The Board does also rely on its committees and senior management to develop relationships and to share the views of the relevant stakeholders. Our stakeholder engagement mechanisms are referred below, within the 'Stakeholder Engagement Overview' section.

The Board recognises that every decision it makes will not always result in a positive outcome for each of the Group's stakeholders, but it is important to ensure they are all treated consistently and fairly. By considering the Group's purpose and values, together with its strategic priorities and having a process in place for decision-making the Board does, however, aim to make sure that its decisions are consistent and aligned. By understanding our stakeholders, the Directors can factor into Board discussions the potential impact of decisions on relevant stakeholder groups and consider stakeholder needs and concerns, in accordance with section 172 (1) of the Companies Act 2006.

The following table summarises some of the significant decisions made by the Board during the year ended 30 June 2023 which demonstrate the way in which the Directors have exercised their section 172 (1) duty and the stakeholder group(s) impacted by these decisions.

| Principal decisions / events | Actions and impact | Key Stakeholder group(s) affected |
|--|---|---|
| Strengthening Engineering Leadership and the Senior Management Team: Appointment of new CTO | <p>Aligned to the Group's Purpose and strategy, the Board ensures that the Group continues to invest in its team and operations. During the year the Board has promoted Abhilesh Gandhi to the role of Group Chief Technology Officer (CTO). In this role, Abhilesh oversees the Engineering team and reports into the CEO and is a member of the Operations Board. In addition, Abhilesh has a leading role within the Product Board and is a member of the Risk and Compliance Committee. Abhilesh has over 20 years of Engineering experience including leading engineering teams in Cerner Corporation and Sentry Data Systems, Inc.</p> | <p>Customers Employees Shareholders</p> |
| Board Composition: Appointment of Independent Non-Executive Director of the Company | <p>The Board reviews its composition regularly, taking into consideration various factors including the balance of independent directors, requisite skills, knowledge and experience within the Board and diversity; this is described within the Corporate Governance Report section of this Annual Report. Following a process managed by a sub-committee of the Board, the full Board reviewed and considered the recommendations of the sub-committee. The Board appointed Anne McCune as an Independent Non-executive Director of the Company on 16 November 2022.</p> <p>Anne is a recognised leader in the US Healthcare industry, having served as a senior executive for several leading academic hospital and physician centres and as a managing director in consulting. Anne's biography is on page 58. The appointment of Anne has enhanced and broadened the US Healthcare experience and skills within the Board.</p> | <p>Shareholders Customers Employees</p> |
| Treasury-related decisions | <p>During the year there have been several Board decisions relating to Treasury considerations; some of these decisions are outlined below.</p> <p>The macro-economic challenges during the year included the negative impacts on parts of the US banking sector resulting in the unexpected collapse of some US-based banks including, in March 2023, Silicon Valley Bank (SVB). SVB in the UK was one of five banks in the syndicate for the provision of the Group's debt facility and SVB was one of the banks used by the Group in the US for the provision of bank account services. As a result of the acquisition of the UK arm of SVB by HSBC, the loan syndicate has not changed and the provision of the former SVB banking services in the US have continued to be maintained by First Citizens Bank following its acquisition of the US operations of SVB.</p> <p>The Craneware Group has relationships across multiple banks in the US and in the UK and therefore is not dependent on a single bank and the Group's cash balances are held across a number of financial institutions. The Board considered the updated assessment of the exposure to SVB, and the wider US banking sector, immediately at the time of the SVB collapse and the Board reviewed the policy for counterparty assessment and cash deposit allocations.</p> <p>With the increase in interest rates experienced during the year, the Board directed that the Group should utilise \$20m of its cash balances to pay down part of the principal amount of the revolving loan in order to lower the net interest cost going forward.</p> <p>During the second half of the year the Board decided to initiate the process to request an incremental one year extension to the debt facilities; the right to make such a request being available within the facility agreement. This extension was approved by the banks within the syndicate before 30 June 2023.</p> | <p>Banks Shareholders</p> |

| Principal decisions / events | Actions and impact | Key Stakeholder group(s) affected |
|---|---|-----------------------------------|
| <p>Capital Allocation Policy</p> | <p>Dividend Policy</p> <p>The Board considered the current and future liquidity and financial position of the business and potential impact on dividend policy, particularly in view of the prevailing macro-economic effects. Craneware reported positive financial results for the six month period to 31 December 2022 together with a solid base of annual recurring revenue. The Board approved the payment of an interim dividend in April 2023 of 12.5p (15.13 cents) per share (2022: interim dividend of 12.5p per share (16.88 cents)).</p> <p>Based on the financial position, overall group debt position and cash generation of the Group, and the covenants applicable to the debt facility, it is the intention of the Board to pay a final dividend for the year ended 30 June 2023. As explained on page 61, the Directors are recommending the payment of a final dividend of 16p (20.19 cents) per share based on the results for the financial year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 December 2023 to shareholders on the register as at 24 November 2023.</p> <p>In reaching these dividend policy decisions, the Board had regard to the need to act fairly between its shareholders, its banks and finance providers and the long-term interests of the business, including the continued investment in development of the Trisus platform and the Group's solutions. The Board believes that the total level of dividend proposed for the year balances the Company's stated progressive dividend policy based on the Group's financial results, the Company's retained earnings and the current macro-economic climate.</p> <p>Share buyback</p> <p>Early in the fourth quarter of the financial year, the Board concluded that the market price of the Company's shares at that time did not reflect the substantial potential of the large addressable market opportunity of the Group, nor the significant operational progress the Group has made as it has successfully migrated to a cloud-based SaaS model. As explained in the Strategic Report, this migration further positions the Group to deliver on future growth and enhanced shareholder value. As a result, the Board considered that a share buyback would provide an optimal use of cash to deliver value for shareholders by offsetting future dilution from existing employee share plans.</p> <p>The Board announced the commencement of a share buyback programme (of up to £5 million) on 12 April 2023. The shares purchased through this programme are held in treasury and will be used to satisfy employee share plan awards. The Programme is being undertaken using a phased approach. The Programme is operating under the authority granted to the Company by shareholders at the Company's Annual General Meeting, held on 15 November 2022, and within the regulatory limit on the quantity of shares the Company may purchase on any single day.</p> <p>The share buyback programme continued after 30 June 2023 and is ongoing at the time of approval of this report. Further details regarding the share buyback are provided in the Directors' Report on page 62 and in Note 18 to the financial statements.</p> | <p>Shareholders</p> <p>Banks</p> |

| Principal decisions / events | Actions and impact | Key Stakeholder group(s) affected |
|----------------------------------|---|---|
| ESG Committee established | <p>The Board has always been cognisant of the importance of sustainability or Environmental, Social and Governance ('ESG') matters, particularly in the context of the Group's Purpose. In recognition of the increasing importance to stakeholders of sustainability considerations and their monitoring and measurement, on a consistent basis, the Board decided that an ESG Committee should be established during the year. The Board envisages that the ESG Committee will enable a coordinated and measured approach, at an operational level, to the Group's many activities under the sphere of sustainability (focussed in particular on 'Social' and 'Environmental' initiatives).</p> <p>The terms of reference of the ESG Committee were approved by the Board and the Committee chair (appointed by the Board) is Issy Urquhart, the Chief People Officer and executive Director of the Company. Further details regarding the ESG Committee and its activities during the year are contained in the ESG Statement.</p> | <p>Employees Customers Community Environment Shareholders Suppliers</p> |

On behalf of the Board



Craig Preston
Chief Financial Officer
4 September 2023

Stakeholder Engagement

Overview

The Board recognises the importance of balancing the needs of stakeholder groups with the business purpose, values, culture and strategy. The Board is responsible for leading stakeholder engagement, ensuring that we fulfil our obligations to those impacted by the business. We believe that considering our stakeholders in key business decisions is fundamental to our ability to drive value creation over the longer term. Our key stakeholder groups and how we engage with them are referenced in the tables below to denote where further details of engagement mechanisms are provided within this Annual Report.

The views of stakeholders have been considered in the scheduled Board and Operations Board meetings as well as in the context of principal decisions and events, as outlined in the Section 172 (1) Statement. By understanding our stakeholders, we can factor into the Board's discussions the potential impact of our decisions on each key stakeholder group and consider their needs and concerns, in accordance with section 172 (1) of the Companies Act 2006, as outlined on pages 47 and 48.

Not all information is reported directly to the Board and not all stakeholder engagement takes place directly with the Board. The Board does also rely on its committees and senior management to develop relationships and to share the views of the relevant stakeholders. However, the output of this engagement informs business decisions, with an overview of developments and relevant feedback being reported to the Board. More material matters require the Board's consideration, with the Board engaging directly with, primarily, our employees, shareholders and our bank finance providers. During the year an ESG Committee has been established (chaired by our Chief People Officer who is an executive Director of the Company), which reports to the Board on a regular basis. The Non-Financial and Sustainability Information Statement and our Environmental, Social and Governance ('ESG') Statement, contain details of our ESG Committee and its activities including operational oversight of relevant stakeholder engagement programmes.

Key Stakeholders

CUSTOMERS

The Craneware Group prioritises customer engagement as a critical component to our long-term partnership success. We recognise the importance of, and are fully committed to, engaging with our customers in meaningful, two-way conversations. Understanding the needs of, and challenges facing, our customers allows us to provide value-adding solutions and services.

How we engage

We continually enhance our customers' experience through several targeted initiatives that support our award-winning customer success efforts during implementation, professional services engagements, and ongoing customer support. A description of some of our customer engagement initiatives is provided within our ESG Statement.

How this was considered in Board discussions and decision making

Customer feedback regarding the value of The Craneware Group's solutions, applications and services, as well as sales data, is regularly presented to the Board of Directors. These insights inform strategic decisions.

Customer feedback and overall metrics on consumer sentiment and trends are shared regularly with the Board and Operations Board, steering our responses to the key issues impacting customers. Members of the Operations Board attend trade shows and conferences to meet with customers.

EMPLOYEES

The Craneware Group is dependent on having an engaged team, that is motivated and aligned with the Group's values and culture: to support our customers; to achieve our strategic aims; and to strive to progress the Group's Purpose. We recognise the value of our employees and that the success of the Group is due to their efforts.

How we engage

Employee engagement is based on Craneware's Framework and core values and the team's commitment to our Purpose and values is critical to The Craneware Group's long term success.

A summary of some of our employee engagement mechanisms, including our employee engagement survey, is provided within our ESG Statement.

How this was considered in Board discussions and decision making

The results and anonymised feedback received from the employee engagement survey are collated and rated to identify any aspects for improvement, which then guide initiatives to address those areas. The results and anonymised feedback are reviewed and considered by both the senior management team and also by the Board.

With the Chief People Officer being an executive Director of the Company, the Board receives regular reports about a range of factors and issues affecting our employees to ensure that appropriate consideration is given and early action taken where necessary. The Board also regularly considers matters and initiatives as part of its commitment to promote diversity and equality across all of our teams.

Measures exist for the Board and senior management to evaluate workforce composition and to ensure that these trends align with objectives around diversity and inclusion.

COMMUNITY

As part of our commitment to corporate social responsibility and community engagement, Craneware has continued to develop a number of programs and opportunities to positively impact the community around us.

How we engage

Craneware Cares is The Craneware Group's central mechanism for corporate charitable giving, employee fundraising, and community volunteer work. An executive committee and various sub-committees comprising employees from across the Group coordinate all charitable giving and volunteering for the Group in the US and UK. Details of the activities of Craneware Cares is provided in the ESG Statement within this Annual Report.

How this was considered in Board discussions and decision making

The Board continues to support the operation of Craneware Cares and ensures that budgeted expenditure, to provide donations and matching employee sponsorship, is included in the financial plan.

SHAREHOLDERS

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received.

How we engage

Our shareholder engagement arrangements are described within the Corporate Governance Report.

How this was considered in Board discussions and decision making

The Board monitors the success of CEO and CFO meetings with shareholders through anonymous evaluations from both shareholders and analysts performed by the Company's Corporate Broker and Financial PR advisor.

As explained in the Remuneration Committee's Report, the Remuneration Committee consulted with substantial shareholders regarding the new long term incentive plan and considered feedback received from shareholders regarding the new plan prior to this being proposed for approval by shareholders at the AGM in November 2022.

All Board decisions are made with regard for the long-term success of the Group and the Company, which are ultimately aligned to our shareholders' interests.

BANK FINANCE PROVIDERS

As part of the funding for the acquisition of Sentry, which completed on 12 July 2021, the Group entered into a debt facility to provide up to \$140m of secured funding. This secured committed debt facility, comprising a term loan and a revolving loan facility, was in place at 30 June 2021 although there was no drawdown on this facility until July 2021. Details of these borrowings are provided in Note 21 to the financial statements.

We recognise the importance of the Group having a good relationship with its lenders as well as continued compliance with the loan covenants and the interest payments and loan repayments schedule. We endeavour to maintain and develop effective relationships with our banks. We actively engage with our banks to develop and maintain the positive relationship, while also providing them with information about the Group's prospects and governance.

How we engage

In addition to formal covenant compliance reporting and monitoring, there is a combination of formal and informal meetings and presentations held with our banks, including a number of meetings held around the time of the SVB Bank collapse to ensure the smooth and continued availability of the Group's debt facilities. Key topics include financial performance, strategy and risk management. Presentations have been given to our banks after the half year and full year results are announced to update them on financial performance and give them the opportunity to ask further questions.

In the second half of the financial year ended 30 June 2023, we undertook engagement with our lenders to confirm a further one year extension to the term of the term loan and revolving loan facility. Based on the relationships we have developed and regular engagement, each of the banks were supportive and approved the extension of the facilities. This demonstrates the positive support we continue to receive from our banking partners.

How this was considered in Board discussions and decision making

The Board monitors, based on reports and feedback provided by the Chief Financial Officer (CFO) the Group's relationship with the banks. In view of the availability of the right to request a further incremental one year extension of the debt facilities and the appetite of the banks to consider and support such a request, during the year the Board decided to initiate the process to make such a request. This was successfully concluded before 30 June 2023, demonstrating the positive support we continue to receive from our banking partners.

The Board receives information from the CFO regarding the Group's compliance with financial covenants contained within the committed term loan and revolving loan facility.

OTHER STAKEHOLDER GROUPS

Suppliers

Relationships with suppliers and subcontractors are based on mutual respect, and Craneware seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and contractors. The Group aims to develop strong working relationships with our key suppliers and we expect our suppliers to provide added value and fair pricing.

Environment

It is the Group's policy to support and encourage environmentally sound business operations, with the impact on the environment and potential climate-related risks being considered at Board level. Our governance arrangements, in respect of climate-related considerations and other Environmental and Social ('ESG') matters are explained within the Non-Financial and Sustainability Information Statement and in our ESG Statement.

How we engage

Suppliers

Our teams interact with our main suppliers on a regular basis to strengthen trading relationships and to ensure that supplier engagements continue to operate well to support the business. The procedures for review and monitoring of our vendor contracts aim to ensure that fair and reasonable contract terms are in place with suppliers.

Where external vendors are engaged to support the business in a capacity involving sensitive or controlled data sets, members of Craneware's Security Council conduct Vendor Secure Assessment Questionnaires to validate the vendors' existing security measures. The Group also operates a standard Business Associate Agreement. This agreement establishes clear expectations and requirements on how data will be handled, along with required background checks and training for employees. Our Business Ethics Policy is a mandatory policy for all employees and for any contractors and consultants engaged by us. The Policy includes and explains the process and arrangements for reporting any ethics violations.

In accordance with The Modern Slavery Act we publish our annual slavery and human trafficking statement. The latest statement can be found on the Craneware website at www.thecranewaregroup.com/modern-slavery-statement/. Neither the Company or any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains.

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms and conditions, generally within 30 days, provided that the supplier has performed in accordance with the relevant terms and conditions.

The Board is provided with updates from management, as appropriate, regarding the Group's relationships with its key suppliers, including with respect to any material risks, performance issues or potential future changes.

Environment

Our environmental impact is relatively low as a consequence of the nature and operations of our business, however we recognise that we have an obligation within society to help in the collective efforts to address the global challenge of climate change. Our Non-Financial and Sustainability Information Statement and also our ESG Statement within this Annual Report provides details of environmental aspects of our working arrangements and other environmental considerations and initiatives to assist with reducing our impact on the environment.

How this was considered in Board discussions and decision making

The Board receives any significant information regarding our suppliers and payment practices and environmental matters in the Board reports.

Directors

W Whitehorn (non-executive, Chair)
K Neilson
C T Preston
I Urquhart

C Blye (senior independent director)
R Rudish (non-executive)
A Erskine (non-executive)
D Kemp (non-executive)
A McCune (non-executive) (appointed 16 November 2022)

Nominated Advisors and Joint Stockbrokers

Peel Hunt LLP
 100 Liverpool Street
 London
 EC2M 2AT

Joint Stockbrokers

Berenberg, Gossler & Co.
 60 Threadneedle Street
 London
 EC2R 8HP

Bankers

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

Virgin Money
 20 Waterloo Street
 Glasgow
 G2 6DB

Subsidiaries and Registered Offices

Craneware US Holdings, Inc.
 Corporation Trust Center
 1209 Orange St
 Wilmington, DE 19801

SDS Holdco, Inc.
 251 Little Falls Drive
 Wilmington, DE 19808

Registrars

Link Group
 Central Square
 29 Wellington Street
 Leeds
 LS1 4DL

Investec Bank plc
 30 Gresham Street
 London
 EC2V 7QP

Silicon Valley Bank
(a division of First Citizens Bank)
 3003 Tasman Drive
 Santa Clara, CA 95054

Wells Fargo
 500 N Magnolia Avenue
 8th Floor
 Orlando, FL 32803

Craneware, Inc.
 3340 Peachtree Rd NE,
 Suite 850
 Atlanta, GA 30326

SDS Intermediate, Inc.
 251 Little Falls Drive
 Wilmington, DE 19808

Company Secretary & Registered Office

C T Preston
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 Edinburgh
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Independent Auditors

PricewaterhouseCoopers LLP
 Atria One
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Solicitors

Pinsent Masons LLP
 58 Morrison Street
 Edinburgh
 EH3 8BP

HSBC Bank plc
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Barclays Commercial Bank
 Aurora House
 120 Bothwell Street
 Glasgow
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Agilum Healthcare Intelligence, Inc.
 300 Montvue Road
 Suite 400
 Knoxville, TN 37919

Financial PR

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 71-73 Carter Lane
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 EC4V 5EQ

Bryan Cave Leighton Paisner LLP
 One Atlantic Center,
 14th Floor
 1201 W. Peachtree St. NW.
 Atlanta, GA, 30309-3471

Bank of Scotland
 The Mound
 Edinburgh
 EH1 1YZ

Bank of America
 101 E. Kennedy Blvd
 Tampa, FL 33602

Craneware Healthcare Intelligence, LLC
 12570 Perry Highway
 Suite 110
 Wexford, PA 15090

Sentry Data Systems, Inc.
 1946 Tyler Street
 Hollywood, FL 33020

Board of Directors

The Directors of the Company and their responsibilities within the Group are set out below:



Will Whitehorn, 63

Non-executive Chair
Appointed 1 January 2020

Will joined Craneware as Chair of the Board on 1 January 2020. Will joined Virgin in 1986 where he established a career as Sir Richard Branson's corporate affairs advisor and brand development director for the group globally. He helped develop Virgin Galactic, Virgin Trains and Virgin Media as businesses and went onto become the first President of Virgin Galactic taking the business from dream to reality. He is currently Chair of Good Energy Group plc and a Director of AAC Clyde Space AB and was appointed as Chair of Seraphim Space Investment Trust Plc in June 2021, which floated on the LSE in July 2021. He was recently invited to join the U.K. Government's Space Exploration Advisory Committee.



Keith Neilson, 54

Chief Executive Officer & Co-founder

Keith co-founded Craneware in 1999 and has served as its CEO ever since. Under Keith's guidance, The Craneware Group became recognised as the pioneer in value cycle management and a leading provider of superior products and professional services. Keith's direction has helped Craneware to win multiple prestigious awards in such areas as international achievement, business growth strategy and innovation. Keith was named The Entrepreneurial Exchange's "Emerging Entrepreneur of the Year 2003" and was a finalist in the 2004 World Young Business Achiever Award, winning the Award of Excellence in the Business Strategy category. He received the UK Software & Technology Entrepreneur of the Year Award from Ernst & Young in 2008 and was the Insider Elite Young Business Leader of the Year in 2009. Prior to launching Craneware, Keith worked primarily in international management, where he handled sales, marketing and technical consulting for companies with operations around the world. He studied Physics at Heriot-Watt University, Edinburgh, receiving a bachelor's degree in 1991. Keith is an active member of the Young Presidents Organisation (YPO), a syndicate member and Partner in Par Equity LLP.



Craig T Preston, 52

Chief Financial Officer
Appointed 15 September 2008

Craig was appointed to the Board on 15 September 2008, just as the Company was entering its second year as a publicly traded corporation on the London Stock Exchange. As CFO, he directs Craneware's financial operations in both the United Kingdom and United States. Craig has significant experience in senior financial roles with other private and public technology companies, including those with a multi-national presence. Prior to Craneware, he was group director of finance and company secretary at Intec Telecom Systems plc. Earlier, he served as corporate development manager at London Bridge Software plc. During his time there, he also held the role of CFO for Phoenix International, a previously NASDAQ-traded software company, following its acquisition by London Bridge. Earlier in his career, Craig worked for Deloitte in both the United Kingdom and United States. Craig has a degree in Accounting and Financial Management from the University of Sheffield. He is also a member of the Institute of Chartered Accountants in England and Wales.



Issy Urquhart, 55

Chief People Officer
Appointed 27 April 2022

As Craneware's Chief People Officer, Issy drives sustainable growth and facilitates change through a focus on people. Issy brings 25-plus years of strategic and operational global HR experience gained across a number of sectors including Technology, BPO, mature FMCG and Financial Services. Key strengths are her breadth and depth of global HR experience across all facets of HR and OD. Most notably prior to joining Craneware in 2015, Issy worked at CommScope Inc, Wolfson Microelectronics plc and Convergys Corporation in executive HR roles, where alongside delivering the HR agenda, she led wide-scale change programs to deliver acquisitions, changes in business strategies and operating models. Issy is also prominent in the Scottish charitable and not-for-profit spheres, in her roles as Vice-Chair of the Edinburgh Business Beats Cancer Board and member of the Scottish and North American Business Council.

**Colleen Blye, 63**

Non-executive Director, Senior Independent Director
Appointed 12 November 2013

Colleen Blye is the Executive Vice President and Chief Financial Officer for Montefiore Medicine. Responsible for financial strategy, reporting, investment and performance, Colleen's work strategically focuses on transformation; supply chain; information technology; population health and care management; revenue cycle; payor relations; and ambulatory care growth. Colleen has a distinguished background in large, complex healthcare organizations, and previously served as Executive Vice President and Chief Financial Officer of Catholic Health Services of Long Island. A Certified Public Accountant and member of the American Institute of Certified Public Accountants, she is also a Member of the Greater New York Hospital Association Board of Governors and the Healthcare Financial Management Association Board of Directors.

**Russ Rudish, 71**

Non-executive Director
Appointed 28 August 2014

Russ Rudish has more than 40 years' experience in serving the healthcare industry, both in the United States and internationally. Russ holds a directorship in Rudish Health Solutions, LLC, a healthcare professional services firm. Russ is also a principal in Healthcare IT Leaders and Run Consultants, both of which provide IT staffing and consulting services and partner in StoneBridge Healthcare, a hospital acquisition company. Between 2006 and 2014, Russ served as partner and Global Sector Leader for Healthcare at Deloitte Touche Tohmatsu, where he led the \$2 billion global consulting, audit, tax and financial advisory business, developing the firm's global health care strategy. He is an active speaker and contributor to thought leadership on today's most pressing healthcare business issues.

**David Kemp, 53**

Non-executive Director
Appointed 1 March 2020

David has extensive UK public company experience. He is currently CFO of the FTSE 250 listed John Wood Group plc, a world leading consulting and engineering company operating across the energy and materials markets, a position he has held since 2015. He has held a number of CFO and Non-executive Director positions over the course of his career and is a member of the Institute of Chartered Accountants.

**Alistair Erskine, 53**

Non-executive Director
Appointed 24 February 2020

Alistair has held a number of senior positions within the US healthcare sector. He is currently the Chief Information and Digital Officer of Emory Healthcare and VP of Digital Health for Emory University, responsible to the digital transformation of the organisation. He has held academic and government roles, including lecturing at Harvard Medical School and a Board Member of the Health Information Technology Standards Committee of the Virginia General Assembly. He holds an MBA from MIT with specialism in Business Analytics and Artificial Intelligence.

**Anne McCune, 67**

Non-executive Director
Appointed 16 November 2022

Anne joined the board as an Independent Non-executive Director on 16 November 2022. Anne is a recognised leader in the US Healthcare industry, having served as a senior executive for several leading academic hospital and physician centres and as a managing director in consulting. She is currently a Community Board member of the Strategy and Transformation committee at Salinas Valley Memorial Healthcare System in California, a principal in the academic healthcare division at the ECG Management Consultants and President and CEO of the Carol Emmott Foundation, an organisation dedicated to achieving fully inclusive gender equality in healthcare leadership and governance. Anne holds an MBA from Kellogg School of Management, Northwestern University and was recognised by Modern Healthcare as one of the 2021 Top 25 Women Leaders in Healthcare.

Directors' Report

The Directors present herewith their report and the audited consolidated financial statements of the Group for the year ended 30 June 2023.

Principal Activities and Business Review

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

The Company is required by the Companies Act to include a business review in this report. This includes an analysis of the development and performance of the Group during the financial year and its position at the end of the financial year, including relevant key performance indicators (principally: revenue growth; annual recurring revenue; adjusted earnings before interest, tax, depreciation and amortisation (EBITDA); adjusted earnings per share; net borrowings; operating cash; net borrowings divided by adjusted EBITDA; operating cash conversion. The adjusted measures are stated before exceptional costs and amortisation of acquired intangible assets). Detailed information on all matters required is presented in the Strategic Report contained in pages 7 to 13 and is incorporated into this Report by reference. A description of the principal risks and uncertainties facing the Group is also presented in the Strategic Report.

Where the Directors' Report, Chair's Statement and Operational Review contain forward looking statements, these are made by the Directors in good faith, based on the information available to them at the time of their approval of this Report. Consequently, such statements should be treated with caution due to their inherent uncertainties, including both economic and business risk factors underlying such forward looking statements or information.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to provide disclosures and information in relation to a number of matters which are included in the Strategic Report or elsewhere in this Annual Report and are incorporated into this Directors' Report by reference. These matters and cross-references to the relevant sections of this Annual Report are shown in the table below.

| Information | Section within this Annual Report | Pages |
|---|---|----------------------------|
| Appointment and Reappointment of Directors | Directors' Report Corporate Governance Report | 61 66 to 79 |
| Biographical Details of the Directors | Board of Directors | 57 to 58 |
| Business Model | Strategic Report | 9 and 10 |
| Change of Control | Directors' Report Remuneration Committee's Report | 63 93 |
| Community and Charitable Giving | Directors' Report Environmental, Social and Governance Statement | 64 42 and 43 |
| Corporate Governance Framework | Corporate Governance Report | 66 to 79 |
| Directors' Conflicts of Interest | Corporate Governance Report | 72 |
| Directors' Remuneration | Remuneration Committee's Report | 80 to 97 |
| Diversity, Equality and Inclusion | Environmental, Social and Governance Statement Directors' Report Corporate Governance Report | 38 64 72 |
| Employee Engagement | Environmental, Social and Governance Statement Stakeholder Engagement Directors' Report Corporate Governance Report | 39 53 64 74 |
| Employees with disabilities | Directors' Report | 64 |
| Environmental Reporting | Non-Financial and Sustainability Information Statement Environmental, Social and Governance Statement Directors' Report | 26 to 33 43 to 45 63 |
| Financial Instruments and financial risk management | Note 3 to the consolidated financial statements | 116 to 117 |
| Financial Results | Consolidated and Company financial statements and accompanying notes | 104 to 151 |
| Future developments and strategic priorities | Strategic Report | 7 to 13 |
| Going Concern statement | Directors' Report | 61 |
| Independent Auditor | Directors' Report Corporate Governance Report | 65 75, 77 and 78 |
| Modern Slavery Statement | Directors' Report Environmental, Social and Governance Statement | 64 46 |
| Principal Risks and Uncertainties | Strategic Report | 16 to 24 |
| Principal Activities | Directors' Report Strategic Report | 59 7 to 13 |
| Research and Development | Directors' Report Strategic Report | 61 7 to 10 |
| Risk Management | Strategic Report Corporate Governance Report | 16 75 to 79 |
| Section 172 Statement | Strategic Report | 47 to 51 |
| Significant Related Party Transactions | Note 24 to the consolidated financial statements | 144 to 145 |
| Stakeholder Engagement | Stakeholder Engagement Environmental, Social and Governance Statement | 52 to 55 36 to 39 |
| Strategic Report | Strategic Report | 7 to 51 |
| Subsidiary Undertakings | Note 15 to the financial statements | 135 |
| Viability Statement | Strategic Report | 24 |

Financial Results and Dividends

The Group's revenue for the year was \$174.0m (FY22: \$165.5m) which has generated a profit before tax of \$13.1m (FY22: \$13.1m) after exceptional costs of \$0.5m (FY22: \$2.1m). The full results for the year, which were approved by the Board of Directors on 4 September 2023, are set out in the accompanying financial statements and the notes thereto.

During the year the Company paid an interim dividend of 12.5p (15.13 cents) per share. The Directors are recommending the payment of a final dividend of 16p (20.19 cents) per share giving a total dividend of 28.5p (35.95 cents) per share based on the results for 2023 (FY22: 28p (33.96 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 December 2023 to shareholders on the register as at 24 November 2023.

| Dividends per Share | |
|---------------------|--------------------------------|
| Year | Dividend (pence) |
| FY17 | 20.0 |
| FY18 | 24.0 |
| FY19 | 26.0 |
| FY20 | 26.5 |
| FY21 | 27.5 |
| FY22 | 28.0 |
| FY23 | 28.5 (subject to AGM approval) |

We believe the level of dividend proposed for the year balances the Company's stated progressive dividend policy based on the Group's retained annual earnings and the current macro-economic climate.

Research and Development Activities

The Group continues its development programme of software products for the US healthcare market. The primary focus of this development continues to be the enhancement and expansion of the product suite including the ongoing development of the Trisus platform and its cloud-based solutions, to support the Group's Value Cycle strategy, delivering revenue integrity and 340B compliance, as well as margin and operational intelligence. Full details of the development activities and the Group's strategic and product direction are provided in the Strategic Report contained in pages 7 to 13. The Directors regard investment in development activities as a prerequisite for success in the medium and long-term future. During the year development expenditure amounted to \$50.6m (FY22: \$51.1m) of which \$15.0m (FY22: \$13.5m) has been capitalised.

Financial Instruments

The financial risk management strategy of the Group, its exposure to currency risk, interest rate risk, counterparty risk and liquidity is set out in Note 3 to the financial statements.

Subsequent Events

There have been no reportable events since 30 June 2023.

Going Concern

The Strategic Report contains information regarding the Group's activities and an overview of the development of its products, services and the environment in which it operates. The Group's revenue, operating results, cash flows and balance sheet

are detailed in the financial statements and explained in the Financial Review on pages 9 to 13.

Going Concern

The Group is profitable and there is a reasonable expectation that this will continue to be the case. Our business model is delivering high levels of recurring revenue, supported by long term underlying contracts, that deliver high levels of cash generation. In addition, the Group has cash and cash equivalents of \$78.4m as well as a committed but undrawn facility available to it of \$60m.

The directors have prepared cash flow forecasts covering a period of over twelve months from the date of approval of these financial statements. These forecasts include consideration of severe but plausible downsides, should these events occur, the Group would have sufficient funds to meet its liabilities as they fall due for that period. These scenarios anticipate a zero-growth scenario, such that the only sales made by the Group would be to replace losses of existing long-term contracts. Under this basis, without the need to make cost savings, the Group remained in compliance with its covenants and had no need to draw upon the committed undrawn facility.

Based on this assessment, the Directors have determined that the Group has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated and the Company financial statements.

Directors

The biographical details of the current serving Directors of the Company are set out on pages 57 and 58. The Directors who served during the financial year ended 30 June 2023 were:

| | |
|-------------|--|
| W Whitehorn | (Non-executive Chair) |
| K Neilson | (Chief Executive Officer) |
| CT Preston | (Chief Financial Officer) |
| I Urquhart | (Chief People Officer) |
| C Blye | (Senior Independent Director) |
| R Rudish | (Non-executive Director) |
| A Erskine | (Non-executive Director) |
| D Kemp | (Non-executive Director) |
| A McCune | (Non-executive Director) : Appointed 16 November 2022 |

New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment. The Board recognises the UK Corporate Governance Code's recommendation that all Directors should stand for re-election every year and, whilst not a requirement, the Board has decided to adopt this recommendation as best practice. As such, all Directors will retire from office at the Company's forthcoming AGM. It is the intention of all Directors to stand for re-appointment. Further details regarding the appointment of directors are contained in the Corporate Governance Report.

Directors [Cont'd]

The Directors have the power to manage the business of the Company, subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, and to any directions given by special resolution, including the Company's power to purchase its own shares. The Company's Articles of Association may only be amended by a special resolution of the Company's shareholders.

Details of the Directors' service contracts and their respective notice terms are detailed in the Remuneration Committee's Report on page 93.

Corporate Governance

The Corporate Governance Report on pages 66 to 79 should be read as forming part of the Directors' Report.

Indemnity of Directors and Officers

Under the Company's Articles of Association and subject to the provisions of the Companies Act, the Company may and has indemnified all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their powers, including but not limited to any liability for the costs of legal proceedings where judgement is given in their favour. This indemnity was in place during the financial year and is ongoing up to the date of this report. In addition, the Company has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

Share Capital

The Company's issued and fully paid up share capital at 30 June 2023 was 35,542,169 Ordinary Shares of 1p each (at 30 June 2022: 35,542,169 Ordinary Shares). The shares are traded on the Alternative Investment Market ('AIM'), a market operated by the London Stock Exchange. The Company's Articles of Association, which are available on the Company's website www.thecranewaregroup.com, contain the details of the rights and obligations attached to the shares.

Each of the Company's Ordinary Shares carries the right to one vote at general meetings of the Company. Further information on the voting and other rights of shareholders, including deadlines for exercising voting rights, are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the Annual General Meeting, which are available on the Company's website www.thecranewaregroup.com

Restrictions on transfer of Ordinary Shares

There are no specific restrictions on the transfer of Ordinary Shares in the Company beyond those required by applicable law under the Articles of Association or imposed by laws and regulations (such as the Market Abuse Regulation) and pursuant to the Company's share dealing code, whereby Directors and employees are required to obtain clearance to deal in the Company's securities.

Purchase of own shares

On 12 April 2023 the Company announced a £5 million share

buyback programme to operate under the authority granted by shareholders at the Company's Annual General Meeting held on 15 November 2022 and within the regulatory limit on the quantity of shares the Company may purchase on any single day. The share buyback programme was effected using a phased approach and had an initial duration of three months which was extended by a further three months. The share buyback programme was therefore ongoing at 30 June 2023 and at the date of approval of this report. The Company purchased 223,632 of its own Ordinary Shares in the year ended 30 June 2023 (FY22: nil) in accordance with this share buyback programme at a total cost of £3.09 million (\$3.87 million) of which £3.05 million (\$3.82 million) had been paid by the Company at 30 June 2023. The shares purchased by the Company, which represented 0.63% of the Company's issued Ordinary Shares, are being held in treasury (with no voting rights attached) to be utilised in the satisfaction of employee share plan awards. The Company has purchased a total of 253,894 of its own Ordinary Shares under this buyback programme at the date of this report which represents 0.71% of the Company's issued share capital. The Company did not purchase any of its own shares in the year ended 30 June 2022.

Authority for purchase of own shares

Authorisation was given by shareholders at the Annual General Meeting on 15 November 2022 for the Company to purchase up to 3,554,217 Ordinary Shares. A resolution to renew this authority will be proposed at the 2023 Annual General Meeting.

Ordinary Shares held in Treasury

The 223,632 Ordinary Shares purchased by the Company through the share buyback programme in the year ended 30 June 2023 (FY22: nil) are being held in treasury (with no voting rights attached) for the purpose of satisfying employee share plan awards. During the year ended 30 June 2023, a total of 9,621 (FY22: nil) Ordinary Shares were transferred by the Company from Treasury to satisfy the exercise of employee share options. Therefore, at 30 June 2023, the Company held 214,011 Ordinary Shares in Treasury (as at 30 June 2022: nil).

Share capital allotted

During the year ended 30 June 2023, no Ordinary Shares were issued. In the prior financial year, on 12 July 2021, 2,507,348 new Ordinary Shares in Craneware plc were issued as part of the consideration for the acquisition of SDS Holdco, Inc., the ultimate holding company of Sentry. Note 12 contains further details of this business combination.

During the year ended 30 June 2023, no Ordinary Shares (FY22: 15,630 Ordinary Shares) were issued on the exercise of share options by employees.

The new Ordinary Shares issued in the prior financial year rank *pari passu* in all respects with the existing Ordinary Shares of the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Further details regarding the Company's share capital are included in Note 18 to the financial statements.

Employee benefit trust

The Company established an Employee Benefit Trust (EBT), 'The Craneware plc Employee Benefit Trust' during the financial year ended 30 June 2017. As at 30 June 2023 the EBT held 365,475 Craneware plc Ordinary Shares (at 30 June 2022: 411,323 Ordinary Shares). The EBT waived its right to dividends in the year ended 30 June 2023. Further details regarding the EBT are contained in Note 18 to the financial statements.

Employee share plans

Details of the Company's employee share plans, including the number of ordinary shares subject to employee share plan awards, are included in Note 7 to the financial statements.

Directors and their Interests

The interests of the Directors who held office at 30 June 2023 and up to the date of this report in the share capital of the Company, were as follows:

| | 2023 No. | 2022 No. |
|-------------|------------------|------------------|
| W Whitehorn | 2,989 | 2,989 |
| K Neilson | 3,446,539 | 3,431,522 |
| CT Preston | 93,872 | 89,329 |
| I Urquhart | 8,300 | 6,577 |
| C Blye | 547 | 547 |
| R Rudish | 1,095 | 1,095 |
| | 3,553,342 | 3,532,059 |

Directors' interests in share options are detailed in the Remuneration Committee's Report on pages 96 and 97.

Substantial Shareholders

As at 3 August 2023, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital pursuant to section 793 of the Companies Act 2006. It should be noted that, other than for K Neilson, W G Craig, these holdings may have changed since the Company was notified. However, notification of any change is not required until an applicable threshold is crossed.

| | No. of Ordinary £0.01 Shares | % of issued share capital (excluding 231,175 Ordinary Shares held in Treasury) |
|----------------------------|---------------------------------|---|
| Liontrust Asset Management | 4,466,720 | 12.65 |
| K Neilson | 3,446,539 | 9.76 |
| Canaccord Genuity Group | 2,667,773 | 7.56 |
| W G Craig | 2,340,756 | 6.63 |
| Aegon Asset Management | 1,546,201 | 4.38 |
| abrdn | 1,188,237 | 3.37 |
| Rathbones | 1,182,011 | 3.35 |
| Octopus Investments | 1,095,579 | 3.10 |
| Amati Global Investors | 1,092,929 | 3.10 |

Change of control provisions

Within the Group's revolving loan facility (as detailed in Note 21), the lender has the right to demand immediate payment of any outstanding balances upon a change of control of the Group.

There are change of control provisions within the rules of the Company's employee share option plans and its long term incentive plan.

Section 172 Statement

The statement, in respect of section 172 (1) of the Companies Act 2006, is on pages 47 to 51.

Stakeholder Engagement

An explanation of the engagement with stakeholders, examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions are included in the Stakeholder Engagement section on pages 52 to 55.

Corporate Social Responsibility & Environmental Policy

The Group is committed to maintaining a high level of social responsibility as outlined in the Environmental, Social and Governance Statement. It is the Group's policy to support and encourage environmentally sound business operations, with aspects and impact on the environment being considered at Board level; this is explained within the Environmental, Social and Governance Statement. The Group is required to report its energy use and impact under the Streamlined Energy and Carbon Reporting (SECR) regulations; the required information for the year ended 30 June 2023 is contained on page 32 of this Annual Report within the Non-Financial and Sustainability Information Statement. The Group is also required to provide climate-related disclosures in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (with these disclosure requirements now being contained in section 414CB of the Companies Act 2006); this information is contained within the Non-Financial and Sustainability Information Statement section of the Strategic Report on pages 26 to 33.

Customers

The Group treats all its customers with the utmost respect and seeks to be honest and fair in all relationships with them. The Group provides its customers with products and levels of customer service of outstanding quality. Further information about engagement with customers is provided within the Stakeholder Engagement section and within Environmental, Social and Governance Statement.

Community and Charitable Contributions

The Group seeks to be a good corporate citizen respecting the laws of the countries in which it operates and adhering to best social practice where feasible. It aims to be sensitive to the local community's cultural, social and economic needs.

As part of the Group's commitment to Corporate Social Responsibility and ESG matters, the Group has continued to develop its "Craneware Cares" program. The focus of Craneware Cares is to raise awareness and funds for charity whilst also supporting employee engagement and involvement. During the year ended 30 June 2023 the Group contributed a total amount of \$40,706 (FY22: \$47,943) to charities in the UK and in the US across all of the Group's fundraising campaigns and employee-led donations. Further information about Craneware Cares and other aspects of engagement with the community is provided within the Environmental, Social and Governance Statement.

Political Donations

Neither the Company nor its subsidiaries made any donation for political purposes in fiscal years 2023 or 2022.

Employees and Employee Involvement

The Group recognises the value of its employees and that the success of the Group is due to their efforts. The Group respects the dignity and rights of all its employees and provides clean, healthy and safe working conditions. Reviews are conducted on a regular basis to ensure that policies for training, risk assessment, safe working and accident management are appropriate. The Group has a Health and Safety Committee, which reports to the Risk and Compliance Committee, comprised of appropriate US and UK roles within the organisation. Further details, including employee wellness initiatives, are contained within the Environmental, Social and Governance Statement.

An inclusive working environment and a culture of openness are maintained by the regular dissemination of information. The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group. Share schemes, to encourage involvement of employees in the Group's performance, have been established, as detailed on pages 92 and 93 of the Remuneration Committee's Report.

The Group does not tolerate any sexual, physical or mental harassment of its employees. The Group operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation. The Group does not employ underage employees.

The Group maintains core values of: be authentic; demonstrate integrity; provide excellent service; work hard to the highest quality; enjoy the challenge. These values are actively promoted in all activities undertaken on behalf of the Group.

The general policy of the Group is to welcome employee involvement as far as it is reasonably practicable. Details regarding employee engagement are included on page 39.

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 Group 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.

Anti-Slavery and Human Trafficking Policy

The Modern Slavery Act requires the Company to publish an annual slavery and human trafficking statement. The latest statement can be found on the Craneware plc website at www.thecranewaregroup.com/modern-slavery-statement/. Neither the Company or any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains. The Environmental, Social and Governance Statement on page 46 also refers to this Policy.

Engagement with Suppliers and Policy on Payment of Payables

Relationships with suppliers and subcontractors are based on mutual respect, and the Group seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors. The Stakeholder Engagement section includes a summary of the Group's supplier engagement processes.

As a UK company, Craneware plc is bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct within and outside of the UK. In addition, we uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms and conditions, generally within 30 days, provided that the supplier has performed in accordance with the relevant terms and conditions. Trade payables at 30 June 2023 represented, on average 23 days purchases (at 30 June 2022: 29 days) for the Group and 26 days purchases (at 30 June 2022: 38 days) for the Company.

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting ('AGM'), together with explanatory notes, appear in a separate Notice of Annual General Meeting which is issued to all shareholders and will be made available on the Company's website at www.thecranewaregroup.com. The Directors consider that these resolutions are in the best interests of the Company and its shareholders as a whole. The proxy card for registered shareholders is distributed along with the notice. The arrangements for the AGM, to be held in November 2023, are outlined in the Notice of AGM.

Voting at General Meetings of the Company may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. Voting at General Meetings of the Company may be conducted:

- on a show of hands with every holder of Ordinary Shares present in person and entitled to vote has one vote;
- on a poll with every member present in person or by proxy and entitled to vote has one vote for every Ordinary Share held.

The notice of the AGM specifies the deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and the voting results are released as an announcement, on the Regulatory News Service of the London Stock Exchange, after the meeting are published as soon as practicable on the Company's website.

Company Registration

The Company is registered in Scotland as a public limited company with number SC196331

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

The Directors consider that the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and 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 Group's and Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed and a resolution for reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board by:



Craig Preston
Company Secretary
4 September 2023

Corporate Governance Report

Chair's Introduction

The Board recognises that strong corporate governance is an essential foundation for a sustainable organisation. On behalf of the Board, I am pleased to present our Corporate Governance Report for the year ended 30 June 2023 in the context of the UK Corporate Governance Code 2018 ('the Code'), our chosen corporate governance framework. The Board believes that, with high standards of corporate governance, shareholder engagement and engagement with other stakeholders are critical to the success of our strategy outlined on pages 7 to 9, and to delivering long-term, sustainable shareholder value.

The challenges faced by our customers, and the healthcare sector in general, in addition to the macro-economic environment, as explained within the Strategic Report, creates circumstances where good governance and balancing the needs and expectations of our stakeholders continues to be an important responsibility.

Purpose, Values and Culture

Our Purpose is to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to provide quality care to their communities. Supporting our customers, and the phenomenal work they do, continues to be our top priority and this ethos is evident throughout The Craneware Group.

I would like to thank all colleagues within The Craneware Group team for their continued enthusiasm, passion and commitment to collectively uphold our Purpose. Our team's dedication to serving our customers cannot be underestimated, whether it be directly in delivering services or support to our customers, developing solutions to enhance our portfolio to address customers' current and future requirements or colleagues within the team who enable the continued efficient and reliable operation of our supporting functions.

Supporting our Purpose is The Craneware Group's Framework consisting of our core values of: be authentic; demonstrate integrity; provide excellent service; work hard to the highest quality; enjoy the challenge. This is described further in the Environmental, Social and Governance (ESG) Statement within this Annual Report. The Board continues to monitor how the Purpose, vision, strategy and values align to the Group's culture.

We have a talented mix of employees from diverse backgrounds with a range of skills and experience, which brings a high level of innovation and collaboration. The Group is supportive of, and recognises the importance of diversity, including gender, ethnicity, nationality, skills and experience. This is evident from the diverse, inclusive and breadth and depth of skills and experience within the team and we aim to ensure that we continue to attract diverse talent into The Craneware Group.

Section 172 and Stakeholder Engagement

A key focus of the Code is the requirement to report on how the interests of the Group's stakeholders and the matters set out in section 172 of the Companies Act 2006 have been

considered in Board discussions and decision making. It is also important for the Board to keep stakeholder engagement mechanisms under review so that they remain effective. The Board's section 172 (1) statement and details of our engagement with stakeholders can be found on pages 47 to 51.

Employee engagement, including communication and collaboration

We appreciate the importance of employee engagement and we value honest and constructive feedback from employees, both through the employee engagement surveys and other engagement mechanisms including Leadership Roundtables which, if practicable, are attended by Board members including in the year, one I attended myself. The Board and the Operations Board sees great benefit from employee interaction, communication and collaboration. Whilst the Group was able to function efficiently and effectively with all employees working from home during the pandemic, and although many of our US employees are home-based, our office-based employees do benefit from working with colleagues in-person in the collaboration spaces at our offices in Edinburgh, Deerfield Beach (in Florida) and Pittsburgh (in Pennsylvania).

Environmental, Social and Governance (ESG)

As a Board, we recognise and acknowledge the challenges facing businesses in general, and that of the Group, in respect of sustainability, including climate change and environmental, social and governance (ESG) considerations. We also appreciate the importance of ESG matters to our stakeholders. Whilst The Craneware Group has developed many initiatives over the past several years which contribute to our sustainability credentials, we decided to formalise our coordination and oversight of ESG considerations, building upon our Purpose and with a specific focus on ESG matters. Accordingly, during the year our ESG Committee was established and the Board appointed Issy Urquhart, an executive Director of the Company and the Group's Chief People Officer, to chair the ESG Committee.

The Board maintains oversight of this Committee and approved the terms of reference for the operation of the Committee and receives regular updates from the Committee. While we are in the early stages of baselining our environmental data and conducting more detailed analyses of climate-related risks, which require ongoing monitoring, we believe we have initiated these appraisals during this year in the context of appropriate materiality assessments. We do, however, recognise that there is more to do and that this will be an ongoing and evolving process and we are committed to make further progress during the year ending 30 June 2024 in particular with formalising our targets and key performance indicators for environmental matters, aligned to climate-related national (UK and US) net zero ambitions. For the first time we are providing a summary of climate-risk considerations, as set out within the Non-Financial and Sustainability Information Statement on pages 26 to 33. The framework of our three key ESG Focus Areas along with an overview of the ESG Committee's activities and an update on some of our many current programmes and alignment to sustainability principles are contained within the ESG Statement section of this Annual Report.

Board composition

In November we were delighted to welcome Anne McCune to the Board as a non-executive director of the Company. Anne is a recognised leader in the US Healthcare industry, having served as a senior executive for several leading academic hospital and physician centres and as a managing director in consulting firms. Anne is currently a Community Board member of the Strategy and Transformation committee at Salinas Valley Memorial Healthcare System in California. Anne has already made valuable contributions to the Board and its deliberations.

We aim to attract a diverse pool of candidates, with relevant skills, experience and knowledge, for any senior appointments. As a Board, we are not in favour of setting specific diversity targets for the Board and senior management team and all appointments will ultimately be made on merit. Nonetheless, we are pleased to be able to demonstrate positive progress in this area over the past year.

As a Board we are cognisant that Colleen Blye, our Senior Independent Director, reached the milestone of nine years serving on the Board in November 2022. In the context of the director independence considerations, the Board has carefully considered the role Colleen has within the Board and ongoing contribution, including as one of the four senior Board positions. We have concluded the knowledge and independent challenge Colleen brings to the Board, including discussions at Board meetings, continues to contribute great value to the Board and as such it is appropriate to retain Colleen's independent services in the Senior Independent Director role at this time. From August 2023 Russ Rudish has also served on the Board for more than nine years, accordingly the Board has performed a similar review of his independence and concluded that Russ continues to be independent. However, as a result, the Board will keep the composition of the Board and its committees under review going forward including its continued independent balance.

Board evaluation

Early in the financial year ended 30 June 2023, we conducted a Board evaluation process, recognising that more than a year had elapsed since the previous Board evaluation. An overview of the process is provided within this Corporate Governance Report. I would like to thank my fellow directors for their engagement and helpful contributions to this evaluation process. I am pleased to report that the overall outcome of the evaluation was positive. We implemented and are also working on several of the enhancements to our Board meetings as well as reviewing how best to ensure a continued balance of independent non-executive directors on the Board whilst retaining the considerable industry knowledge and experience that currently exists through our Board members.

Annual General Meeting ('AGM')

The Board recognises that the AGM is an important event for all shareholders. The arrangements for the AGM, to be held in November 2023, are outlined in the Notice of AGM and we look forward to welcoming shareholders at the AGM.

The year ahead

With the operational assistance and coordination from our ESG Committee, we are now better placed to make good progress during the year ahead with further expansion of our emissions data monitoring and refining our targets and key performance indicators for reducing our impact on the environment and managing climate-related risks. We recognise that, as we collectively work towards ESG-related targets, that it will involve appropriate development of employee and other stakeholder engagement initiatives. Although over several years The Craneware Group has established (and continues to encourage) many sustainability initiatives which benefit various stakeholder groups, we are committed to continue, in alignment with our Purpose, to operate in a way that allows us to meet the needs of our stakeholders and have a positive impact on the communities in which we operate and wider society.

We thank our shareholders, our other stakeholders, including our employees, for their ongoing support during this past year and for the future as we together uphold the Purpose of The Craneware Group.



Will Whitehorn
Chair
4 September 2023

The Board of Directors ("the Board") has always recognised the importance and value of high standards of corporate governance and has elected to adopt the UK Corporate Governance Code 2018 (the 'Code') as its corporate governance framework but it is aware that this Code has been drafted in the context of larger, main market listed companies.

The Board is pleased to report how it has applied the principles and complied with the provisions of the Code in line with best practice and in view of the size of the Group. This Report sets out how it has complied with the individual provisions and applied the 'spirit' of the UK Corporate Governance Code 2018 as a whole and explains any areas of non-compliance with the provisions of the Code. The UK Corporate Governance Code 2018 is available from the Financial Reporting Council at www.frc.org.uk.

Overview: Application of the UK Corporate Governance Code 2018 (the 'Code')

The Board seeks to continue to ensure the overarching objective that the governance of the Company contributes to its long-term sustainable success and achievement of wider objectives, including the Company and the Group's contribution to the communities in which it operates and wider society. The Board recognises, as stated in the Code, that achieving this depends on the way it applies the spirit of the Principles of the Code. The Company is a smaller company for the purposes of the Code and, as such, certain provisions of the Code are judged to be disproportionate or less relevant in its case. Where the Company does not comply with any specific Code provision then this is highlighted and explained in this report.

Compliance statement

The Board has complied with the spirit of the UK Corporate Governance Code 2018 and applied the principles and complied with the provisions of the Code throughout the year ended 30 June 2023, with the exception of the following areas that the Board believes are not appropriate for a Group of our size:

- Provision 17: due to the size of the Board, a separate nomination committee has not been established. Instead, these duties have been fulfilled by the Board as a whole. Included within this report is an explanation of the process conducted during the year for the search and recruitment of a new non-executive director;
- Provision 36: concerning the development of a formal policy for post-employment shareholding requirements. Post-employment shareholding policies continue to be the exception for AIM Companies. The Remuneration Committee keeps this area under review but considers that, whilst no formal post-employment shareholding policy for executive Directors is in place, its current approach is acceptable. There is a current required shareholding guideline applicable to executive Directors and senior management in place and that guideline has already been significantly exceeded by two of the executive Directors. In addition, there is a post-vesting holding period applicable to Long Term Incentive awards granted since October 2020 (and intended to apply to future such awards) to the executive Directors and senior management. These policies are considered to promote long-term shareholdings by executive Directors that support alignment with long-term shareholder interests although they do not include post-employment shareholding requirements; and

- Two of the seven elements of Provision 41: As an AIM listed company, Craneware plc is not required to comply with the Directors' Remuneration Report regulations however the Company does aim to comply with the spirit of all of Provision 41 of the Code in so far as the Board considers is appropriate for the size of the Company and as such provides a Remuneration Committee's Report. Although the Remuneration Committee did consult with substantial shareholders ahead of the Company's AGM, regarding the establishment of a proposed new long term incentive plan (as described in the Remuneration Committee's Report contained within this Annual Report), there was no direct shareholder engagement regarding other aspects of executive Director remuneration policy as expected by one of the elements of Provision 41 of the Code. However, shareholders have not raised any concerns with the Board during the year regarding the remuneration of the executive Directors and shareholders approved both the Directors' Remuneration Report for the year ended 30 June 2022 and also approved the adoption and implementation of the new long term incentive plan at the Company's AGM in November 2022. The Chair of the Remuneration Committee is available to discuss remuneration matters with shareholders if and when that is required or requested.

Also, with reference to one of the other elements of Provision 41 of the Code, during the year there was no engagement with employees in respect of executive Director remuneration. However, the same policy of paying at median (based on benchmark data) applies across the whole Group. Notwithstanding that policy, due to the macro-economic environment, the Remuneration Committee decided to again for the fourth year defer any benchmarking and associated base salary changes for the executive Directors. This has been the decision for the past four financial years including the year ended 30 June 2023. As such there have been no changes to the base salary or bonus entitlements for the executive Directors during this time.

In accordance with AIM Rule 26, details of compliance with the Code and explanations for any non-compliance are also made available on the Company's website at www.thecranewaregroup.com/company/governance/

Board Leadership and Company Purpose

The role of the Board

The Board is primarily responsible for the overall conduct of the Group's business and for promoting the long-term success of the Group. The Board is collectively accountable to shareholders for its proper management. The Board must balance this responsibility with ensuring that the Directors have regard for key stakeholders and that there is sufficient time, information and understanding to properly take into account those stakeholders' interests when making decisions and considering their long-term implications. The Board recognises that effective engagement with key stakeholders, including employees, customers, shareholders, the community, banks and finance providers and suppliers, is a core component of long-term sustainability and success. Stakeholder Engagement information

is set out on pages 52 to 55. The Directors consider, both individually and collectively, that they have taken the factors, set out in s172(1)(a) to (f) of the Companies Act 2006, into account when exercising their duty to promote the success of the Group and of the Company during the year. The Board's Section 172(1) Statement is on pages 47 to 51 and it includes examples of how those matters have been considered in significant decisions of the Board.

The Board delegates authority for the day to day management of the Group to the Chief Executive Officer and the rest of senior management within the Operations Board, under a set of delegated authorities. The Board is well supported by the Group's Operations Board and a broader senior management team, who collectively have the qualifications and experience necessary for the day to day running of the Group. The Operations Board is chaired by the CEO and also comprises the Chief Financial Officer, the Chief People Officer and seven further members of the Senior Management Team, including the Group's Chief Technology Officer who joined the Operations Board during the year.

Purpose, vision, strategy, values and culture

The Board leads and establishes the Group's purpose, vision, strategy and values and ensures that they are being carried out in practice across the business. The Board provides leadership across the Group and applies a governance framework to ensure that this is delivered effectively with appropriate control mechanisms.

The Board is responsible for setting the Group's Purpose and values. Our Purpose forms the basis of Group-wide strategic initiatives each year. **Our Purpose is to transform the business of healthcare through the profound impact our solutions deliver, enabling our customers to provide quality care to their communities.** Our culture is the way that we work together and is fundamental to how we operate. The Board has a fundamental role in shaping our corporate culture defined by our values and purpose. The Board assesses and monitors the Group's culture through regular interaction with management and other colleagues to ensure that its policies, practices and behaviours are aligned with the Group's purpose, vision, strategy and values. An overview of employee engagement mechanisms is provided below within the 'Stakeholder Engagement' section.

The Board is responsible for delivering value for shareholders by setting the Group's strategy and overseeing its implementation by the Operations Board. Our strategy and business model are explained within the Strategic Report on pages 7 to 13. The Board, at least annually, meets to review the Group's strategy, drawing on the wide and varied experience of the Board members, including detailed healthcare sector knowledge. The Board also receives regular updates on progress with the agreed strategy at each Board meeting.

The Board meets regularly to discuss and agree on the various matters brought before it, including the Group's trading results.

There is a formal schedule of matters reserved for the Board, which includes approval of the Group's strategy, annual strategic themes and related business plans, acquisitions, disposals, business development, annual reports and interim statements, plus any significant financing or funding related matters as well as significant capital expenditure plans. As part of this schedule, the Board has clearly laid out levels of devolved decision making authority to the Group's Operations Board.

The governance structure is summarised below.

Board Composition and Division of Responsibilities



Board of Directors

Anne McCune was appointed as a non-executive Director of the Company on 16 November 2022. Therefore, in the period from 16 November 2022 to 30 June 2023 the Company's Board comprised of: its Chair, Will Whitehorn; three executive Directors: Keith Neilson, Chief Executive Officer; Craig Preston, Chief Financial Officer; and Issy Urquhart, Chief People Officer; along with five further non-executive Directors (each of whom the Board considers to be independent), Colleen Blye (Senior Independent Director), Russ Rudish, Alistair Erskine, David Kemp and Anne McCune. Detailed biographies of all Directors are contained on pages 57 and 58.

A summary of the composition of the Board for different periods during the year ended 30 June 2023 is:

| Period | Composition of the Board | | |
|------------------------------------|--|------------------------|--|
| | Chair (Independent on Appointment) | Executive Directors | Independent [^] Non-executive Directors |
| 1 July 2022 to 15 November 2022 | 1 | 3 | 4 |
| From 16 November 2022 | 1 | 3 | 5 |

[^]The Board considers that all of the non-executive directors are independent in character and judgement, notwithstanding their tenure on the Board, as described further below within the 'Non-executive Directors' section.

Board Composition and Division of Responsibilities [Cont'd]

Division of Responsibilities

The Board has established clearly defined and well understood roles for the Chair of the Company and the Chief Executive Officer. A summary of the main responsibilities of these roles, and also that of the Senior Independent Director, is contained in the table below.

| Role | Summary of Responsibilities |
|------------------------------------|--|
| Chair | The Chair is responsible for the leadership of the Board, ensuring its effectiveness in directing the Company and the Group, and setting its agenda. The Chair is also responsible for upholding high standards of corporate governance promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Non-Executive Directors to provide constructive support and challenge to the executive Directors and senior management. The Chair ensures that the Board receives accurate, timely and clear information. The Chair is also responsible for ensuring that the Board is aware of the views of shareholders and other stakeholders. |
| Chief Executive Officer | The Chief Executive Officer (CEO) ensures that the strategic and financial objectives, as agreed by the Board, are delivered upon in addition to ensuring the effective implementation of the Board's decisions. To facilitate this, the CEO chairs the Group's Operations Board which manages, subject to the clearly defined authority limits, the day-to-day operation of the Group's business in an ethical and sustainable manner, aligned to the culture of The Craneware Group. Maintaining an effective framework of internal controls and risk management are also within the responsibilities of the CEO. In addition, the CEO is responsible for leading, motivating and monitoring the performance of the Group's senior management. |
| Senior Independent Director | The Senior Independent Director provides a sounding board for the Chair, in addition to supporting governance matters, as well as providing an additional channel of contact for shareholders, other Directors or employees, if the need arises. |

The Chair

William Whitehorn was appointed Chair of the Board on 1 January 2020 and was independent on appointment, in accordance with Provisions 9 and 10 of the Code.

Non-Executive Directors

The Board has appointed Colleen Blye as Senior Independent Director. In this role, Colleen provides a sounding board for the Chair as well as providing an additional channel of contact for shareholders, other Directors or employees, if the need arises.

The non-executive Directors assist in the development of strategy and monitor its delivery within the Company's established risk appetite. They are responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process. In addition, the non-executive Directors constructively challenge, support and review the performance of executive Directors. As Board committee members the non-executive Directors also, amongst other matters within the terms of reference of each committee, review the integrity of the Group's financial information and set the remuneration of the executive Directors.

In addition to matters outlined above, there is regular communication between executive and non-executive Directors including, where appropriate, updates on matters requiring attention prior to the next Board meeting. The non-executive Directors meet, as appropriate but no less than annually, without executive Directors being present and further meet annually without the Chair present.

The non-executive Director contracts are available for inspection at the Company's registered office and are made available for inspection both before and during the Company's Annual General Meeting.

The Composition of the Board

The composition of the Board has been designed to give a good mix and balance of different skill sets, including significant experience in:

- high growth companies;
- healthcare sector;
- software sector and analytics;
- entrepreneurial cultures;
- senior financial reporting;
- strategic and operational human resource management;
- both UK and US companies;
- acquisitions;
- integration of acquired businesses; and
- other listed companies.

The Board was enhanced during the year with the appointment of Anne McCune as an independent non-executive Director of the Company. Through this mix of experience and skills, the Board and the individual Directors are well positioned to set the strategic aims of the Company as well as drive the Group's values and standards throughout the organisation, whilst remaining focused on their obligations to shareholders and meeting their statutory obligations.

Throughout the year ended 30 June 2023 at least half the Board, excluding the Chair, were non-executive Directors whom the Board considers to be independent. The Board reviews, on an annual basis, the independence of each non-executive Director. In making this assessment, in addition to considering Provision 10 of the Code, the Board determines whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

In regards to all of the non-executive Directors, the Board has not identified any matters that would affect their independence; the Board considers that all of the non-executive Directors are independent in character and judgement and free from any business or other relationship that could materially interfere with exercising that judgement. The Board acknowledges the factors contained in Provision 10 of the Code. Notwithstanding that both Colleen Blye and Russ Rudish have served on the Board for more than nine years, having been appointed to the Board in November 2013 and in August 2014 respectively, the Board considers that both Colleen and Russ are independent in character and judgement.

The Board has carefully considered the role Colleen has within the Board and ongoing contribution, including in Colleen's role as the Senior Independent Director being one of the four senior Board positions. The Board concluded the knowledge and independent challenge Colleen brings to the Board, including

discussions at Board meetings, continues to contribute great value to the Board and as such it is appropriate to retain Colleen's independent services in the Senior Independent Director role at this time. The Board has performed a similar review of Russ' independence and concluded that Russ continues to be independent. However, as a result, the Board will keep the composition of the Board and its committees under review going forward, including its continued independent balance.



The Board has established an Audit Committee and a Remuneration Committee, details of which are provided below. The Board does not have a separate Nomination Committee as the Company has incorporated this function within the remit of the entire Board. Although not in compliance with Provision 17 of the Code, the Board considers this to be an appropriate arrangement in view of the size of the Group.

The Board keeps the composition of the committees under review. The membership of both of the Committees has not changed during the year:

| Audit Committee members | Remuneration Committee members |
|---|---|
| Throughout the year ended 30 June 2023 | Throughout the year ended 30 June 2023 |
| David Kemp (Chair) | Russ Rudish (Chair) |
| Colleen Blye | Colleen Blye |
| Alistair Erskine | Alistair Erskine |

Attendance of Directors at scheduled Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

| | Board | Remuneration Committee | Audit Committee |
|--------------------------------|-------|------------------------|-----------------|
| No. Meetings in year | 10 | 3 | 3 |
| Executive Directors | | | |
| K Neilson | 8/10 | - | - |
| CT Preston | 10/10 | - | - |
| I Urquhart | 9/10 | - | - |
| Non-Executive Directors | | | |
| W Whitehorn | 10/10 | - | - |
| C Blye | 10/10 | 3/3 | 3/3 |
| R Rudish | 9/10 | 3/3 | - |
| A Erskine | 9/10 | 2/3 | 3/3 |
| D Kemp | 9/10 | - | 3/3 |
| A McCune* | 5/5 | - | - |

*for this director, who was appointed to the Board during the year, the number of meetings attended is with reference to those from the date of appointment.

Where any Director has been unable to attend Board or Committee meetings during the year, their input has been provided to the Company Secretary ahead of the meeting. The relevant Chair then provides a detailed briefing along with the minutes of the meeting following its conclusion.

As detailed in the Directors' Report on page 62, the Company maintains appropriate insurance cover against legal action brought against Directors and officers. The Company has further indemnified all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their powers.

Board Appointments and Evaluation

Appointments to the Board

Board composition is regularly reviewed to ensure the requisite mix of skills, business experience and diversity is achieved and maintained, appropriate for the Group, as well as the balance within the Board of independent non-executive directors. When a new appointment to the Board is to be made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, usually involving external recruitment agencies, with appropriate consideration being given, in regard to executive appointments, to internal and external candidates. Before undertaking the appointment of a Director, the Board establishes that the prospective candidate can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times. This includes, prior to appointment, significant existing commitments being disclosed and assessed along with an indication of time commitment involved.

Following prior year discussions at Board meetings in relation to balancing the diversity in the composition of the Board, a search and selection process for the appointment of an additional non-executive Director was initiated. The approach that the Board

Board Appointments and Evaluation [Cont'd]

Appointments to the Board [Cont'd]

adopted for this process was the formation of a subcommittee of the Board to act as the selection panel, with the remainder of the Board taking part at the final interview stage. The majority of the subcommittee comprised non-executive Directors.

The search for potential candidates for this non-executive Director position was carried out by Rudish Health Solutions LLC, an Executive Search company based in the US specialising in appointments within the healthcare sector. Rudish Health Solutions LLC is connected to one of Craneware plc's non-executive Directors, Russ Rudish, who was its founder. No fee was charged to the Company for performing these services and the ultimate choice of candidate was decided by the Board independent of Rudish Health Solutions LLC.

Prior to making the appointment of Anne McCune, the Board considered her existing commitments, in view of the time required for the non-executive Director role at Craneware plc. The Board concluded that Anne had sufficient time to dedicate to the role.

Conflicts of interest

Any conflicts, or potential conflicts, of interest are disclosed and assessed prior to a new Director's appointment to ensure that there are no matters which would prevent that person from accepting the appointment. The Group has procedures in place for managing conflicts of interest and Directors have continuing obligations to update the Board on any changes to these conflicts. This process includes relevant disclosure at the beginning of each Board meeting. If any potential conflict of interest arises, the Articles of Association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine. The Board is satisfied that there is no compromise to the independence of, and nothing which would give rise to conflicts of interest for, the non-executive Directors who serve as directors on other company boards or who hold other external appointments.

Diversity

The Group is supportive of, and recognises the importance of diversity, including gender, ethnicity, nationality, skills and experience and professional, educational and socio-economic background. This is evident from the diverse, inclusive and breadth and depth of skills and experience within the team at The Craneware Group. While not in favour of setting specific targets, in the event that a Board position is required to be filled, during succession planning, the Board aims to ensure that the search process is sufficiently inclusive to encourage applications from diverse candidates with relevant skills, experience and knowledge, and that the selection process is fair and transparent.

Following the appointment of Anne McCune to the Board on 16 November 2022, the Board comprises 33% female and 67% male directors. The Senior Independent Director (one of the four senior Board positions) is female. At the end of the financial year, across The Craneware Group, our team comprised 47% female and 53% male employees. At Operations Board plus vice president level, the composition is approximately 34% female and 66% male.

Commitment

All Directors recognise the need to allocate sufficient time to the Company for them to be able to meet their responsibilities as Board members. All non-executive Directors' contracts include minimum time commitments; however, these are recognised to be the minimums.

Details of the other directorships held by each Board member are provided in the Directors' biographies on pages 57 and 58. The Board has evaluated the time commitments required by these other roles and does not believe it affects their ability to perform their duties with the Company. Prior approval of the Board is required in advance of executive Directors undertaking external appointments. No executive Director currently holds any other directorship of a listed company.

Succession Planning

The Board as a whole recognises its responsibility to ensure that appropriate plans are in place for orderly succession to the Board and has plans in place for any unforeseen circumstances regarding the executive Directors. The Board considers succession planning periodically, usually as part of its evaluation exercise. The composition of the Board has been carefully considered with these factors in mind and the addition of Anne McCune means the Board is well balanced to address them. In FY24 the Board will again review the composition of the Board and its Committees and will make any changes it deems appropriate.

Succession plans are in place for the senior management talent pipeline which are re-visited and reviewed with the Board as appropriate. The Board takes an active interest in the quality and development of talent and capabilities within Craneware, ensuring that appropriate opportunities are in place to develop high-performing individuals. The learning and development support and initiatives available to employees, including manager advancement, have been augmented in recent years as outlined in the ESG Statement within this annual report. The composition of the Operations Board was enhanced during the year with the addition of the Group's Chief Technology Officer.

Development

The Chair is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation and financial reporting requirements relevant to the Group's business are provided to the Board by the Chief Financial Officer and through the Board Committees by the Group's external auditors and advisors.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for advising the Board on all governance matters, ensuring that Board procedures are properly complied with and that discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors. The Board ensures that the Audit and Remuneration Committees are provided with sufficient resources to undertake their duties.

Training in matters relevant to their role on the Board is available to all Directors. New Directors, who have not been employed within the Group prior to appointment, are provided with an induction in order to introduce them to the operations and management of the business. All new Directors receive a briefing on their role and duties as a director of a company which has its shares traded on AIM. This briefing is conducted by the Company's advisers.

Information and Support

In setting the agenda for each Board meeting, the Chair, in conjunction with the Company Secretary, ensures input is gathered from all Directors on matters that should be included. Board papers are then issued in advance of meetings to ensure Board members have appropriate detail in regard to matters that will be covered, thereby encouraging openness and healthy debate. At a minimum, these Board papers include the financial results of the Group and a report from both the Chief Executive Officer and the Chief Financial Officer.

In addition, the non-executive Directors have access to, and correspond with, the Group's Operations Board on an informal basis. This allows for better understanding of how the strategy set by the Board is being implemented across the Group.

Evaluation

A Board evaluation process was conducted in the first half of the financial year ended 30 June 2023. This was performed by means of a detailed questionnaire completed by each Director. This evaluation included a review of the performance of the Chair and the Board Committees. The results of the process were collated by the Company Secretary on behalf of the Chair and were reviewed by the Board as a whole. Overall, the Board concluded that its performance in the period under review had been satisfactory. However it did recognise the Board, as constituted at that time and from a succession planning perspective, would benefit from being supplemented by the addition of a further non-executive Director. Following this, the candidate search process commenced which resulted in the selection and appointment of Anne McCune.

Also as a result of the evaluation exercise, Alistair Erskine, on behalf of the Board, spent additional time with the Product Board to assess and evaluate the Group's product strategy in light of the ongoing evolution of the US Healthcare market. This review was fully supportive of the strategy, whilst also identifying further opportunities to provide additional support to the Group's customers.

The Board will continue to consider the Code's recommendation that the evaluation of the Board be carried out with an external evaluator at least every three years, however, at present, remains of the opinion that with the current size of the Board this is not required.

Re-election

Under the Company's Articles of Association, at every Annual General Meeting ('AGM'), at least one-third of the Directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such a retirement will count

in obtaining the number required to retire at the AGM. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

However, the Board recognises the Code's recommendation that all Directors should stand for re-election every year, and whilst not a requirement, the Board has decided to adopt this recommendation as best practice. As such, all Directors will retire from office at the Company's forthcoming AGM. It is the intention of all Directors to stand for re-appointment.

In determining whether a Director should be proposed for re-election at the 2023 AGM, the Board took into account each Director's contribution to the Board's effectiveness, which formed part of the 2023 Board evaluation. This review confirmed that all Directors continue to be effective and demonstrate commitment to their roles and so the Board recommended their reappointment.

Stakeholder Engagement

Shareholders

Dialogue with Shareholders

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisors all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress.

To facilitate this:

- All shareholders are invited to attend the AGM and encouraged to take the opportunity to ask questions.
- The primary point of contact for shareholders on operational matters are Keith Neilson as Chief Executive Officer and Craig Preston as Chief Financial Officer.
- The primary point of contact for shareholders on corporate governance and other related matters is Will Whitehorn as Chair. Colleen Blye, as Senior Independent Director, is available as a point of contact should a shareholder not wish to contact the Chair for any reason.
- The Board welcomes regular engagement with major shareholders to understand their views on governance and performance against our stated strategy.
- The Chair ensures that the Board as a whole has a clear understanding of the views of shareholders.
- The Board aims to ensure that both the investor and analyst communities understand our purpose, strategy, business model and financial and operational performance.

Keith Neilson and Craig Preston meet regularly with shareholders, normally immediately following the Company's half year and full year financial results announcements, to discuss the Group's performance and answer any questions. The Board monitors the success of these meetings through anonymous evaluations from both shareholders and analysts performed by the Company's Broker and Financial PR advisor.

Stakeholder Engagement [Cont'd]

Dialogue with Shareholders [Cont'd]

During the year, the Chair of the Board met with shareholders at their request. The Chair is available to answer questions and to meet with shareholders on request.

The Remuneration Committee's Report section of this annual report explains that, in view of the greater emphasis on long term incentive arrangements, the provisions of our long term incentive plan (LTIP) were reviewed early in the year ended 30 June 2023 to ensure that our LTIP continues to provide an effective mechanism for incentivising and rewarding our executive Directors and senior management team and aligning their interests with those of our shareholders. The changes identified as part of this review were proposed to be implemented by the adoption of a new plan. The Remuneration Committee consulted with the Company's substantial shareholders regarding the proposed new LTIP. This process involved the chair of the Remuneration Committee answering follow up questions received from those shareholders, as required. Following the consultation, the resolution for adoption of the new plan was approved by shareholders at the AGM in November 2022.

The Board receives questionnaires from some shareholders periodically in relation to 'Environmental, Social and Governance' ('ESG') matters. These questionnaires are reviewed, now with assistance from the ESG Committee, and then the questionnaires are completed and returned to the requestor.

The Company's website (at www.thecranewaregroup.com) has a section for investors that contains all publicly available financial information and news on the Company and the Group.

Details of the Company's share capital and substantial shareholders are contained in the Directors' Report on pages 62 to 63.

Constructive Use of General Meetings

The Board encourages attendance at its Annual General Meeting ('AGM') from all shareholders. The Notice of AGM together with all resolutions and explanations of these resolutions are sent at least 20 working days before the meeting. The Company proposes separate resolutions for each substantially separate issue and specifically relating to the report and financial statements. All Directors, where possible, make themselves available to answer any questions shareholders may have. Results of all votes on resolutions are published as soon as practicable on the Company's website.

The voting on each Resolution tabled at the AGM can be conducted on a show of hands or by way of poll votes. Shareholders, if they are unable to attend the meeting in person, are strongly encouraged to participate in the AGM by voting by proxy ahead of the meeting.

If an AGM resolution receives 20% or more of votes cast against, the Board will consult with shareholders to understand the reason behind the result. Following the AGM that was held on 15 November 2022, the Company announced that all resolutions were passed and in respect of each resolution at least 94.6% of the proxy votes received were 'for' each of the resolutions proposed.

Employee engagement

The Board uses alternative workforce engagement mechanisms, instead of the suggested workforce engagement mechanisms in the Code (i.e. a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director). There are several employee engagement initiatives in place, as outlined in the Our People section within the ESG Statement. The results from the employee engagement survey conducted during the year and the resulting Group-wide action plan were presented to the Board and updates on the progress of the action plan are also provided. The Board considers these employee engagement mechanisms to be appropriate at this time, in view of the size of the Group, and that they are supported by the Group's Chief People Officer, Issy Urquhart, being an executive Director of the Company. The Board will continue to keep these engagement mechanisms, in addition to those for other stakeholders, under review to ensure that the engagement mechanisms are effective.

The Chief People Officer ensures that the Board receives regular reports about a range of factors and issues affecting our employees to ensure that appropriate consideration is given and early action taken where necessary.

As part of the regular agenda for Board meetings, the People strategies, plans, policies, and practices have oversight from the Board through the provision of key people metrics such as retention and engagement metrics and updates on relevant topics such as culture. The Board receives a summary of the annual engagement and periodic pulse surveys and associated action planning as well as the regular updates. In addition, qualitative synopses from other lifecycle surveys such as onboarding and exit surveys are also provided to the Board for review and discussion.

The Human Resources team facilitates regular in person Leadership Roundtables. These are sessions for a small group of employees, between 10 to 15, from a cross section of business functions and roles and responsibilities providing an opportunity for face to face discussions with executive leadership. In addition, the Chair of the Board and other non-executive Directors have joined these sessions during the year both in the UK and US. These have provided a two-way feedback opportunity for employees, executive leadership and Board members to discuss relevant topics such as culture and engagement as well as business performance and other matters of interest.

Engagement with other key stakeholder groups

The Environmental, Social and Governance (ESG) Statement, the Stakeholder Engagement section and the Directors' Report within this Annual Report contain an overview of the engagement with other key stakeholder groups including: customers and the community and banks and finance providers.

ESG Committee

During the year our ESG Committee was established and the Board appointed Issy Urquhart, an executive Director of the Company and the Group's Chief People Officer, to chair the ESG Committee. Although this Committee is a subcommittee of the Operations Board, the Board maintains oversight of the ESG Committee and approved the terms of reference for the

operation of the Committee and the Board receives regular updates from the ESG Committee. Further details regarding the ESG Committee, its members and activities during the year are set out within the ESG Statement section of this Annual Report. A description of the Group's governance arrangements in relation to assessing and managing climate-related risks and opportunities is contained within the Non-Financial and Sustainability Information Statement.

Audit, Risk and Internal Control

Audit Committee and Auditors

The Board has established an Audit Committee to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls. The Audit Committee will normally meet at least twice a year. Throughout the year ended 30 June 2023 and for the period to the date of approval of this Report, the Audit Committee is chaired by David Kemp and its other members are Colleen Blye and Alistair Erskine. The Chief Financial Officer, Chief Executive Officer and other senior management attend meetings by invitation and the Committee also meets the external auditors without management present. David Kemp and Colleen Blye, as current and previous chair of the Audit Committee, have recent and relevant financial experience and the Audit Committee as a whole has significant experience and competence in healthcare and software sectors.

The terms of reference of the Audit Committee are available on the Company's website, at www.thecranewaregroup.com, and at the Company's registered office. Details of how the Audit Committee has discharged its responsibilities are provided on pages 75 and 76.

Financial and Business Reporting

The Board recognises its responsibilities, including those statutory responsibilities laid out on page 65. An assessment of the Group's market, business model and performance is presented in the Chair's Statement and the Strategic Report on pages 6 to 13.

As detailed on page 61 of the Directors' Report, the Board has confirmed that it is appropriate to adopt the going concern basis in preparing the consolidated and Company financial statements for the year ended 30 June 2023. The Board has explained within the Viability Statement section of the Strategic Report on page 24 that it has assessed the prospects of the Company and the Group, taking into account the Group and the Company's current position and principal risks, as well as projected compliance with debt finance covenants.

Risk Management and Internal Control

Details of the principal risks and uncertainties and emerging risks facing the Group, along with a description of the Group's risk management procedures, are detailed in the Strategic Report on pages 16 to 24. The principal financial risks are detailed in Note 3 to the financial statements.

The Directors recognise their responsibility for the Group's system of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. These systems, which cover all material controls, including financial, operational and compliance controls are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed

to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The annual financial forecast is reviewed and approved by the Board. Financial results, with comparisons to forecast results, are reported on at least a quarterly basis to the Board together with a report on operational achievements, objectives and issues encountered. The quarterly reports are supplemented by interim monthly financial information. Forecasts are updated no less than quarterly in the light of market developments and the underlying performance and expectations. Significant variances from plan are discussed at Board meetings and actions set in place to address them. During the financial year and in the period to the date of approval of this report, the Board has received information regarding the Group's compliance with financial covenants contained within the committed term loan and revolving credit facility. Further details regarding these borrowing facilities are contained in Note 21 to the financial statements.

Approval levels for authorisation of expenditure are at set levels and cascaded through the management structure with any expenditure in excess of pre-defined levels requiring approval from the executive Directors and selected senior managers.

Internal controls and risk management procedures are embedded into the business processes of the organisation and these are subject to review and assessment so that any identified areas of improvement, which come to management's and the Board's attention, can be actioned, as appropriate. Metrics and quality objectives continue to be actively implemented and monitored as part of a continual improvement programme. The visibility of regularly updated metrics, across many areas of the business, have been enhanced with oversight from the Group's Transformation team.

There is an extensive complement of policies and procedures, applicable across The Craneware Group, including: business ethics, information security, whistleblowing, anti-bribery and corruption, anti-slavery and human trafficking along with monitoring of mandatory employee training and policy acknowledgement for key areas. This is referred to in the ESG Statement section.

Audit Committee: role, responsibilities and activities during the year

During the year the Audit Committee, operating under its terms of reference (which are available on the Company's website, at www.thecranewaregroup.com, and at the Company's registered office), discharged its responsibilities, including reviewing and monitoring:

- interim and annual reports information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- the integrity of the Annual Report and Financial Statements, the Interim Report and any formal announcements relating to financial performance, to ensure clarity and completeness of disclosures, including those relating to alternative performance measures (including adjusted performance measures);

Audit, Risk and Internal Control [Cont'd]*Audit Committee: role, responsibilities and activities during the year [Cont'd]*

- developments in accounting and reporting requirements;
- matters of accounting significance, estimation and judgement including in the current year the Prior Year Restatements detailed on pages 11 and 12 of the Strategic Report;
- the systems of internal control and their effectiveness, reporting and making new recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the requirements or otherwise for an internal audit function;
- external auditors' plan for the year-end audit of the Company and the Group;
- the performance and independence of the external auditors. The auditors provide annually a letter to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- the audit fees charged by the external auditors;
- the formal engagement terms entered into with the external auditors;
- the provision of tax compliance services to the Group;
- the Committee's effectiveness.

The Audit Committee has reviewed the Group's profitability and liquidity as part of a number of forecast scenarios, incorporating the impact of relevant macro-economic conditions. As part of this assessment, the Committee has also reviewed the viability statement and going concern note (as included on page 24 and page 61 respectively), following which it was agreed that the going concern basis of accounting continues to be an appropriate basis of preparation for the financial statements.

In accordance with its terms of reference, the Committee has reported to the Board as to how it has discharged its responsibilities throughout the year.

Significant matters considered in relation to the financial statements

The Committee considers the appropriateness of accounting policies, critical accounting judgements and sources of estimation uncertainty relating to the financial statements. To do this, the Committee reviewed information provided by the Chief Financial Officer and reports from the external auditors setting out its views on the accounting treatments and judgements for the year ended 30 June 2023. The Audit Committee is satisfied that the judgements and estimates applied in the financial statements satisfy the requisite standards both in terms of accounting treatment and disclosure.

The following table sets out the significant areas considered by the Committee in relation to the Group's financial statements for the year ended 30 June 2023, in particular the critical judgements and estimates of the Company as disclosed in the financial statements:

| Area of judgement or estimate | Matter considered and Role of the Committee |
|---|--|
| Revenue recognition (Group and Company), including compliance with IFRS 15 | Revenue and deferred income are significant amounts in the context of the Consolidated Statement of Comprehensive Income and the Group and Company Balance Sheets respectively. The amount of revenue to be recognised and timing of revenue recognition are determined based on the details and terms contained in the contracts with customers. Revenue recognition on non-standard contracts can involve significant judgment and interpretation of both the Group's policy and IFRS 15. |
| Internally developed intangible assets (Group and Company) | The Group and the Company capitalise development costs when the conditions for capitalisation, as outlined in the principal accounting policies within Note 1 to the financial statements, have been met. Consequently, the Directors are required to continually assess the commercial potential of each product in development and its useful life following launch. There is judgement involved in determining whether or not costs being capitalised meet the definition of intangible assets under IAS 38 <i>Intangible assets</i> . In addition, there may be judgement involved in the assessment of whether or not the intangible assets will generate future economic benefit sufficient to recover the carrying value of the intangible asset. The Committee reviews this area as there is judgement involved in the Directors' assessment. |
| Impairment assessment | Goodwill and other intangible assets, as disclosed in Note 14 to the financial statements, are significant assets on the Group's balance sheet and the carrying amounts of these assets includes those recognised in the prior year on the acquisition of Sentry. The carrying amount of the Group's and the Company's tangible and intangible assets, including goodwill on the Group's balance sheet, is considered at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. The Committee reviews this assessment. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) through determining the value in use of the cash generating unit that the asset relates to. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense. There are no impairment losses recognised in respect of intangible assets in the financial statements of the Group in the year ended 30 June 2023. The Committee received and reviewed reports from both management and the external auditors and, where appropriate, challenged the assumptions taken and the conclusion reached. The Committee reviewed summary reports produced by management detailing the outcomes of the impairment assessment. |

The Group uses Alternative Performance Measures (APMs) and provides additional disclosures, including reconciliations to statutory measures, as set out in Note 27 to the financial statements. The Committee considers it important to take account of both the statutory measures and the APMs when reviewing these financial statements. In particular, items excluded from underlying results were reviewed by the Committee and it is satisfied that the presentation of these items is clear, applied consistently across years and that the level of disclosure is appropriate.

The Audit Committee also reviewed and considered other matters during and in respect of the financial year ended 30 June 2023 including management's assessment of new accounting standards that were not effective for adoption until after 30 June 2023.

The Audit Committee considered and discussed with the rest of the Board whether the Annual Report, taken as a whole and including the need for and disclosure around the prior year restatements, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.

Internal audit arrangements

The Committee has also reviewed the arrangements in place for internal audit and concluded, due to the current size, geographical dispersion, complexity and internal control environment of the Company and the Group, that a formal internal audit function was not required. The Audit Committee believes that management is able to derive assurance regarding the adequacy and effectiveness of internal controls and risk management procedures, given the use of the same enterprise resource planning system to maintain financial transaction records across the Group and also the close involvement of the Directors and the senior management on a day to day basis, without the need for an internal audit function.

In view of the importance of the procedures, security, regulation and controls around The Craneware Group's solutions and customer data, the focus for other assurance activities for the Group is in respect of those areas. Since 2019 The Craneware Group has maintained HITRUST CSF Certification for its Trisus and InSight solutions and corporate services, as well as associated operational processes. It is an external, validated audit of Craneware's security and data privacy practices based on the US Government's National Institute of Standards and Technology (NIST) Cybersecurity and Privacy Framework, ISO27001 and HIPAA. HITRUST is considered to be a gold standard for security frameworks within the healthcare industry. HITRUST has established a 'common security framework' (CSF) to address the multitude of security, privacy and regulatory challenges facing organisations. The scope of the HITRUST CSF's requirements is wide and requires a very high standard of data security arrangements as these have been set in the context of the accreditation being relevant to US healthcare providers with handling sensitive data (Protected Health Information) and impacts in some way all areas of the business (at least in respect of the required enhancement to the Group-wide IT and data security policies). Full HITRUST CSF assessments are conducted every two years; interim assessments are conducted each intervening year. The Craneware Group engages with third party auditors to support effective security practices and compliance

with appropriate regulations. We regularly evaluate to ensure our certification selections continue to be the best measure of security controls. Further details regarding information security are provided in the Principal Risks and Uncertainties section and in the Environmental Social and Governance (ESG) Statement within this annual report.

The Audit Committee will continue to monitor whether there is a requirement for an internal audit function and will report accordingly to the Board.

External audit

Under its terms of reference, the Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, PricewaterhouseCoopers LLP, were first appointed as external auditors of the Company for the year ended 30 June 2003.

As explained in the Corporate Governance Report section of the annual report in prior years, the Audit Committee was responsible for conducting an audit tender process on behalf of the Board in the year ended 30 June 2021 and, based on the Audit Committee's assessment of the proposals received from invited audit firms, the Committee made recommendations to the Board. The Board considered the Audit Committee's recommendation and subsequently approved PricewaterhouseCoopers LLP for recommendation to shareholders, for re-appointment as auditors, at the Company's Annual General Meeting (AGM) held in November 2021. This resolution for the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors was approved by the Company's shareholders.

The audit partner within PricewaterhouseCoopers LLP is required to rotate every five years. This is the third year that the audit partner, Paul Cheshire, has led the engagement team for the audit of the Group's full year financial statements.

The audit plan identified what the external auditors consider to be the key audit risks, the planned scope of work, the audit timetable and also details of how they have assessed their independence to be able to undertake the audit work.

Audit, Risk and Internal Control [Cont'd]

External audit [Cont'd]

This audit plan was reviewed, along with the Committee's assessment of auditors independence, and was agreed in advance by the Audit Committee. Having considered the planning work carried out and the results of the audit of the Group and Company financial statements for the year ended 30 June 2023, the Committee was satisfied that the approach adopted was robust and appropriate and that auditor independence and objectivity could be relied upon. The Committee is satisfied with the performance of the external auditors and with the policies and procedures in place to maintain their objectivity and independence. The Committee considers that PricewaterhouseCoopers LLP possesses the skills and experience required to fulfil its duties effectively and efficiently and that the audit of the Group and Company financial statements for the year ended 30 June 2023 was effective. The Committee has therefore recommended to the Board the reappointment of PricewaterhouseCoopers LLP as the Company's auditors at the forthcoming AGM of the Company.

Non-audit services provided by the external auditors

Craneware is an 'Other Entity of Public Interest' ('OEPI') in accordance with the definition introduced by the Financial Reporting Council and, consequently, the Company's external auditors are only able to perform a limited number of assurance related non-audit services.

The Audit Committee has implemented procedures relating to the provision of non-audit services by the Company's auditors, which include non-audit work and any related fees over and above a de-minimis level to be approved in advance by the Chair of the Audit Committee. The policy in respect of services provided by the external auditors is set out below:

The external auditors may be appointed to provide a limited number of assurance related non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the external auditors do not:

- Audit their own work;
- Make management decisions for the Group;
- Create a conflict of interest;
- Find themselves in the role of an advocate for the Group.

During the year ended 30 June 2023, as was the case in the previous financial year, the Company's auditors have not provided the Group or the Company with any non-audit work. Details of the fees paid to the auditors for audit services are shown in Note 5 to the financial statements.

Whistleblowing Policy

The Group is committed to conducting its business with honesty and integrity and it is expected that these high standards be maintained throughout the organisation. As an element of providing a supportive and open culture within the organisation, the Group has a Whistleblowing Policy and associated annual training for employees. This Policy includes arrangements by which employees, consultants or contractors may, in confidence and also anonymously should they wish, raise concerns regarding possible improprieties in matters of financial reporting or other matters. These concerns would then be investigated and followed up appropriately. The Board has provision to review these arrangements and any reports arising from their operation.

Remuneration

The Board has established a Remuneration Committee which comprises non-executive Directors all of whom the Board considers to be independent, as described within the 'Non-executive Directors' section above. The Committee is chaired by Russ Rudish and its other members are Colleen Blye and Alistair Erskine. When appropriate Keith Neilson, as Chief Executive Officer, is invited to attend meetings (except where matters under review by the Committee relate to him).

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the executive Directors, the remuneration of the Chair of the Board and setting the level and structure of remuneration for senior management, this includes:

- making recommendations to the Board on the Company's policy on executive Directors' and senior management remuneration, and to oversee long-term incentive plans (including share plans);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and employees of the calibre required by the Company and the Group; and
- ensuring that executive Director remuneration is in line with current industry practice as well as in line with the internal policies for remuneration for all employees within the Group.

The Committee has presented its Remuneration Report on pages 80 to 98, which details the work it has undertaken operating under its terms of reference (which are available on the Company's website, at www.thecranewaregroup.com, and at the Company's registered office) to discharge its responsibilities. The Remuneration Committee's Report also explains the extent of the Board's compliance with provisions 32 to 41 of the Code.

AIM Rule Compliance Report

Craneware plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the Company to:

- have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules for Companies;
- seek advice from its Nominated Advisor (“Nomad”) regarding its compliance with the AIM Rules for Companies whenever appropriate and take that advice into account;
- provide the Company’s Nomad with any information it reasonably requests or requires in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisors, including any proposed changes to the Board and provision of draft notifications in advance;
- ensure that each of the Company’s Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules for Companies; and
- ensure that each Director discloses to the Company without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

In addition, Craneware plc maintains compliance with AIM Rule 26, which specifies a list of information that the Company is required to make publicly available. AIM Rule 26 also requires the Company to adopt a corporate governance code and the Company has chosen the UK Corporate Governance Code 2018, against which the Directors are responsible for reporting the Company’s compliance as set out on pages 66 to 79.

Approved by the Board of Directors and signed on behalf of the Board by:



Craig Preston
Company Secretary
4 September 2023

Remuneration Committee's Report

Chair's introduction

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for the year ended 30 June 2023.

The focus on supporting our culture, retaining key talent, whilst at all times continuing to promote diversity and fair and equal pay. The Group has a median pay positioning policy and as such has sought to position, on average, base salaries at the median of the market for all employees in respect of their role, their contribution and company affordability.

The Financial Review section of our Strategic Report explains the financial performance of the Group for FY23 which has been achieved in a year when our customers and their communities have faced significant demands post-pandemic and in challenging macro-economic conditions for everyone. We have been very mindful of these difficult circumstances for all our stakeholders.

There continues to be a very competitive market in both UK and US for talent acquisition and retention combined with industry wide skill shortages. This brings an absolute focus on ensuring a positive employee experience of which remuneration is one factor. Many of our employee engagement and other initiatives, including reward, are summarised within the ESG Statement.

The Committee remains mindful of the importance of providing the opportunity for employees across the organisation, not only at senior levels, to become Craneware plc shareholders and the benefits this delivers in further aligning our stakeholders. We decided that it was appropriate to expand this opportunity during the year through the grant of market value share options in September 2022 to employees across the Group in roles below senior manager level.

Employee voice and engagement

People are at the centre of what we do and their wellbeing, including reward and conditions, is a priority for our Board of Directors and as a Committee we are conscious of our responsibilities in this regard and the significance of getting this right to support our culture, values and purpose of The Craneware Group. To assist with this, we appreciate the benefits of employee engagement and an overview of the various employee engagement and other employee initiatives across the Group are provided within the ESG Statement. The Board has benefitted from the enhancement of the employee perspective in Board deliberations and decision-making both through Issy Urquhart's contributions to the Board as an executive Director, following Issy's appointment in April 2022, and also from a US healthcare perspective with Anne McCune's appointment in November 2022 as a non-executive Director of the Company.

Executive Director Remuneration Policy

I explained in my introduction to last year's Remuneration Committee Report that the work of the Committee would continue to focus on the long-term strategy in the fiscal year ended 30 June 2023 as we sought to align that aspect of our remuneration policies to the broader interests of all our stakeholders.

In addition to the employee share option awards mentioned above, in view of the greater emphasis on long term incentive arrangements, the provisions of our long term incentive plan (LTIP) were reviewed early in the fiscal year to ensure that our LTIP continued to provide an effective mechanism for incentivising and rewarding our executive Directors and senior management team and aligning their interests with those of our shareholders. Although the fundamentals for long term incentive plan awards would not significantly change, improvements were identified as part of this review and were implemented by the adoption of a new plan. This followed the Committee's consultation with the Company's substantial shareholders, ahead of the AGM vote, and I would like to thank shareholders for providing their support for this new LTIP ('the 2022 LTIP') which was adopted at the Company's Annual General Meeting (AGM) in November 2022.

The first conditional share awards were granted to the executive Directors and senior managers from the 2022 LTIP in November 2022, following the AGM. In advance of the grant of those awards, the Committee considered carefully the performance metrics which should apply to the awards and we concluded that an appropriate profit-based measure should be implemented in addition to a relative total shareholder return metric, each metric to have equal weighting. The details of these metrics are described further within the 'Share-based awards' section of this Report.

Executive Director Remuneration Outcome for year ended 30 June 2023

Throughout the year, our remuneration focus has been on navigating the uncertain macro-economic factors and the post pandemic pressures on the US Healthcare market. We have successfully maintained our stated goal of a 30+% EBITDA margin whilst investing in the future of the business and its products. The senior team have continued to drive the success of the combined Group, which is significantly larger than we were only two years ago. We have also been able to continue to focus our policy of paying employees at median market rates.

Whilst we have yet to see the revenue growth we aspire to achieve; the combined Group has navigated these difficult times and delivered the targeted EBITDA performance. This has allowed for an element of the Bonus to be paid to all senior employees (including the executive Directors) for the first time in five years.

We believe our emphasis on Long Term Incentives within our remuneration strategy continues to be successful in aligning the interests of our Executive Team with those of our shareholders. The associated performance targets continue to appropriately reward performance without delivering any windfall gains due to external factors.

Looking ahead

The Remuneration Committee recognises that there is work to be done to align short term aspects of executive remuneration to market levels and practices and the steps towards this will start to be implemented in FY24. While it is acknowledged that the prioritisation of our focus on remuneration policies and arrangements for employees in the wider organisation, rather than the executives, was the right thing to do in recent years, the lack of base salary increases for our executive Directors, which has been the case for the past four years is recognised to be unsustainable and inconsistent with our aim to provide fair and competitive remuneration packages for all employees, including our executives. Since the year end, we have therefore initiated a benchmarking study, to be conducted by an independent consultancy organisation, to focus on executive Director remuneration policy.

On behalf of the Committee, I thank you for your support and we hope that this report provides you with a good understanding of remuneration matters within The Craneware Group.



Russ Rudish
Chair of the Remuneration Committee

Introduction

This report sets out Craneware plc's remuneration and benefits provided to Directors for the financial year ended 30 June 2023. A resolution to approve the report will be proposed at the Annual General Meeting ("AGM") of the Company at which the financial statements will be presented for consideration by shareholders. As an AIM listed company, Craneware plc is not required to comply with the Directors' Remuneration Report regulations requirements under Main Market UK Listing Rules or those aspects of the Companies Act 2006 applicable to listed companies. The Board of Directors has selected the UK Corporate Governance Code 2018 ('the Code') as its corporate governance framework and our extent of compliance with the Code, is set out and explained within the Corporate Governance Report on pages 66 to 79. Further details and explanations regarding the extent of compliance with the Remuneration provisions of the Code are included within this report of the Remuneration Committee.

Remuneration Committee

The Company has a Remuneration Committee ("the Committee") in accordance with the recommendations of the UK Corporate Governance Code 2018 ('the Code'). The members of the Committee throughout the financial year ended 30 June 2023 and for the period to the date of approval of this Report are Russ Rudish (Chair), Colleen Blye and Alistair Erskine. None of the Committee has any personal financial interests in matters directly decided by this Committee, nor are there any conflicts of interests arising from cross directorships or day to day involvement in the running of the business.

The responsibilities of the Remuneration Committee are outlined on page 78 and the Committee's terms of reference are available on the Company's website at www.thecranewaregroup.com and at the Company's registered office.

The Company's Chief Executive Officer and / or the Chief People Officer will attend meetings on occasion, at the invitation of the Committee, to advise on operational aspects of implementing existing and proposed policies and also to provide a summary of relevant results and feedback from employee engagement surveys and roundtable discussions, market data and updates on general remuneration policy trends and peer group information. The Company Secretary acts as secretary to the Committee. Under the Committee Chair's direction, the Chief Executive Officer, the Chief People Officer and the Company Secretary have responsibility for ensuring the Committee has the information relevant to its deliberations. In formulating its policies, the Committee has access, as required, to professional advice from outside the Company and to publicly available reports and statistics. The Committee met three times during the year and the meeting attendance is shown on page 71.

No Director is involved in any decisions as to their own remuneration.

Chair of the Remuneration Committee

Russ Rudish has been the Chair of the Remuneration Committee since 18 November 2020, having previously served as a member of the Committee for four years.

Shareholder consultation

The Board of Directors welcomes dialogue with its shareholders over matters of remuneration and the Committee consulted with the Company's substantial shareholders during the year, prior to the AGM, regarding the new long term incentive plan ('the 2022 LTIP') and this is outlined further in the 'Engagement with stakeholders regarding executive Director remuneration' section below. Shareholders will be informed by the Remuneration Committee of any future changes in executive Director remuneration policy in the Remuneration Committee's Report. In addition, if such policy changes are considered substantial and after having taken advice from relevant advisers, significant shareholders will be consulted in advance.

Voting at General Meeting: Directors' Remuneration Report

The Directors' Remuneration Report will be put to an advisory vote at the AGM in November 2023. A similar resolution was put to the AGM held on 15 November 2022 and was supported by the resolution being passed on a poll vote at that meeting, with the voting summarised as follows:

Resolution 2: To approve the Directors' Remuneration Report for the financial year ended 30 June 2022

| Votes for | | Votes Against | | Votes Total | Votes Withheld |
|------------|-------|---------------|------|-------------------|----------------|
| 25,923,201 | 95.5% | 1,229,346 | 4.5% | 27,152,547 | 148,903 |

A vote withheld is not a vote in law which means that a vote withheld is not counted in the calculation of votes for or against the resolution.

Director Remuneration Policy

The Remuneration Committee is conscious of its need to ensure that executive remuneration packages are designed to attract, motivate and retain Directors of the calibre necessary to achieve the Group's growth objectives and to reward them for enhancing shareholder value. The Remuneration Committee intends that the Director Remuneration Policy conforms with best practice, as far as reasonably practicable, and is appropriate for the organisation; the Committee retains the right to exercise discretion to ensure the appropriate outcomes in relation to executive Director remuneration. In addition, the Remuneration Committee also considers that executive remuneration policy should not only be easy to understand, but also straightforward and simple to implement and administer, as outlined in the table below in the context of Provision 40 of the Code.

| | |
|-----------------------------|--|
| Clarity | The Committee aims to provide clear and transparent disclosures of Director remuneration arrangements, as set out in this Report. |
| Simplicity | Simplicity is an important guiding feature to the Committee in the design of the remuneration structure for executive Directors. The Remuneration Committee considers that executive Director remuneration policy should not only be easy to understand, but also straightforward and simple to implement and administer. The Committee aims to ensure that remuneration arrangements across the Group are not complicated in order to assist with understanding and engagement. Executive Director remuneration policy is not complex with variable pay elements being an annual performance bonus and equity-settled long term incentives. Only a small number of targets, based on the Group's performance, are used for these variable pay elements. |
| Risk | Performance conditions for bonus and share-based incentives are considered each year by the Committee in view of corporate objectives including performance expectations as well as alignment to shareholder interests. The Committee has the ability to apply discretion to formulaic outcomes. Clawback provisions also apply to the LTIP. It is considered that the annual bonus and long term incentive arrangements do not encourage inappropriate risk taking. Post-vesting holding periods for LTIP awards granted from October 2020 onwards and shareholding guidelines also apply to the executive Directors. |
| Predictability | The executive Director remuneration policy has maximum opportunity levels for variable components, with actual incentive outcomes varying depending on the level of performance achieved against specific measures. |
| Proportionality | The main link of executive remuneration outcomes to long term performance is through the long term incentive awards which have stretching targets, based on relative total shareholder return performance and, in the current year, earnings. In addition to performance conditions, post-vesting holding periods for LTIP awards and shareholding guidelines provide shareholder alignment. |
| Alignment to culture | The metrics used to measure performance for the annual bonus and long term incentives are considered to drive behaviours that are consistent with the business strategy, values and culture of the organisation and aligned to shareholder interests. The Committee considers that the executive incentive schemes promote behaviours consistent with Group's purpose, values and strategy. The Committee voluntarily puts this Remuneration Committee Report to an advisory vote at the Company's AGM. |

Consideration of employee pay structures across the Group

The Committee has regard to pay structures across the wider Group when setting the remuneration policy for executive Directors although, as explained below, no direct comparison measures are applied / utilised. The Group has a median pay positioning policy and as such has sought to position, on average, base salaries at the median of the market for all employees in respect of their role, their contribution and company affordability.

This objective applies equally for the executive Directors however, as explained in last year's report, due to the ongoing macro-economic challenges, the Remuneration Committee has decided to defer any benchmarking and associated base salary changes for the executive Directors. This has been the decision for the past four financial years including the year ended 30 June 2023, as such there has been no changes to the base salary for the executive Directors during this time. The reference to internal and external measures for executive Director remuneration review and assessment therefore is not presented due to this deferral of benchmarking during the period.

Although the Committee does not formally consult with employees to explain how executive remuneration aligns with the Group-wide pay policy, as part of this process, all members of the Committee are members of the Board and the Board receives employee updates which contain, amongst other updates, feedback from employee engagement surveys which include general views on employee remuneration. There has been an increase in employee-related information being presented or referred to during Board meetings since the appointment of the Chief People Officer (Issy Urquhart) as an executive Director of the Company from 17 April 2022.

The remuneration policy overall for the executive Directors is more heavily weighted towards performance-related pay than it is for other employees. Although more senior roles within the Group are usually eligible to receive long term incentive awards, the Committee and the rest of the Board wish to encourage wider share ownership. Although new offerings were not launched for the SAYE and ESPP all employee savings-related share option plans (as described on page 92) in financial years ended 30 June 2022 and

Director Remuneration Policy [Cont'd]

Consideration of employee pay structures across the Group [Cont'd]

2023, the Committee decided that share option awards should be granted, to employees in roles below senior manager level, in order to provide an opportunity for more employees to become shareholders in the future, if they choose to do so. The share option awards also provide further alignment to shareholder interests. These awards are described within the 'All employee share option awards' section below.

The Committee also reviews employee remuneration and related practices which includes approving the design of, and determining targets for, the bonus plan which is applicable to all eligible senior employees within the Group for the year ended 30 June 2023. The targets set under the plan are consistent to all participants, including executive Directors and senior managers. The Committee also authorises the extent of any annual payments made under the bonus plan. In addition, the Committee provides guidance on general remuneration practices across the Group and the Committee is consulted regarding any significant changes to benefit and pay structures throughout the Group.

The Committee did not appoint a remuneration consultant during the year ended 30 June 2023. A share plans legal adviser, based in the UK, was engaged in respect of the drafting of the rules of the 2022 LTIP and associated documentation along with a US-based share plans legal adviser to review the draft rules and documentation.

Engagement with stakeholders regarding executive Director remuneration

The Remuneration Committee consulted with the Company's substantial shareholders regarding the 2022 LTIP prior to its proposal for approval by shareholders at the Annual General Meeting of the Company in November 2022. The Committee appreciated the engagement by those shareholders during that process and their constructive feedback and support. The Committee has not engaged with shareholders during the year ended 30 June 2023 regarding any other aspects of executive Director remuneration policy.

There was no formal employee engagement, in respect of executive Director remuneration, during the year, however regular employee and leadership round table discussions (which have an open agenda) have taken place during the year, as described on page 39 and also our manager peer group sessions have included a Reward module. In addition, as noted above, the same policy of paying at median applies across all employees of the Group (based on benchmark data) however, due to macro-economic factors, this has not been applied to executive Directors and as such their base salaries have not changed for a number of years.

Elements of Executive Director Remuneration

The main elements of the remuneration package for executive Directors are:

- base annual salary and benefits in kind;
- pension entitlement;
- annual performance related bonus; and
- long term incentives.

The Company's policy is that a substantial proportion of the remuneration of executive Directors should be performance related. It was stated in the previous Remuneration Committee's Report within the Annual Report for year ended 30 June 2022 that, following a review of market practice in incentive scheme design amongst similarly sized AIM listed companies, a resolution was proposed at the Company's AGM in November 2022 to request shareholder approval for the new long term incentive plan. This was approved by shareholders at the AGM and conditional share awards were granted to executive Directors and to senior managers from the new plan on 18 November 2022, as described below within the 'Share-based awards' section. Other than establishing the new long term incentive plan, there were no significant changes to the remuneration policy for executive Directors for the year ended 30 June 2023.

Base salary

| | |
|--------------------|---|
| Objective | Providing a competitive base annual salary for the market in which the Group operates, allows the Company to attract and retain high calibre executive Directors with the skills and experience required to help to achieve the Group's strategy. |
| Operation | The Committee intends that base salary for each executive Director should usually be reviewed annually, or when an individual's position or responsibilities change. A review will not necessarily result in an increase to base salary. However, for the reasons outlined above and in previous years' Remuneration Committee Reports, the base salaries for executive Directors have remained unchanged for the past four years. Base salary is paid in cash, normally as a fixed amount each month. |
| Opportunity | Any proposed executive Director salary increases are considered by the Remuneration Committee in the context of factors such as: Group performance, role, responsibilities, experience, market data for comparable roles, employment conditions elsewhere in the Group and the economic environment. |

Benefits

| | |
|--------------------|---|
| Objective | A benefits package, in line with market practice, is offered to executive Directors to complement base salary. |
| Operation | Executive Directors are entitled to private medical and dental insurance, life assurance, critical illness cover, permanent health insurance, annual health assessment and travel insurance. The type of benefits offered, eligibility and the cost of benefits are reviewed periodically. Market rates govern the cost of benefits which is not capped. |
| Opportunity | Benefits are set at a level which the Remuneration Committee considers appropriate. |

Pension Entitlement

| | |
|--------------------|---|
| Objective | To provide an appropriate level of post-retirement benefit for executive Directors. |
| Operation | The Company operates a defined contribution group personal pension plan in which all UK employees, including executive Directors, are entitled to participate. As part of this pension scheme, the Company matches employee contributions into the pension plan at up to 6% of base salary (year ended 30 June 2022: 6% of base salary from September 2021; prior to that 5% of base salary). The Company will make payments in lieu of pension in the event that an executive Director has exceeded their pension annual allowance. In addition, the Company pays a fixed sum of £5,000 (\$6,000 approximately) per annum in lieu of contributions to a personal pension plan for the Chief Executive Officer. |
| Opportunity | The current level of contribution by the Company to the pension scheme for executive Directors is at the same rate as applies for all other UK employees who participate in the pension scheme. |

Annual performance-related bonus

| | |
|--------------------|--|
| Objective | To incentivise the achievement of short-term financial and strategic goals. |
| Operation | Under the Group's senior employee annual performance related bonus plan, executive Directors are eligible to earn a cash bonus (non-pensionable) payment based on targets that are set by the Committee. In determining these targets, the Committee's objective is to set stretching targets that reflect challenging financial performance in the current year, but also provide for the future growth of the Group. The choice of metrics reflects those that have been identified as the key, primarily financial, indicators of the Group's success against its strategy. Bonus plan rules are exclusively subject to Remuneration Committee discretion. This includes but is not limited to whether or not to fund the bonus plan, to make any payment or the amounts to be paid by way of bonus under the plan (regardless of whether the Group has achieved or exceeded the required targets). The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the policy limits) and downwards to ensure alignment of pay with the underlying performance of the business over the financial year. Annual bonuses are normally paid in cash following the publication of the Group's audited annual financial results for the relevant financial year. |
| Opportunity | Maximum bonus entitlements are set at a level that allow additional growth of overall remuneration for out-performance of targets. |

Director Remuneration Policy [Cont'd]

Elements of Executive Director Remuneration [Cont'd]

Long term incentives

| | |
|-----------------------------|---|
| Objective | To incentivise the achievement of the Group's long-term strategy and the creation of long-term shareholder returns. |
| Operation | <p>Awards are granted annually with vesting dependent on the achievement of specified performance conditions over three years. Award levels and applicable performance conditions are considered by the Remuneration Committee prior to the grant of awards.</p> <p>The awards granted to executive Directors, from October 2020, are also subject to an additional two-year holding period after the vesting date.</p> <p>The Remuneration Committee has discretion to decide whether and to what extent the performance conditions have been met and, in appropriate circumstances, to override the formulaic outcome. Malus and Clawback provisions apply.</p> |
| Opportunity | Maximum award in a financial year of 200% of base salary; with maximum of 300% of base salary in exceptional circumstances. |
| Performance measures | <p>Vesting will be subject to the extent of achievement of specified performance conditions, measured over at least a three year period and usually tested on an annual basis, as determined by the Remuneration Committee.</p> <p>Details of the performance conditions applicable to the awards granted in the year ended 30 June 2023 are set out in the 'Share-based awards' section below.</p> |

Savings-related all employee share plans

| | |
|--------------------|--|
| Objective | To provide a wider population of employees with an opportunity to become Craneware plc shareholders, which promotes alignment to shareholder interests and aids with recruitment and retention. |
| Operation | <p>Save as You Earn ('SAYE') and Employee Stock Purchase Plan ('ESPP') share option plans allow employees and executive Directors, who choose to participate, to contribute regularly to the plans from their net salary and then to use those funds to buy shares in Craneware plc at the end of the savings period. This is usually at a discounted purchase price that is set at the start of the savings period.</p> <p>The executive Directors are permitted, if they choose to do so, to participate in the savings-related share option plan on the same terms as other employees in the same jurisdiction. Invitations to participate for eligible employees (including the executive Directors) can be launched under these plans, at times permitted by the relevant plan rules, at the discretion of the Committee.</p> |
| Opportunity | Executive Directors, who are all based in the UK, can participate on the same terms as all other eligible UK employees therefore the maximum level of participation in the SAYE share option plan is at a savings contribution amount of £500 per month. |

Shareholding guideline

| | |
|------------------|---|
| Objective | To create greater alignment of executive Directors' and senior managers' interests with those of our shareholders |
| Operation | <p>A shareholding guideline was introduced, applicable for the executive Directors and for senior management, effective from October 2020. The guideline expects executive Directors and senior managers to build up a shareholding equivalent to 200% of base salary. Vested but unexercised share option awards are included in the shareholding guideline on a net of exercise cost and tax basis.</p> <p>The interests of the Chief Executive Officer and the Chief Financial Officer in the Ordinary Shares of the Company, as set out in the Directors' Report on page 63, exceed the shareholding guideline.</p> |

Policy on non-executive director remuneration

The remuneration of the non-executive Directors, other than the Chair of the Board, is determined by the Board as a whole within limits set out in the Articles of Association. The levels of remuneration for non-executive Directors are considered to reflect the time commitment and responsibilities of the role. The non-executive Directors, including the Chair of the Board, do not participate in performance related bonus or share-based incentive arrangements.

| | |
|---------------------|---|
| Fees | Fees are not performance-related. Non-executive Director fees reflect the time commitment and responsibilities of each role, appropriate for a Group of our size and complexity. |
| Objective | The aim is to set the fees at a level appropriate to attract and retain high calibre non-executive Directors with a range of skills and commercial and other experience relevant to the Group and to complement the Board. |
| Basis of Fee | <p>The Chair of the Board is paid a single annual fee. The other non-executive Directors are paid a base annual fee reflecting membership of the Board and Committee(s) of the Board. Additional fees may be paid to non-executive Directors for further responsibilities such as chairing committees of the Board.</p> <p>Fees are paid in cash.</p> <p>The setting and review of the remuneration of non-executive Directors is a matter for the Chair of the Board and the executive Directors. The non-executive Directors are not involved in any decisions about their own remuneration.</p> <p>The level of fees for the year ended 30 June 2023 are shown in the tables on page 94.</p> |
| Other Items | Non-executive Directors do not receive any benefits or pension contributions. Non-executive Directors do not participate in the Group's bonus plan or long term incentive plans. |

Directors' Remuneration

The Committee aims to develop overall Directors' remuneration packages, based on the Director remuneration policy outlined in the previous section, to ensure both the short and long-term objectives of the Group are met and potentially exceeded, thereby ensuring that the Directors are incentivised to maximise return to the Company's shareholders. It is considered, taking into account macro-economic factors and remuneration practices across the Group, that executive Director remuneration policy operated as intended for the financial year, in terms of Company performance and quantum. However the Committee is conscious that: there was again no change to executive Directors' base salaries in the year ended 30 June 2023 for the fourth consecutive year; and, as a result, overall remuneration levels are continuing to fall below the Group policy of paying, on average, at the median. Therefore since the year end we have initiated a benchmarking study, to be conducted by an independent consultancy organisation, to focus on executive Director remuneration policy.

The remuneration package for the executive Directors, for the year ended 30 June 2023, comprised:

(i) Base salary

For the fourth consecutive year, due to the factors already outlined no changes were made to the executive Directors' base salaries in the year ended 30 June 2023.

(ii) Pension entitlement

The executive Directors participate in the same defined contribution group personal pension plan which is available to all UK employees. The Company matches the executive Director and other UK employee contributions into the pension plan at up to 6% of base salary (year ended 30 June 2022: 6% of base salary from September 2021; prior to that 5% of base salary). In addition, the Company pays a fixed sum to a personal pension plan on behalf of the Chief Executive Officer. The Company makes payments in lieu of pension in the event that an executive Director has exceeded their pension annual allowance.

(iii) Benefits in kind

Executive Directors are entitled to private medical insurance and dental insurance, life assurance, critical illness cover, permanent health insurance, annual health assessment and travel insurance.

(iv) Annual performance related bonus

The annual performance related bonus plan is outlined in the Director Remuneration Policy section above and under this plan, executive Directors are eligible to earn a cash bonus (non-pensionable) payment based on targets that are set by the Committee. In addition to the executive Directors, the other members of the senior management team and other senior managers across the Group were also eligible to participate in this bonus plan.

For the year ended 30 June 2023, the Remuneration Committee determined, after careful consideration of the Group's performance and the interests of its relevant stakeholders, that the calculated outcome of the bonus payable to the executive Directors, was appropriate. Consequently, no discretion has been applied by the Committee to the formulaic outcome for the bonus.

Directors' Remuneration [Cont'd]

(v) Share-based awards

During the year and historically the Company has operated employee share plans from which, and at the discretion of the Committee, executive Directors and other employees (including senior management) can be granted share-based awards.

Share plans

The Company currently operates several employee share plans which are described in Note 7 to the financial statements. Long term incentive awards can be granted to executive Directors and to senior management from these plans:

- The Craneware plc Long Term Incentive Plan (2022) (the "2022 LTIP");
- The Craneware plc Schedule 4 Company Share Option Plan (2016) (the "Schedule 4 Option Plan"); and
- The Craneware plc Unapproved Company Share Option Plan (2016) (the "Unapproved Option Plan").

There are also two legacy share plans which are:

- The Craneware plc Employees' Share Option Plan 2007 (the "Share Option Plan 2007"); and
- The Craneware plc Long Term Incentive Plan (2016) (the "2016 LTIP").

These legacy plans have outstanding share-based awards which were granted in previous financial years but which have not yet been exercised or, in the case of the 2016 LTIP, vested. The Company no longer grants awards from these plans but awards, which were granted under these plans in the past and are still outstanding, continue to subsist on their original terms and in accordance with the rules of the relevant plan until they vest or are exercised or lapse.

Following its establishment in November 2022, the 2022 LTIP has been used to grant conditional rights to acquire shares in the Company to executive Directors and senior employees, the vesting of which is normally dependent on both the satisfaction of prescribed performance conditions and the continued employment of the relevant individual throughout the period of three years from grant. Although the 2022 LTIP is now intended to be used as the primary means of incentivising senior management, the Committee was also of the view that it would be useful for the Company to have the flexibility to grant "market value" options if and when it was appropriate to do so. The Schedule 4 Option Plan allows for the grant of tax advantaged options to UK based participants over shares worth up to £60,000 per individual (for options granted prior to 6 April 2023, up to £30,000 per individual); and the Unapproved Option Plan is used to grant options where the above limit has been reached or where the relevant individual is not based in the UK.

Long Term Incentive Plan

Although the mechanism for long term incentive plan awards would not be fundamentally different to those granted previously under the 2016 LTIP, the reasons for establishing the 2022 LTIP, to grant awards instead of from the LTIP 2016 going forward, were explained in the Annual Report for the year ended 30 June 2022 and in the Notice of the Company's AGM held in November 2022. The Company's shareholders approved the adoption of the 2022 LTIP at that AGM. The basis of the 2022 LTIP is broadly similar to the 2016 LTIP but the 2022 LTIP reflects the more up to date market practice in incentive scheme design

amongst similarly sized AIM companies. The main changes introduced within the 2022 LTIP, compared to the 2016 LTIP, were explained in the explanatory notes to the Notice of AGM.

The value of long term incentive awards granted to the executive Directors in November 2022 were at 200% of base salary (awards in year ended 30 June 2022 and 2021 were also at 200% of base salary), being the maximum level of award permitted in non-exceptional circumstances under the 2022 LTIP. Further details regarding these awards are provided below.

Malus and Clawback provisions

The Rules of the 2022 LTIP provide that awards may be reduced (including to nil) at any time before they vest if the Remuneration Committee determines that one or more of the following circumstances arises or comes to light:

- the material misstatement of the Company's financial results for whatever reason;
- the discovery that the number of shares over which the award was granted was based on an error or on the basis of any information or assumption that the Committee subsequently discovers to have been inaccurate or misleading;
- the relevant participant's employment with the Group is summarily terminated (or, in the opinion of the Committee, could have been summarily terminated) for any reason including, but not limited to, dishonesty, fraud, misconduct, misrepresentation or breach of trust;
- the relevant participant has breached any applicable anti-bribery or anti-corruption laws;
- the Company or any other Group member becomes insolvent or otherwise suffers a corporate failure so that the value of the Company's shares is materially reduced, provided that the Committee determines following an appropriate review of accountability that the relevant individual should be held responsible (in whole or in part) for that insolvency or corporate failure;
- any other circumstances arise where, in the Committee's reasonable opinion, any act or omission of the relevant individual has caused, or is reasonably expected to cause, significant damage to the business interests or reputation of the Company or any other Group Company.

The Rules of the 2022 LTIP also provide that during the period of two years following vesting, the Committee may apply clawback to all or a proportion of the shares received by a participant in connection with their award in substantially the same circumstances as apply to malus (as described above). Clawback may be effected, among other means, by requiring the transfer of shares back to the Company or as it directs, payment of cash or reduction of outstanding or future awards.

Remuneration Committee discretion – share plans

The Remuneration Committee has the power to vary the terms of the performance conditions attaching to an outstanding share plan award in exceptional circumstances, provided that the amended conditions are, in their opinion, neither materially easier nor more difficult to achieve than the original performance conditions as envisaged by the Committee at the date of grant of that award.

Consistent with Provision 37 of The UK Corporate Governance Code 2018, the rules of the 2022 LTIP contain an overarching discretion for the Committee to vary (upwards or downwards) the formulaic vesting outcomes produced by the operation of the prescribed performance conditions (thereby reducing the risk that there is a misalignment between overall corporate performance, the award holder's personal performance and the level of reward delivered to executives). The rules of the 2022 LTIP contain change of control provisions which allow the Committee to take into account a range of considerations (including the underlying performance of the Group) when determining vesting levels in these circumstances.

Post vesting holding period

The Committee has previously considered whether it would be appropriate to introduce a post vesting holding period for LTIP awards and/or a post-employment shareholding guideline. As explained in last year's annual report, the Committee introduced a two-year post vesting holding period for LTIP awards (net of associated taxes) applicable for all awards granted to executive Directors and senior management on 2 October 2020, on 18 November 2021 and on 18 November 2022. The Committee intends that a post vesting holding period requirement will also apply to future LTIP awards granted to the executive Directors and senior management.

Shareholding guideline

The interests of the Chief Executive Officer and of the Chief Financial Officer in the ordinary shares of the Company, as set out in the Directors' Report on page 63, exceed the shareholding guideline which expects executive Directors to build up a shareholding equivalent to 200% of base salary.

Provision 36 of the Code expects there to be a post-employment shareholding policy for executive Directors. This policy has not been developed and implemented although this provision in the Code is acknowledged by the Committee. The Committee will keep this under review but considers that this is acceptable, in view of the shareholding guideline applicable to executive Directors and that this guideline is already significantly exceeded by two of the executive Directors.

Share plan awards granted to executive Directors in the year ended 30 June 2023

In November 2022, the Chief Executive Officer, the Chief Financial Officer and the Chief People Officer were each granted a conditional share award under the 2022 LTIP. The total value of the award at date of grant was equal to a total of 200% of the base salary for each of these directors. These awards are included in the tables on page 97.

Conditional share awards and / or share options were granted to certain other employees (including senior management) in November 2022 under the 2022 LTIP and the 2016 option plans.

The vesting of the awards, which were granted in November 2022 to the executive Directors and to senior management, are subject to two sets of performance conditions, with equal weighting, set by the Committee that are appropriate to the strategic objectives of the business, are considered to be challenging and in line with best practice/investor guidelines and are measured over three years.

The Committee reviewed the appropriateness of the performance metrics, applicable for the long term share-based incentives to be awarded to the executive Directors and senior management in the year ended 30 June 2023, in the context of the Group's purpose and strategy, business performance and alignment to stakeholder interests. The Committee concluded that a profit measure should be added to the performance conditions applicable for the long term incentive awards (in addition to a relative TSR metric) and that the inclusion of a growth in adjusted diluted Earnings per Share (EPS) metric, as an additional performance metric, would provide a more appropriate assessment of the Group's performance. The Committee determined that the relative TSR metric and the growth in adjusted diluted EPS metric should have equal weighting.

Accordingly, for the conditional share awards granted on 18 November 2022 to executive Directors and to senior management and for share options granted from the 2016 share option plans to other senior employees, the performance conditions are:

- (i) 50% of the quantity of each share plan award is subject to a relative total shareholder return ('TSR') metric; and
- (ii) 50% of the quantity of each share plan award is subject to a performance condition based on the growth in adjusted diluted earnings per share ('EPS') for the Group.

Relative TSR performance condition

This performance condition is based on the Company's TSR performance relative to the performance achieved by the constituent companies in the FTSE AIM 100 Index (the "Comparator Group").

The TSR performance condition applicable to the conditional share awards granted under the 2022 LTIP to the executive Directors and to senior management on 18 November 2022 are assessed over the period of three years, commencing on the date of grant, during which each company in the Comparator Group will be ranked in order of TSR performance. The relative TSR performance condition, which applies to 50% of the total of each award granted on 18 November 2022 to the executive Directors and senior management, is measured in three tranches such that one sixth of the Ordinary Shares, over which the awards subsist, will vest based on performance over the three years ending on 30 June 2023; one sixth based on performance over the three years ending 30 June 2024; and the final sixth based on performance over the three years to 30 June 2025 – resulting in an aggregate, minimum five year performance evaluation period. However, notwithstanding the TSR ranking achieved by the Company, no part of a share plan award subject to the above conditions will vest unless the Committee is satisfied that there has been an overall satisfactory and sustained improvement in the underlying financial performance of the Group over the relevant period.

Directors' Remuneration [Cont'd]

(v) Share-based awards [Cont'd]

Vesting will then take place as follows:

| Ranking of the Company's TSR against the Comparator Group | % of Shares comprised in one sixth tranche the conditional share award or share option granted on 18 November 2022 that vest |
|---|--|
| Below median | 0% |
| Median | 50% |
| Upper quartile or above | 100% |
| Between median and upper quartile | Between 50% to 100% on a straight line basis |

The share plan awards that were granted to the executive Directors and to senior managers in November 2021 and in October 2020 each had only a relative TSR performance metric and this is summarised within the table on page 91 as well as the applicable vesting profile. The extent of vesting for the tranches of those awards measured to the period ended 18 July 2023 is described in the 'Performance condition measurement assessment to 30 June 2023' section below.

Growth in Adjusted Diluted EPS performance condition

This performance condition is based on the Adjusted Diluted EPS, as presented in the notes to the audited consolidated financial statements of the Group for the relevant financial year but excluding the impact of any share-based payments expense recognised in the financial statements. Adjusted Diluted EPS Growth (expressed as a compound annual growth rate percentage) is calculated by comparing the Adjusted Diluted EPS for the final financial year in the three year measurement period with the Adjusted Diluted EPS for the financial year which ended immediately prior to the commencement of that three year measurement period.

| Adjusted Diluted EPS Growth over the applicable Measurement Period | % of Shares comprised in one sixth tranche the conditional share award or share option granted on 18 November 2022 that vest |
|--|--|
| Below 8% | 0% |
| 8% | 50% |
| 15% or above | 100% |
| Between 8% and 15% | Straight-line vesting between 50% and 100% |

For the long term incentive share plan awards which were granted on 18 November 2022, if and to the extent that the relative TSR and / or the growth in adjusted diluted EPS performance conditions are satisfied and subject to the award holder's continued employment within The Craneware Group throughout the period, the conditional share award will normally vest three years after the date of grant. In relation to those employees (not the executive Directors or other members of the senior management team) who were granted share options as part of their long term incentive awards, those share options granted under the Schedule 4 Option Plan or the Unapproved Option Plan will only become exercisable three years after the date of grant. Share options will expire, at the latest, 10 years after the date of grant.

Performance condition measurement assessment to 30 June 2023

For LTIP awards previously granted to the executive Directors: in November 2022, the first tranche is not due to vest until November 2023; in November 2021, the second tranche is not due to vest until November 2023; and for the LTIP awards granted in October 2020, the third (final) tranche is not due to vest until 2 October 2023. However, the performance criteria for these tranches were to be tested against the Company's performance to 30 June 2023.

The performance metrics applicable to these awards is summarised in the table below. The extent to which the performance conditions are achieved are assessed by the Committee each year, in respect of each tranche of one third of the quantity of shares subject to each award, over a three year measurement period.

| Long term incentive share plan awards | Summary of Performance Metrics |
|--|--|
| Granted in year ended 30 June 2021 (grant date: 2 October 2020) | <p>Craneware plc's TSR relative to the ranked TSR of the constituents of the FTSE AIM 100 Index (the 'Comparator Group'):</p> <ul style="list-style-type: none"> 25% will vest if ranking of the Company's TSR against the Comparator Group is at the Median 100% will vest if ranking of the Company's TSR against the Comparator Group is at or above the Upper Quartile (with straight line vesting between median and upper quartile) |
| Granted in year ended 30 June 2022 (grant date: 18 November 2021) | <p>Craneware plc's TSR relative to the ranked TSR of the constituents of the FTSE AIM 100 Index:</p> <ul style="list-style-type: none"> 50% will vest if ranking of the Company's TSR against the Comparator Group is at the Median 100% will vest if ranking of the Company's TSR against the Comparator Group is at or above the Upper Quartile (with straight line vesting between median and upper quartile) |
| Granted in year ended 30 June 2023 (grant date: 18 November 2022) | <p><u>For 50% of the quantity of each award:</u> Craneware plc's TSR relative to the ranked TSR of the constituents of the FTSE AIM 100 Index:</p> <ul style="list-style-type: none"> 50% will vest if ranking of the Company's TSR against the Comparator Group is at the Median 100% will vest if ranking of the Company's TSR against the Comparator Group is at or above the Upper Quartile (with straight line vesting between median and upper quartile) <p><u>For 50% of the quantity of each award:</u> Growth in Adjusted Diluted EPS of the Group (expressed as a compound annual growth rate) :</p> <ul style="list-style-type: none"> 50% will vest if growth in adjusted diluted EPS over the measurement period is 8% 100% will vest if growth in adjusted diluted EPS over the measurement period is 15% or above (with straight line vesting between 8% and 15%) |

Relative TSR performance measure

To accurately assess the TSR performance in respect of the three relevant financial years under review, TSR performance is tested at the later of the 30 June, or the day after the Trading Statement is issued in respect of the financial year under review. This ensures the TSR incorporates the impact of the current year's Group performance.

Craneware plc's relative TSR for this period to 18 July 2023, when ranked against that Comparator Group (being the constituent companies in the FTSE AIM 100 Index) was between the median and the upper quartile and therefore these tranches, being one third of the quantity for each of the awards, will vest to the extent of:

- 55.26% for half of the first tranche of the long term incentive awards which were granted in November 2022 (the other half of the first tranche being subject to the growth in adjusted diluted EPS metric; the testing of that metric is explained below);
- 55.26% for the second tranche of the long term incentive awards which were granted in November 2021; and
- 32.90% for the third (final) tranche of the awards which were granted in October 2020.

Growth in Adjusted Diluted EPS performance measure

The Adjusted Diluted EPS for the Group, excluding the impact of share-based payments expense recognised in the consolidated financial statements, for the relevant financial years was:

| | FY23 cents | FY20 cents |
|--|-------------|-------------|
| Adjusted Diluted EPS (as per Note 11 to the financial statements for FY23) | 86.3 | 64.4 |
| Add back: Share-based payments expense (net of tax) | 6.5 | 3.7 |
| Adjusted Diluted EPS (for performance condition metric) | 92.8 | 68.1 |

Directors' Remuneration [Cont'd]

(v) Share-based awards [Cont'd]

Growth in Adjusted Diluted EPS performance measure [Cont'd]

The compound annual growth in the adjusted diluted EPS metric for the Group, for the purposes of assessing the extent of vesting of 50% of the first tranche of the awards granted on 18 November 2022, was therefore 10.83% for the three year measurement period ended 30 June 2023. Accordingly, the share plan awards, which are subject to this performance condition shall vest to the extent of 70.24% for the other half of the first tranche of the awards which were granted on 18 November 2022.

Overview of performance condition assessment

In assessing the vesting outcome of the LTIP awards, the Committee has paid consideration to whether any Windfall Gains occurred or whether it is appropriate to alter the formulaic outcome from the performance condition assessment. The Committee has concluded, based on the outcomes detailed, that neither situation existed in the current year and therefore no exercise of the Committee's discretion in these regards was necessary.

Conditional Share Awards (granted from the 2016 LTIP) due to vest in October 2023

As a result of the relative TSR performance condition measurement to 18 July 2023, for the final tranche of the LTIP awards which were granted to the executive Directors in October 2020, will result in those awards vesting as follows on 2 October 2023:

| Executive Director | Award (and grant date) | Held At 30/06/23 | Lapsed (due to performance condition assessment to 18 July 2023) | Due to vest on 2 October 2023 |
|--------------------|---|------------------|--|-------------------------------|
| K Neilson | Conditional share award (2 Oct 2020) ^A | 24,985 | (9,657) | 15,328 |
| C T Preston | Conditional share award (2 Oct 2020) ^A | 18,571 | (7,178) | 11,393 |
| I Urquhart | Conditional share award (2 Oct 2020) ^B | 10,208 | (2,893) | 7,315 |

^Aas explained in the Annual Report for the year ended 30 June 2022, the extent of vesting of the first and second tranches of these awards (each being one third of the amount granted), with performance conditions tested for the three year period to 30 June 2022, was 36.8% each. Therefore the award amount held at 30 June 2023, in the table above, is stated after the total of 42.13% of the original award quantity lapsed when the performance condition for those first and second tranches was tested.

^Bthe extent of vesting of the first tranche of this award (being one third of the amount granted), with performance conditions tested for the three year period to 30 June 2021 which was prior to I Urquhart being an executive Director of the Company, was 100%. The extent of vesting of the second tranche of this award, with performance conditions tested for the three year period to 30 June 2022, was 36.8%. The award amount held at 30 June 2023, in the table above, is therefore stated after the total of 21.06% of the original award quantity lapsed when the performance condition for the second tranche was tested.

All employee share option awards*Share options granted to employees in the year ended 30 June 2023*

In order to provide a wider population of employees with an opportunity to become Craneware plc shareholders, which promotes alignment to shareholder interests and aids with recruitment and retention, the Committee decided that a grant of share option awards should be made to most eligible employees within the Group, in roles below senior manager, during the financial year. The Committee considered that the grant of share options to eligible employees for this share option was appropriate, in the context of employee reward arrangements in the financial year and provided alignment of employee interests, at further levels within the Group, with those of our shareholders. Share options were therefore granted to employees on 23 September 2022 from the Schedule 4 Option Plan (for UK employees) or from the Unapproved Option Plan (for US employees).

There are no performance conditions applicable to these share options, only a service condition applies whereby the share option will become exercisable (subject to limited exceptions allowed for in the rules of the option plan) from the third anniversary of the date of grant if the option holder remains in continuous employment within the Craneware group of companies throughout that period.

Savings-related all employee share option plans

A Save As You Earn ('SAYE') share option plan for UK employees and an Employee Stock Purchase Plan ('ESPP') for US employees within the Group were established and were first operated in the year ended 30 June 2020, these share option plans having been approved by the shareholders at the 2018 Annual General Meeting. The executive Directors are permitted, if they choose to do so, to participate in the SAYE share option plan on the same terms as other UK employees.

Share options were granted under these two share option plans in the years ended 30 June 2020 and 30 June 2021, as summarised in Note 7 to the financial statements. The executive Directors chose to participate in the SAYE in FY20 and the details of the share options granted are contained in the table on page 96.

SAYE and ESPP share option plans allow employees and executive Directors, who choose to participate, to contribute regularly to the plans from their net salary and then to use those funds to buy shares in Craneware plc at the end of the savings period. This is usually at a discounted purchase price that is set at the start of the savings period.

The Committee has the discretion to decide whether or not to launch invitations to participate under these plans, at times when it is permitted to do so in accordance with the rules of the plans. There were no invitations to participate launched, or subsequent share options granted, from these plans in the years ended 30 June 2022 or 30 June 2023. The Committee continues to keep under review when it is appropriate to launch a new invitation under these plans, in view of the complement of other share-based awards across the organisation.

Source of shares and dilution limits

The share plans are being operated in conjunction with an Employee Benefit Trust, The Craneware plc Employee Benefit Trust, ("EBT"). Further details regarding the EBT are contained in Note 18 to the financial statements.

Conditional share awards granted under the LTIP and share options granted from the share option plans may be satisfied either by the issue of new Ordinary Shares, the transfer of shares from treasury or the transfer of existing Ordinary Shares purchased in the market.

In any ten year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the LTIP and any other employee share plan adopted by the Company. For the purpose of this limit:

- any Shares which are purchased in the market by the EBT for the purposes of satisfying Awards will not be counted;
- treasury Shares will count as new issue Ordinary Shares unless institutional investors decide that they need not count; and
- no account will be taken of any Shares where the right to acquire them was released or lapsed prior to vesting / exercise.

Details of all share options and conditional share awards, which have been awarded and had not lapsed or been exercised or released at 30 June 2023, are contained in Note 7 to the financial statements.

Service Contracts

The executive Directors and the non-executive Directors are employed under individual employment arrangements or letters of appointment where appropriate. Details of these service contracts are set out below.

| | Contract Date | Unexpired Term | Normal Notice Period |
|-------------|----------------------|-----------------------|-----------------------------|
| K Neilson | Founder | Rolling | 3 months* |
| CT Preston | 15 September 2008 | Rolling | 3 months* |
| I Urquhart | 27 April 2022 | Rolling | 3 months* |
| W Whitehorn | 1 January 2020 | Rolling | 1 month |
| C Blye | 12 November 2013 | Rolling | 1 month |
| R Rudish | 28 August 2014 | Rolling | 1 month |
| A Erskine | 24 February 2020 | Rolling | 1 month |
| D Kemp | 1 March 2020 | Rolling | 1 month |
| A McCune | 16 November 2022 | Rolling | 1 month |

* The notice terms for Keith Neilson, Craig Preston and Issy Urquhart are normally three months, however in the event of a change of control, these notice periods are automatically extended to twelve months.

None of the executive Directors holds any outside appointments with any other publicly traded company.

Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 63.

Directors' Emoluments (audited)

For Directors who held office during the course of the year, emoluments¹ in respect of the year ended 30 June 2023 were as follows: (note: with the exception of C Blye, R Rudish, A Erskine and A McCune, all directors are paid in Sterling; the amounts below are translated into US Dollars at the relevant average exchange rate for the period being reported).

| | Salary/Fees \$ | Benefits ² \$ | Bonus \$ | Pension \$ | Total 2023 \$ | Total 2022 \$ |
|--------------------------|-------------------|-----------------------------|----------------|---------------|------------------|------------------|
| Executives | | | | | | |
| K Neilson ^{A,B} | 391,277 | 1,764 | 260,199 | 29,498 | 682,738 | 465,500 |
| CT Preston ^C | 290,838 | 1,617 | 193,408 | 17,450 | 503,313 | 341,405 |
| I Urquhart ^D | 199,914 | 1,409 | 132,943 | 13,701 | 347,967 | 43,200 |
| Non-Executives | | | | | | |
| W Whitehorn | 90,323 | - | - | - | 90,323 | 99,878 |
| D Kemp | 56,248 | - | - | - | 56,248 | 62,198 |
| C Blye | 60,708 | - | - | - | 60,708 | 60,708 |
| R Rudish | 60,708 | - | - | - | 60,708 | 60,708 |
| A Erskine | 54,216 | - | - | - | 54,216 | 54,216 |
| A McCune ³ | 33,885 | - | - | - | 33,885 | - |
| Total | 1,238,117 | 4,790 | 586,550 | 60,649 | 1,890,106 | 1,187,813 |

1. Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire, or conditional share awards in respect of, ordinary shares in the Company held by the Directors.

2. Benefits represent payments for health insurance, death in service and disability insurance.

3. A McCune was appointed as a Director of the Company on 16 November 2022.

A. Conditional share awards, in respect of 4,460 and 9,895 Ordinary Shares in the Company, which were granted to K Neilson under the 2016 LTIP in September 2018 and in September 2019 respectively, vested in September 2022. Based on the share price on the vesting date the total value of those Ordinary Shares was £291,407 (\$329,906) before tax.

B. In September 2022 K Neilson exercised a share option, which was granted in 2012 detailed below, in respect of a total of 6,605 Ordinary Shares in the Company. Based on the share price on the date of exercise, the gain on exercise of that share option was £102,378 (\$116,737) before tax.

C. Conditional share awards, in respect of 3,305 and 7,355 Ordinary Shares in the Company, which were granted to CT Preston under the 2016 LTIP in September 2018 and in September 2019 respectively, vested in September 2022. Based on the share price on the vesting date the total value of those Ordinary Shares was £216,398 (\$244,988) before tax.

D. A conditional share award, in respect of 4,043 Ordinary Shares in the Company, which was granted to I Urquhart under the 2016 LTIP in September 2019, vested in September 2022. Based on the share price on the vesting date the value of those Ordinary Shares was £82,073 (\$92,916) before tax.

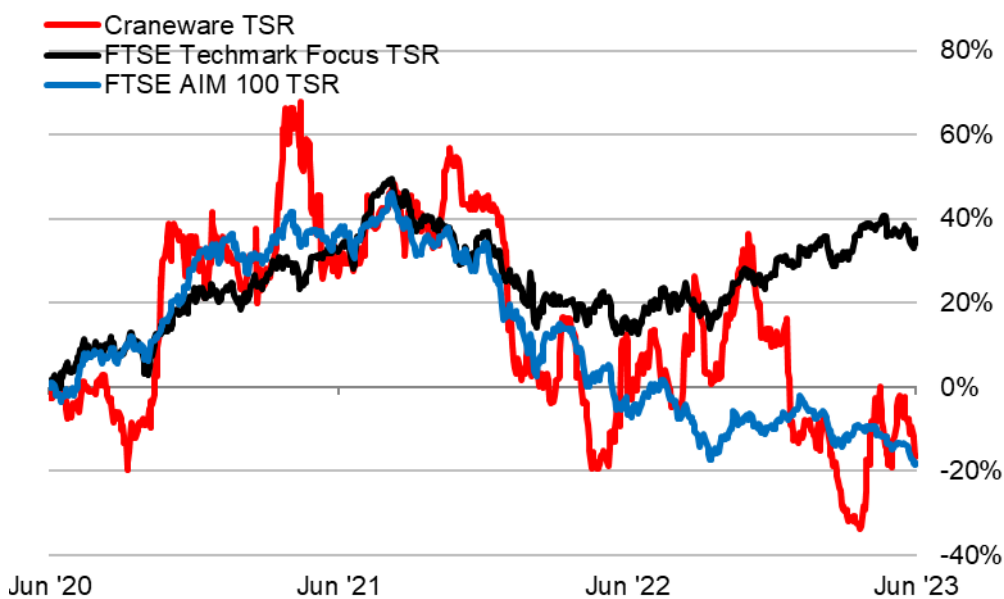
The following Directors were paid in Sterling:

| | Salary/Fees £ | Benefits £ | Bonus £ | Pension £ | Total 2023 £ | Total 2022 £ |
|-----------------------|------------------|---------------|----------------|---------------|------------------|-----------------|
| Executives | | | | | | |
| K Neilson | 324,900 | 1,465 | 216,059 | 24,494 | 566,918 | 349,554 |
| CT Preston | 241,500 | 1,343 | 160,598 | 14,490 | 417,931 | 256,368 |
| I Urquhart | 166,000 | 1,170 | 110,390 | 11,377 | 288,937 | 32,439 |
| Non-Executives | | | | | | |
| W Whitehorn | 75,000 | - | - | - | 75,000 | 75,000 |
| D Kemp | 46,706 | - | - | - | 46,706 | 46,706 |
| Total | 854,106 | 3,978 | 487,047 | 50,361 | 1,395,492 | 760,067 |

Further information regarding Directors' share options and LTIP awards are contained in the tables on pages 96 and 97.

Total Shareholder Return Performance Graph

The following graph charts the cumulative shareholder return of the Company over the past three years, compared to the FTSE AIM 100 Index and the FTSE techMARK Focus Index. The FTSE AIM 100 Index provides a comparison to a broad equity market index (of which Craneware is a constituent company). The FTSE techMARK Focus Index is selected because the constituents of this index are generally affected by similar economic and commercial factors to Craneware.



Directors' interests in share options and LTIP awards

Directors' interests in share options as at 30 June 2023, in respect of Ordinary Shares of 1p each in Craneware plc, were for the following Directors who held office during the course of the year:

| Grant Date | Exercise Price (cents) | Exercise Price (pence) | Held At 01/07/22 | Granted During Year | Exercised During Year | Lapsed During Year | Held At 30/06/23 | Exercisable from date | Expiry date |
|-------------------------------|------------------------|------------------------|------------------|---------------------|-----------------------|--------------------|------------------|-----------------------|-------------|
| K Neilson | | | | | | | | | |
| <i>Share Option Plan 2007</i> | | | | | | | | | |
| 21 Sep 2012 | 650.0 | 400.0 | 6,605 | - | (6,605) | - | - | 21 Sep 2015 | 21 Sept 22 |
| 10 Sep 2013 | 621.0 | 395.0 | 34,472 | - | - | - | 34,472 | 10 Sep 2016 | 10 Sept 23 |
| 22 Sep 2014 | 839.0 | 522.5 | 39,090 | - | - | - | 39,090 | 22 Sep 2017 | 22 Sept 24 |
| 9 Mar 2016 | 1066.0 | 750.0 | 28,628 | - | - | - | 28,628 | 9 Mar 2019 | 9 Mar 26 |
| 12 Sep 2016 | 1563.0 | 1177.5 | 36,469 | - | - | - | 36,469 | 12 Sep 2019 | 12 Sept 26 |
| <i>Schedule 4 Option Plan</i> | | | | | | | | | |
| 17 Jan 2018 | 2445.0 | 1775.0 | 1,690 | - | - | - | 1,690 | 17 Jan 2021 | 17 Jan 28 |
| <i>Unapproved Option Plan</i> | | | | | | | | | |
| 17 Jan 2018 | 2445.0 | 1775.0 | 7,238 | - | - | - | 7,238 | 17 Jan 2021 | 17 Jan 28 |
| 5 Sep 2018 | 3488.0 | 2710.0 | 5,692 | - | - | (1,232) | 4,460 | 21 Sep 2022 | 5 Sep 28 |
| <i>SAYE Option Plan</i> | | | | | | | | | |
| 20 Apr 2020 | 1432.0 | 1147.5 | 1,568 | - | - | - | 1,568 | 1 May 2023 | 1 Nov 23 |
| CT Preston | | | | | | | | | |
| <i>Share Option Plan 2007</i> | | | | | | | | | |
| 9 Mar 2016 | 1066.0 | 750.0 | 26,925 | - | - | - | 26,925 | 9 Mar 2019 | 9 Mar 26 |
| <i>Schedule 4 Option Plan</i> | | | | | | | | | |
| 24 Mar 2017 | 1544.0 | 1237.5 | 2,424 | - | - | - | 2,424 | 24 Mar 2020 | 24 Mar 27 |
| <i>Unapproved Option Plan</i> | | | | | | | | | |
| 24 Mar 2017 | 1544.0 | 1237.5 | 6,162 | - | - | - | 6,162 | 24 Mar 2020 | 24 Mar 27 |
| 17 Jan 2018 | 2445.0 | 1775.0 | 6,618 | - | - | - | 6,618 | 17 Jan 2021 | 17 Jan 28 |
| 5 Sep 2018 | 3488.0 | 2710.0 | 4,218 | - | - | (913) | 3,305 | 21 Sep 2022 | 5 Sep 28 |
| <i>SAYE Option Plan</i> | | | | | | | | | |
| 20 Apr 2020 | 1432.0 | 1147.5 | 1,568 | - | - | - | 1,568 | 1 May 2023 | 1 Nov 23 |
| I Urquhart | | | | | | | | | |
| <i>Schedule 4 Option Plan</i> | | | | | | | | | |
| 24 Mar 2017 | 1544.0 | 1237.5 | 2,424 | - | - | - | 2,424 | 24 Mar 2020 | 24 Mar 27 |
| <i>Unapproved Option Plan</i> | | | | | | | | | |
| 24 Mar 2017 | 1544.0 | 1237.5 | 1,236 | - | - | - | 1,236 | 24 Mar 2020 | 24 Mar 27 |
| 17 Jan 2018 | 2445.0 | 1775.0 | 2,654 | - | - | - | 2,654 | 17 Jan 2021 | 17 Jan 28 |
| 5 Sep 2018 | 3488.0 | 2710.0 | 1,747 | - | - | - | 1,747 | 22 Sep 2021 | 5 Sep 28 |
| <i>SAYE Option Plan</i> | | | | | | | | | |
| 19 Apr 2021 | 2539.0 | 1836.0 | 196 | - | - | (196) | - | 1 May 2024 | 1 Nov 24 |

Information regarding total share options, as granted to executive Directors and other employees, which were in existence during the year is contained in Note 7 to the financial statements.

The maximum number of Ordinary Shares subject to conditional share awards granted to Directors under the LTIP as at 30 June 2023 were as follows, in respect of Directors who held office during the course of the year:

| | Grant Date | Held At 01/07/22 | Granted During Year | Released During Year | Lapsed During Year | Held At 30/06/23 | Share price at date of grant (pence) | Normal vesting date |
|-------------------------|-------------|------------------|---------------------|----------------------|--------------------|------------------|--------------------------------------|-------------------------|
| K Neilson | | | | | | | | |
| Conditional share award | 5 Sep 2018 | 5,692 | - | (4,460) | (1,232) | - | 2,710.0 | Refer to note (a) below |
| Conditional share award | 4 Sep 2019 | 17,100 | - | (9,895) | (7,205) | - | 1,900.0 | Refer to note (b) below |
| Conditional share award | 2 Oct 2020 | 43,176 | - | - | (18,191) | 24,985 | 1,505.0 | 2 Oct 2023 |
| Conditional share award | 18 Nov 2021 | 24,896 | - | - | (3,502) | 21,394 | 2,610.0 | 18 Nov 2024 |
| Conditional share award | 18 Nov 2022 | - | 30,796 | - | - | 30,796 | 2,110.0 | 18 Nov 2025 |
| CT Preston | | | | | | | | |
| Conditional share award | 5 Sep 2018 | 4,218 | - | (3,305) | (913) | - | 2,710.0 | Refer to note (a) below |
| Conditional share award | 4 Sep 2019 | 12,710 | - | (7,355) | (5,355) | - | 1,900.0 | Refer to note (b) below |
| Conditional share award | 2 Oct 2020 | 32,093 | - | - | (13,522) | 18,571 | 1,505.0 | 2 Oct 2023 |
| Conditional share award | 18 Nov 2021 | 18,505 | - | - | (2,603) | 15,902 | 2,610.0 | 18 Nov 2024 |
| Conditional share award | 18 Nov 2022 | - | 22,890 | - | - | 22,890 | 2,110.0 | 18 Nov 2025 |
| I Urquhart | | | | | | | | |
| Conditional share award | 4 Sep 2019 | 5,122 | - | (4,043) | (1,079) | - | 1,900.0 | Refer to note (b) below |
| Conditional share award | 2 Oct 2020 | 12,932 | - | - | (2,724) | 10,208 | 1,505.0 | 2 Oct 2023 |
| Conditional share award | 18 Nov 2021 | 7,632 | - | - | (1,074) | 6,558 | 2,610.0 | 18 Nov 2024 |
| Conditional share award | 18 Nov 2022 | - | 15,734 | - | - | 15,734 | 2,110.0 | 18 Nov 2025 |

(a) As explained in the annual reports for the year ended 30 June 2021 and 30 June 2022, in light of the significant share placing (and associated discount) conducted in June 2021, the Committee concluded that the testing of relative TSR performance at 30 June 2021 was not appropriate. As such, the Committee exercised its discretion, as permitted in these circumstances, to defer testing of the performance condition to 30 June 2022 allowing the alignment of executive and shareholder interests to be maintained. The vesting date for these awards was 21 September 2022, being the day following the announcement of the Group's audited financial results for the year ended 30 June 2022.

(b) The normal vesting date for these awards, to the extent that they vested based on achievement of performance conditions, would have been 4 September 2022 however because this date was at a time when Share Dealing Restrictions applied in respect of the Market Abuse Regulation, the vesting date for these awards was instead (in accordance with the Rules of the LTIP) 21 September 2022, being the day following the announcement of the Group's audited financial results for the year ended 30 June 2022.

There was no consideration for the grant of these conditional awards and no consideration will be payable by the award holders to receive the Shares from these awards, if and to the extent that they vest. The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on pages 89 to 92. The table above shows the maximum entitlement at 30 June 2023 and the actual number of shares (if any) that vest from the awards will depend on those conditions being achieved.

On behalf of the Remuneration Committee:

Russ Rudish
Chair of the Remuneration Committee
4 September 2023

Independent auditor's report to the members of Craneware plc

Report on the audit of the financial statements

Opinion

In our opinion, Craneware plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 30 June 2023; the consolidated statement of comprehensive income, the consolidated and Company statements of cash flows, and the statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed an audit of the complete financial information of Craneware plc, Craneware, Inc. and Sentry Data Systems Inc. We also audited material balances in Craneware U.S. Holdings Inc. and Craneware plc Employee Benefit Trust. Taken together, the entities we audited comprise 100% of Group revenues. The audit work for Sentry Data Systems Inc. was undertaken by the PwC U.S. audit engagement team and all other audit work was undertaken by a single engagement team in the UK.

Key audit matters

- Internally developed intangible assets (group and parent)

Materiality

- Overall group materiality: \$1,297,500 (2022: \$1,206,690) based on 2.5% of EBITDA adjusted for exceptional items. (2022: 2.5% of EBITDA adjusted for exceptional items).
- Overall company materiality: \$487,688 (2022: \$530,999) based on 5% of 3 year average profit before tax adjusted for exceptional items. (2022: 5% of 3 year average profit before tax adjusted for exceptional items).
- Performance materiality: \$973,125 (2022: \$905,018) (group) and \$365,766 (2022: \$398,249) (company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of Purchase Price allocation related to acquisition of Sentry Data Systems Inc. and Revenue Recognition, which were key audit matters last year, are no longer included because of the fact that the acquisition is not applicable in the current year as the valuation for Sentry acquisition was completed last year and because our view of the risk in revenue recognition has changed based on the continued standardisation of sales terms and no history of misstatements in previous audits. Otherwise, the key audit matters below are consistent with last year

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Internally developed intangible assets (group and parent)</i></p> <p>As per note 14, the Group has net book value of development costs capitalised amounting to \$48,972k (2022: \$40,489k) and the Company has \$43,244k (2022: 37,500k) capitalised on the balance sheet. Development costs are capitalised when the following criteria have been met: new product development costs 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. The Directors are required to continually assess the commercial potential of each product in development in order to determine if costs can continue to be capitalised. We focus on this area as there is judgement involved in the Directors' assessment. We consider this as a key audit matter because there is a risk that the costs being capitalised are not allowable under IAS 38 and also that the intangible assets will not generate sufficient economic benefit to recover the value of the intangible asset.</p> | <p>On a sample basis we agreed additions to intangible assets to supporting documentation, including invoices and time records. We obtained an understanding for the proportion of employee costs being capitalised and verified these against payroll information (for example, payroll reports and employee registers) and timesheets to verify the amount of time that employees spend on the capital projects. The nature of the costs being capitalised was assessed to ensure it met the accounting requirements to capitalise and analysis was obtained from management to audit time charged by employees. We challenged management on how all criteria for capitalisation had been met and supporting evidence was obtained to corroborate their explanations. Regarding recoverability of intangible assets, we challenged management and obtained underlying support to assess the ability of the projects to generate future economic benefits which included project road maps, sales order value generated so far as well as future pipeline and potential of sales. We also assessed the intangible assets for indications of impairment. No matters arose during our testing.</p> |

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is structured into different components which include one in the UK and two in the US. One of the components in the US has the intellectual property to Sentry software products and enters into software license agreements with customers. The component in the UK has the intellectual property to Craneware software products and the other US component enters into license agreements with customers for those products. The two US components also provide professional services to customers in the US. We identified all three of these components as financially significant and performed full scope audit procedures. For the Sentry component we engaged our PwC US colleagues to complete the audit under our instruction. We had regular engagement with our PwC US team as part of planning for the Group audit, during their fieldwork at which time we independently reviewed their working papers over key audit areas, and as part of our audit completion when we received their group reporting. For the two Craneware components the audit work was completed by the UK Group audit team. There were other significant balances in other smaller parts of the Group where work was carried out by the UK Group audit team. This included borrowings which sits in a US holding entity within the Group.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements - group | Financial statements - company |
|--|--|---|
| Overall materiality | \$1,297,500 (2022: \$1,206,690). | \$487,688 (2022: \$530,999). |
| How we determined it | 2.5% of EBITDA adjusted for exceptional items. (2022: 2.5% of EBITDA adjusted for exceptional items) | 5% of 3 year average profit before tax adjusted for exceptional items. (2022: 5% of 3 year average profit before tax adjusted for exceptional items. |
| Rationale for benchmark applied | We believe the measure of EBITDA adjusted for exceptional items is the most relevant measure to the shareholders to measure the underlying performance of the Group post acquisition of Sentry. In prior year the benchmark used was profit before tax adjusted for exceptional items. | Given fluctuation in the profits for Company year over year, consistent with last year, we have used this benchmark, which is also a generally accepted materiality benchmark and has resulted in a more appropriate level of materiality to audit the Company. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$487,688 and \$1,227,576. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to \$973,125 (2022: \$905,018) for the group financial statements and \$365,766 (2022: \$398,249) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$64,875 (group audit) (2022: \$64,684) and \$24,384 (company audit) (2022: \$26,550) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the appropriateness of management's assessment of the group's and the company's ability to continue as a going concern, including whether the form (e.g. in-depth knowledge of the business or detailed analysis) is appropriate given the nature of the group and the Company, consideration of mitigating factors, the period covered is at least 12 months from the date of the financial statements, and all relevant information has been included.
- making inquiries of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the group's and the Company's ability to continue as a going concern.
- testing the cash flow forecast for next 12 months from the date of the audit report within the financial model of the group and the Company.
- determining whether a material uncertainty exists related to the events or conditions identified by evaluating magnitude of potential impact and likelihood of occurrence of those events or conditions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and US employment laws and Health and Safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK Companies Act 2006, UK and US tax legislations, UK Corporate Governance code and UK AIM listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries, including those with unexpected account combinations impacting revenue and EBITDA.
- Enquiries of entity staff and management's expert in tax and compliance functions to identify any instances of non compliance with taxation laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
4 September 2023

Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

| | Notes | Total 2023 \$'000 | Total 2022 \$'000 |
|--|-------|-------------------------|-------------------------|
| Continuing operations: | | | |
| Revenue from contracts with customers | 4 | 174,018 | 165,544 |
| Cost of sales | | (25,576) | (23,178) |
| Gross profit | | 148,442 | 142,366 |
| Other income | | 600 | 551 |
| Operating expenses | 5 | (131,876) | (124,324) |
| Net impairment reversal/(charge) on financial and contract assets | | 2,062 | (461) |
| Operating profit | 5 | 19,228 | 18,132 |
| Analysed as: | | | |
| Adjusted EBITDA* | | 54,892 | 51,757 |
| Share-based payments | 7 | (2,992) | (2,116) |
| Depreciation of property, plant and equipment | 13 | (3,451) | (3,259) |
| Amortisation of intangible assets - other | 14 | (7,781) | (5,905) |
| Amortisation of intangible assets - acquired intangibles | 14 | (20,930) | (20,239) |
| Exceptional costs** | 5 | (510) | (2,106) |
| Finance income | 8 | 214 | 1 |
| Finance expense | 8 | (6,357) | (5,031) |
| Profit before taxation | | 13,085 | 13,102 |
| Tax on profit on ordinary activities | 9 | (3,853) | (3,693) |
| Profit for the year attributable to owners of the parent | | 9,232 | 9,409 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation reserve movement | | - | 42 |
| Total items that may be reclassified subsequently to profit or loss | | - | 42 |
| Total comprehensive income attributable to owners of the parent | | 9,232 | 9,451 |
| Earnings per share for the year attributable to equity holders | | | |
| - Basic (\$ per share) | 11 | 0.263 | 0.268 |
| - Diluted (\$ per share) | 11 | 0.261 | 0.265 |

The accompanying notes are an integral part of these financial statements.

* See Note 27 for explanation of Alternative Performance Measures.

** Exceptional items relate to integration costs associated with the purchase of Sentry Data Systems, Inc (FY22: legal and professional fees associated with acquisition of Sentry Data Systems and related integration costs).

Statements of Changes in Equity for the year ended 30 June 2023

| Group | Share Capital \$'000 | Share Premium Account \$'000 | Treasury Shares \$'000 | Capital Redemption Reserve \$'000 | Merger Reserve \$'000 | Other Reserves \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|--|-------------------------|---------------------------------|---------------------------|--------------------------------------|--------------------------|--------------------------|-----------------------------|------------------------|
| At 1 July 2021 | 624 | 21,097 | - | 9 | 186,993 | 4,728 | 46,828 | 260,279 |
| Total comprehensive income - profit for the year | - | - | - | - | - | - | 9,409 | 9,409 |
| Total other comprehensive income | - | - | - | - | - | - | 42 | 42 |
| Transactions with owners: | | | | | | | | |
| Share-based payments | - | - | - | - | - | 2,294 | - | 2,294 |
| Share issue | 35 | 76,107 | - | - | (12) | - | - | 76,130 |
| Purchase of own shares through EBT (Note 18) | - | - | - | - | - | - | (1,726) | (1,726) |
| Deferred tax taken directly to equity | - | - | - | - | - | - | (366) | (366) |
| Impact of share options and awards exercised / lapsed | - | - | - | - | - | (1,089) | 1,025 | (64) |
| Dividends (Note 10) | - | - | - | - | - | - | (12,976) | (12,976) |
| At 30 June 2022 | 659 | 97,204 | - | 9 | 186,981 | 5,933 | 42,236 | 333,022 |
| Total comprehensive income - profit for the year | - | - | - | - | - | - | 9,232 | 9,232 |
| Transactions with owners: | | | | | | | | |
| Share-based payments | - | - | - | - | - | 3,231 | - | 3,231 |
| Purchase of own shares through EBT (Note 18) | - | - | - | - | - | - | (179) | (179) |
| Purchase of own shares through share buyback (Note 18) | - | - | (3,865) | - | - | - | - | (3,865) |
| Deferred tax taken directly to equity | - | - | - | - | - | - | (1,004) | (1,004) |
| Impact of share options and awards exercised / lapsed | - | - | 128 | - | - | (2,324) | 1,719 | (477) |
| Dividends (Note 10) | - | - | - | - | - | - | (12,119) | (12,119) |
| At 30 June 2023 | 659 | 97,204 | (3,737) | 9 | 186,981 | 6,840 | 39,885 | 327,841 |

| Company | Share Capital \$'000 | Share Premium Account \$'000 | Treasury Shares \$'000 | Capital Redemption Reserve \$'000 | Merger Reserve \$'000 | Other Reserves \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|--|-------------------------|---------------------------------|---------------------------|--------------------------------------|--------------------------|--------------------------|-----------------------------|------------------------|
| At 1 July 2021 | 624 | 21,097 | - | 9 | 186,993 | 1,632 | 28,774 | 239,129 |
| Total comprehensive income - profit for the year | - | - | - | - | - | - | 6,034 | 6,034 |
| Transactions with owners: | | | | | | | | |
| Share-based payments | - | - | - | - | - | 6,142 | - | 6,142 |
| Share issue | 35 | 76,107 | - | - | (12) | - | - | 76,130 |
| Deferred tax taken directly to equity | - | - | - | - | - | - | 19 | 19 |
| Impact of share options and awards exercised / lapsed | - | - | - | - | - | (1,841) | 1,357 | (484) |
| Dividends (Note 10) | - | - | - | - | - | - | (12,976) | (12,976) |
| At 30 June 2022 | 659 | 97,204 | - | 9 | 186,981 | 5,933 | 23,208 | 313,994 |
| Total comprehensive income - profit for the year | - | - | - | - | - | - | 6,544 | 6,544 |
| Transactions with owners: | | | | | | | | |
| Share-based payments | - | - | - | - | - | 3,231 | - | 3,231 |
| Purchase of own shares through share buyback (Note 18) | - | - | (3,865) | - | - | - | - | (3,865) |
| Deferred tax taken directly to equity | - | - | - | - | - | - | (666) | (666) |
| Impact of share options and awards exercised / lapsed | - | - | 128 | - | - | (2,324) | 1,541 | (655) |
| Dividends (Note 10) | - | - | - | - | - | - | (12,119) | (12,119) |
| At 30 June 2023 | 659 | 97,204 | (3,737) | 9 | 186,981 | 6,840 | 18,508 | 306,464 |

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet as of 30 June 2023

| | Notes | 2023 \$'000 | Restated 2022 \$'000 |
|--|-------|----------------|----------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | 8,464 | 8,819 |
| Intangible assets - goodwill | 14 | 235,236 | 235,236 |
| Intangible assets - acquired intangibles | 14 | 166,327 | 187,257 |
| Intangible assets - other | 14 | 50,230 | 43,430 |
| Trade and other receivables | 16 | 2,758 | 3,234 |
| | | 463,015 | 477,976 |
| Current Assets | | | |
| Trade and other receivables | 16 | 35,424 | 39,584 |
| Cash and cash equivalents | 20 | 78,537 | 47,157 |
| Restricted cash | | - | 1,251 |
| | | 113,961 | 87,992 |
| Total Assets | | 576,976 | 565,968 |
| EQUITY & LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Borrowings | 21 | 75,033 | 103,589 |
| Deferred Income | | 2,875 | 4,792 |
| Leased property | | 2,224 | 1,206 |
| Hire purchase equipment | | 44 | 290 |
| Deferred tax | 17 | 41,337 | 44,417 |
| Other provision | | 243 | 568 |
| | | 121,756 | 154,862 |
| Current Liabilities | | | |
| Borrowings | 21 | 8,000 | 8,000 |
| Deferred income | | 49,643 | 53,930 |
| Amounts held on behalf of customers | | 51,220 | 672 |
| Tax payable | | 2,565 | - |
| Trade and other payables | 22 | 15,951 | 15,482 |
| | | 127,379 | 78,084 |
| Total Liabilities | | 249,135 | 232,946 |
| Equity | | | |
| Share capital | 18 | 659 | 659 |
| Share premium account | | 97,204 | 97,204 |
| Treasury shares | | (3,737) | - |
| Capital redemption reserve | | 9 | 9 |
| Merger reserve | | 186,981 | 186,981 |
| Other reserves | | 6,840 | 5,933 |
| Retained earnings | | 39,885 | 42,236 |
| Total Equity | | 327,841 | 333,022 |
| Total Equity and Liabilities | | 576,976 | 565,968 |

Registered Number SC196331

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 104 to 151 were approved and authorised for issue by the Board of Directors on 4 September 2023 and signed on its behalf by:

Keith Neilson,
Director

Craig Preston,
Director

Company Balance Sheet as of 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Investment in subsidiary undertakings | 15 | 84,905 | 84,905 |
| Property, plant and equipment | 13 | 2,348 | 679 |
| Intangible assets | 14 | 43,297 | 37,537 |
| Deferred tax | 17 | - | 805 |
| Amounts owed from group companies | 16 | - | 6,000 |
| | | 130,550 | 129,926 |
| Current Assets | | | |
| Trade and other receivables | 16 | 207,191 | 222,516 |
| Cash and cash equivalents | 20 | 25,102 | 28,400 |
| | | 232,293 | 250,916 |
| Total Assets | | 362,843 | 380,842 |
| EQUITY & LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Lease liabilities > 1 year | | 1,887 | - |
| Other provisions | | 243 | 568 |
| Deferred tax | | 1,226 | - |
| | | 3,356 | 568 |
| Current Liabilities | | | |
| Deferred income | | 30,253 | 34,947 |
| Trade and other payables | 22 | 22,770 | 31,333 |
| | | 53,023 | 66,280 |
| Total Liabilities | | 56,379 | 66,848 |
| Equity | | | |
| Share capital | 18 | 659 | 659 |
| Share premium account | | 97,204 | 97,204 |
| Treasury shares | | (3,737) | - |
| Capital redemption reserve | | 9 | 9 |
| Merger reserve | | 186,981 | 186,981 |
| Other reserves | | 6,840 | 5,933 |
| Retained earnings | | 18,508 | 23,208 |
| At 1 July | | 23,208 | 28,774 |
| Profit for the year attributable to owners | | 6,544 | 6,034 |
| Other changes in retained earnings | | (11,244) | (11,600) |
| Total Equity | | 306,464 | 313,994 |
| Total Equity and Liabilities | | 362,843 | 380,842 |

Registered Number SC196331

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 104 to 151 were approved and authorised for issue by the Board of Directors on 4 September 2023 and signed on its behalf by:

Keith Neilson,
Director

Craig Preston,
Director

Consolidated Statement of Cash Flows for the year ended 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|---|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 19 | 100,591 | 32,943 |
| Tax paid | | (1,843) | (5,979) |
| Net cash generated from operating activities | | 98,748 | 26,964 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary, net of cash acquired | 12 | - | (293,288) |
| Purchase of property, plant and equipment | 13 | (520) | (353) |
| Capitalised intangible assets | 14 | (15,031) | (13,680) |
| Interest received | | 214 | 1 |
| Net cash used in investing activities | | (15,337) | (307,320) |
| Cash flows from financing activities | | | |
| Dividends paid to company shareholders | 10 | (12,119) | (12,976) |
| Share issue professional fees | | - | (263) |
| Paid up share capital | 18 | - | 236 |
| Proceeds from issuance of treasury shares | 18 | 138 | - |
| Proceeds from borrowings | 21 | - | 120,000 |
| Loan arrangement fees | 21 | (252) | (268) |
| Repayment of borrowings | 21 | (28,000) | (8,000) |
| Interest on borrowings | | (6,503) | (3,080) |
| Purchase of own shares by EBT | 18 | (179) | (1,726) |
| Share buyback programme | 18 | (3,815) | - |
| Payment of lease liabilities | | (2,552) | (2,027) |
| Net cash (used in) / generated from financing activities | | (53,282) | 91,896 |
| Net increase / (decrease) in cash and cash equivalents | | 30,129 | (188,460) |
| Cash and cash equivalents at the start of the year | | 47,157 | 235,617 |
| Restricted cash previously excluded from cashflow* | | 1,251 | - |
| Cash and cash equivalents at the end of the year | 20 | 78,537 | 47,157 |

*Restricted cash was not included within cash and cash equivalents on the Balance Sheet or within the Cashflow Statement in the prior period. As the Group is unable to hold these amounts outside of its own treasury facilities, these "restricted cash" balances are now incorporated within cash and cash equivalents for FY23 and are therefore included within the Cashflow Statement for the current year.

The accompanying notes are an integral part of these financial statements.

Company Statement of Cash Flows for the year ended 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|---|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from / (used in) operations | 19 | 18,220 | (175,869) |
| Tax paid | | (1) | (1,088) |
| Net cash generated from / (used in) operating activities | | 18,219 | (176,957) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 13 | (205) | (170) |
| Capitalised intangible assets | 14 | (11,539) | (10,300) |
| Interest received | | 443 | 354 |
| Net cash used in investing activities | | (11,301) | (10,116) |
| Cash flows from financing activities | | | |
| Dividends paid to company shareholders | 10 | (12,119) | (12,976) |
| Share issue professional fees | | - | (263) |
| Paid up share capital | 18 | - | 236 |
| Proceeds from issuance of treasury shares | 18 | 138 | - |
| Intergroup loan repaid | | 6,000 | - |
| Share buyback programme | 18 | (3,815) | - |
| Funds (advanced to) / returned from EBT | 18 | - | (1,304) |
| Payment of lease liabilities | | (420) | (583) |
| Net cash generated from / (used in) financing activities | | (10,216) | (14,890) |
| Net decrease in cash and cash equivalents | | (3,298) | (201,963) |
| Cash and cash equivalents at the start of the year | | 28,400 | 230,363 |
| Cash and cash equivalents at the end of the year | | 25,102 | 28,400 |

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

General Information

Craneware plc (“the Company”) is a public limited company incorporated and domiciled in Scotland. The Company has a primary listing on the Alternative Investment Market (‘AIM’) of the London Stock Exchange. The address of its registered office and principal place of business is disclosed on page 56 of the Annual Report. The principal activity of the Company is described in the Directors’ Report.

Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with UK adopted international accounting standards (International Financial Reporting Standards (“IFRS”)) and the applicable legal requirements of the Companies Act 2006.

The Group and the Company financial statements have been prepared under the historic cost convention and prepared on a going concern basis. The Strategic Report on pages 7 to 24 contains information regarding the Group’s activities and an overview of the development of its products, services and the environment in which it operates. The Group’s revenue, operating results, cash flows and balance sheet are detailed in the financial statements and explained in the Financial Review on pages 9 to 13.

Going concern

The Group is profitable and there is a reasonable expectation that this will continue to be the case. Our business model is delivering high levels of recurring revenue, supported by long term underlying contracts, that deliver high levels of cash generation. In addition, the Group has cash and cash equivalents of \$78.4m as well as a committed but undrawn facility available to it of \$60m.

The directors have prepared cash flow forecasts covering a period of over twelve months from the date of approval of these financial statements. These forecasts include consideration of severe but plausible downsides, should these events occur, the Group would have sufficient funds to meet its liabilities as they fall due for that period. These scenarios anticipate a zero-growth scenario, such that the only sales made by the Group would be to replace losses of existing long-term contracts. Under this basis, without the need to make cost savings, the Group remained in compliance with its covenants and had no need to draw upon the committed undrawn facility.

Based on this assessment, the Directors have determined that the Group has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated and the Company financial statements.

The applicable accounting policies are 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 relevant.

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 year. Although these estimates are based on management’s best knowledge of the amount,

event or actions, actual results ultimately may differ from those estimates.

The Company and its subsidiary undertakings are referred to in this report as the Group.

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements 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 Company’s principal functional currency is the US dollar. The Group’s financial statements are therefore prepared in US dollars.

Currency translation

Transactions denominated in currencies other than US dollars are translated into US dollars at the rate of exchange ruling at the date of the transaction. The average exchange rate during the course of the year was \$1.2043/£1 (FY22: \$1.3317/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date \$1.2619 /£1 (FY22: \$1.2128/£1). Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the Balance Sheet date, are included within the related category of expense where separately identifiable, or administrative expenses.

New Standards, amendments, and interpretations effective in the year

The Directors have adopted the following Standards, amendments and interpretations (where relevant to the Group) and they have concluded that they have no material financial impact on the financial statements of the Group or Company.

Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022*), Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022*), Annual Improvements to IFRS 2018-2020 (effective 1 January 2022*).

New Standards, amendments, and interpretations not yet effective

The Directors anticipate that the future adoption of the following Standards, amendments and interpretations (where relevant to the Group and subject to their endorsement) will have no material financial impact on the financial statements of the Group and Company in their current form. None of the below Standards, amendments or interpretations have been adopted early but their potential impact is continually monitored.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective 1 January 2023*), Disclosure of Accounting Policies (Amendments to IAS 1) (effective 1 January 2023*), Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023*), Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023*).

Basis of consolidation

The consolidated Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows include the financial statements of the Company and its subsidiaries.

*Effective for accounting periods starting on or after this date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control transferred to the Group and are deconsolidated from the time control ceases.

Intra-Group revenue and profits / (losses) are eliminated on consolidation and all sales and profit figures relate to external transactions only.

As permitted by Section 408(4) of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented although the Company performance can be seen in isolation in the Statements of Changes in Equity. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Employee Benefit Trust (EBT)

Craneware plc established an employee benefit trust (EBT) in conjunction with the operation of the Company's employee share plans for the benefit of the employees of the Group. While it is run by independent trustees, the assets and liabilities of the employee benefit trust are viewed to be ultimately under the control of the Board of Directors and hence have been consolidated into the Group results.

Investments in the Company's own shares held by the EBT are presented as a deduction from Retained Earnings.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and the equity issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from any contingent consideration. Any costs directly attributable to the acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or financial liability is recognised in accordance with IFRS 9 in the Statement of Comprehensive Income and any balances at the Balance Sheet date are categorised as 'fair value through profit and loss'. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill arising on the acquisition is recognised as an asset and initially measured at cost, being the excess of fair value of the consideration over the Group's assessment of the net fair value of the identifiable assets and liabilities recognised.

If the Group's assessment of the net fair value of a subsidiary's assets and liabilities had exceeded the fair value of the consideration of the business combination, then the excess ('negative goodwill') would be recognised in the Consolidated Statement of Comprehensive Income immediately. The fair value of the identifiable assets and liabilities assumed on acquisition are brought onto the Balance Sheet at their fair value at the date of acquisition.

Revenue from contracts with customers

The Group follows the principles of IFRS 15, 'Revenue from Contracts with Customers'; accordingly, revenue is recognised using the five-step model:

1. Identify the contract;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when or as performance obligations are satisfied.

Revenue is recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer.

Revenue is derived from sales of software licences, professional services, including training and consultancy, and transactional fees.

Revenue from Software Licenses

Revenue from both on-premise and cloud-based software licenced products is recognised from the point at which the customer gains control and the right to use our software. The following key judgements have been made in relation to revenue recognition of software license:

- This is right of use software due to the integral updates provided on a regular basis to keep the software relevant and, as a result, the licenced software revenue will be recognised over time rather than at a point in time;
- The software license together with installation, regular updates and access to support services form a single performance obligation;
- The transaction price is allocated to each distinct one year license period with annual increases being recognised in the year they apply; and
- Discounts in relation to software licenses are recognised over the life of the contract.

This policy is consistent with the Company's products providing customers with a service through the delivery of, and access to, software solutions (Software-as-a-Service ("SaaS")), and results in revenue being recognised over the period that these services are delivered to customers.

Incremental costs directly attributable in securing the contract are charged equally over the life of the contract and as a consequence are matched to revenue recognised. Any deferred contract costs are included in both current and non-current trade and other receivables.

Revenue from professional services

Revenue from all professional services including training and consulting services is recognised when the performance obligation has been fulfilled and the services are provided. These services could be provided by a third party and are therefore considered to be separate performance obligations.

1. Principal accounting policies [Cont'd]

Where professional services engagements contain material obligations, revenue is recognised when all the obligations under the engagement have been fulfilled. Where professional services engagements are provided on a fixed price basis, revenue is recognised based on the percentage complete of the relevant engagement. Percentage completion is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project.

'White-labelling' or other 'paid for development work' is generally provided on a fixed price basis and as such revenue is recognised based on the percentage completion or delivery of the relevant project. Where percentage completion is used it is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Where contracts underlying these projects contain material obligations, revenue is deferred and only recognised when all the obligations under the engagement have been fulfilled.

Revenue from transactional services

Transactional service fees are recognised at the point in time when the service is provided.

Should any contracts contain non-standard clauses, revenue recognition will be in accordance with the underlying contractual terms which will normally result in recognition of revenue being deferred until all material obligations are satisfied. The Group does not have any contracts where a financing component exists within the contract.

The excess of amounts invoiced over revenue recognised are included in deferred income. If the amount of revenue recognised exceeds the amount invoiced the excess is included within accrued income.

Contract assets include sales commissions and prepaid royalties. Contract liabilities include unpaid sales commissions on contracts sold and deferred income relating to license fees billed in advance and recognised over time.

Exceptional items

The Group defines exceptional items as transactions (including costs incurred by the Group) which relate to non-recurring events. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

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 offered to every employee.

Amounts payable in respect of these benefits are charged to the Statement of Comprehensive Income as they fall due. The Group has no further payment obligations once the payments have been made. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share-based payments

The Group grants share options and / or conditional share awards 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 using the Black-Scholes pricing model or the Monte Carlo pricing model, as appropriately amended, taking into account the terms and conditions of the share-based awards.

The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. Non-market vesting conditions and service-based vesting conditions are included in assumptions about the number of share options and / or conditional share awards that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options and / or conditional share awards that are expected to vest based on the non-market and service-based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

Market vesting conditions and non-vesting conditions are factored into the fair value of the share options or conditional share awards granted. As long as all other vesting conditions are satisfied, a charge is recognised irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

The share-based payments charge is included in 'operating expenses' with a corresponding increase in 'other reserves'. Charges relating to subsidiaries are recharged by Craneware plc to the relevant subsidiary.

When the share options are exercised and are satisfied by new issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Taxation

The charge for taxation is based on the profit for the period as adjusted for items which are non-assessable or disallowable. It is calculated using taxation rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred 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. They are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. 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 does not affect accounting or 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 and on the vesting of conditional share awards under each jurisdiction's tax rules. "Share-based payments" are recorded in the Group's Consolidated Statement of Comprehensive Income over the period from the grant date to the vesting date of the relevant options and conditional share awards. 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 Consolidated Statement of Comprehensive Income. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity against retained earnings.

Intangible Assets

(a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as a non-current asset in accordance with IFRS 3 and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. It is tested at least annually for impairment. Any impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Proprietary software

Proprietary software acquired in a business combination is recognised at fair value at the acquisition date. Proprietary software has a finite useful economic life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the associated costs over their estimated useful lives of five years.

(c) Customer relationships

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

(d) Development Costs

Expenditure associated with developing and maintaining the Group's software products is recognised as incurred.

Development expenditure is capitalised where 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.

Costs are capitalised until initial commercialisation of the product, and thereafter amortised on a straight-line basis over its estimated useful life, which has been assessed as between five and ten years. Expenditure not meeting the above criteria is expensed as incurred.

Employee costs and specific third party costs involved with the development of the software are included within amounts capitalised.

(e) Computer software

Costs associated with acquiring computer software and licenced to use technology are capitalised as incurred, except cloud computing software where the Group does not have control of the software which is expensed as incurred. They are amortised on a straight-line basis over their useful economic life which is typically three to five years.

(f) Trademarks

Trademarks acquired in a business combination are initially measured at fair value at the acquisition date. Trademarks have a finite useful economic life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the associated costs over their estimated useful lives of up to ten years.

Impairment of non-financial assets

At each reporting date the Group considers the carrying amount of its tangible and intangible assets including goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) through determining the value in use of the cash generating unit ('CGU') that the asset relates to.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately. Impairment losses relating to goodwill are not reversed.

Property, Plant and Equipment

All property, plant and equipment are stated at historic cost less depreciation. Costs are measured at the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

1. Principal accounting policies [Cont'd]

Property, Plant and Equipment [Cont'd]

Depreciation is provided to write off the cost less estimated residual values of tangible fixed assets over their expected useful lives. Right-of-use assets are depreciated over their expected useful lives on the same basis as owned assets. It is calculated at the following rates:

| | |
|-----------------------|--|
| Leased property | - over the life of the lease straight line |
| Computer equipment | - Between 20% - 33% straight line |
| Tenant's improvements | - Between 10% - 20% straight line |
| Office furniture | - Between 14% - 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 Statement of Comprehensive Income 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.

Leases

When entering into a contract the Group assesses whether or not a lease exists. A lease exists if a contract conveys a right to control the use of an asset for a period of time for consideration.

The Group recognises right-of-use assets at cost and lease liabilities at the lease commencement date based on the present value of future lease payments. The right-of-use assets are depreciated on a straight-line basis in line with the Group's accounting policy for property, plant and equipment.

The lease liabilities are recognised at the present value of the future lease payments from the commencement date of the lease. Discount rates used reflect the incremental borrowing rate specific to the lease. Each lease payment is allocated between the lease liability and finance cost, which is charged at a constant periodic rate over the term of the lease.

Lease liabilities resulting from an extension to the lease term not included in the initial lease liability are measured using the same method as for the initial lease. The right-of-use asset relating to the lease liability is recognised as the present value of the future lease payments related to the extension.

The Group subsequently remeasures the lease liability at each reporting date by increasing the carrying amount to reflect the interest on the lease liability.

Leases of low value items and short-term leases (leases of less than 12 months at the commencement date) are recognised on a straight-line basis over the life of the lease as an expense to the income statement instead of recognising a right-of-use asset and lease liability.

Investment in subsidiaries

Investment in Group undertakings is recorded at cost, which is the fair value of the consideration paid, less any provision for impairment.

Financial assets

The Group classifies its financial assets in the following categories:

- (i) at fair value through profit and loss (FVTPL);
- (ii) financial assets at amortised cost; and
- (iii) fair value through other comprehensive income (FVTOCI).

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 financial assets at amortised cost.

Financial assets at amortised cost 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. They are classified as 'trade and other receivables' or 'cash and cash equivalents' in the Balance Sheet.

Trade receivables are recognised initially at fair value being the invoice value and subsequently measured at amortised cost using the effective interest method, less provision for impairments.

Impairment of financial assets

IFRS 9 uses a forward-looking expected credit loss model. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive.

For trade receivables, the Group applies a simplified approach to calculating ECLs. Therefore the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The expected credit losses on these trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for management judgement concerning factors that are specific to the receivables, general economic conditions and assessment of the current as well as the forecast direction of conditions at the reporting date based on reasonable and supportable information available. A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflow.

Amounts owed from Group companies and other receivables due to the Company are also subject to the impairment requirements of IFRS 9. All amounts owed from Group companies are repayable on demand and sufficient funds are held or are readily available to satisfy repayment of the loans. Other debtors consists mainly of the loan to the Employee Benefit Trust. Therefore the identified impairment loss was assessed as immaterial for both.

Borrowings

Borrowings represent bank loans, initially measured at fair value net of transaction costs and subsequently measured at amortised cost, using the effective interest rate method.

Finance charges are accounted for in the profit or loss over the term of the loan.

Financial liabilities

Trade payables and other short term liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other provisions

Provisions are recognised where the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Other provisions relate to employer taxes due in relation to employee share awards from the 2007 Share Option Plan payable on exercise of options and potential sales tax due in relation to audits in respect of Sentry Data Systems for periods prior to the acquisition.

Cash and cash equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held with banks and short term highly liquid investments including, on the Consolidated Balance Sheet, any cash held at the balance sheet date by the Employee Benefit Trust.

Share capital

Ordinary shares are classified as equity.

Share premium

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

Treasury shares

Treasury Shares are Ordinary Shares of the Company which are purchased by the Company in a share buyback programme and held for the purpose of satisfying employee share plan awards. The consideration paid, including any directly attributable costs, for the Company's shares held in treasury is deducted from equity in the Treasury Shares reserve until the shares are transferred or disposed. When these shares in the Company are transferred to employees, in accordance with employee share plans, the cost is transferred from the Treasury Shares reserve to retained earnings.

Merger reserve

The merger reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies where the Company has taken advantage of merger relief.

Other reserves

Other reserves relate to share-based payments and these reserves are not available for distribution.

Dividends

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

2. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS 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:

Estimates

- **Impairment assessment:** the Group tests annually whether Goodwill has suffered any impairment and for other assets, including acquired intangibles, at any point where there are indications of impairment. This requires an estimation of the recoverable amount of the applicable cash generating unit to which the Goodwill and other assets relate. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the specific cash generating unit using certain key assumptions including growth rates and a discount rate. These assumptions result in no impairment in Goodwill.
- **Useful lives of intangible assets:** in assessing useful life, the Group uses careful judgement based on past experience, advances in product development and also best practice. The Group amortises intangible assets over a period of up to 15 years.
- **Intangible assets acquired and liabilities assumed:** the Group measured assets acquired and liabilities assumed on the acquisition of Sentry at their fair value on acquisition. Assessing the fair value required the use of a number of assumptions and estimates in relation to future cash flows generated by the assets and the use of valuation techniques. The assumptions were based on the best information available to management and valuation techniques were supported by third party valuation experts. The valuations methods used for the intangibles acquired were:
 - o Customer relationships – the residual income method was used for arriving at the fair value of this asset. This calculates the residual profit attributable less the appropriate returns for all other assets that benefit the business.
 - o Proprietary software – the cost approach was used in determining the fair value of this asset. This method estimates the cost to replicate the asset as at the purchase date using current prices for time and materials adding an appropriate margin and opportunity cost.

2. Critical accounting estimates and judgements [Cont'd]

Estimates [Cont'd]

- o Trademarks – the relief from royalty method was used to provide the fair value of this asset. This uses an estimate of the cost savings that accrue on an intangible asset that would otherwise incur royalties or licence fees on revenues generated from the use of the asset.

Judgements

- **Capitalisation of development expenditure:** the Group capitalises development costs provided the aforementioned conditions 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 appropriateness of its transfer pricing policy.
- **Revenue recognition:** in determining the amount of revenue and related balance sheet items to be recognised in the period, management is required to make a number of judgements and assumptions. These are detailed in Note 1 Revenue from contracts with customers.

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 rate risk), credit risk, counterparty 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when 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 USD however a proportion of costs are incurred in Sterling.

Management is therefore required to continually assess the Group's foreign exchange risk against the Group's functional currency, and whether any form of hedge should be entered into. The Board continues to assess the appropriateness of the Group's hedging policy.

The Directors believe that a 10% change in the value of Sterling relative to the US dollar would impact post-tax profits and equity in the region of \$1,523,000 lower/ higher respectively as a result of foreign exchange gains/losses on Sterling denominated transactions and the translation of Sterling denominated current liabilities. The Directors believe that, consistent with the prior year, 10% is appropriate for the sensitivity analysis.

(ii) Cash flow and interest rate risk

The Group's external borrowings at the balance sheet date comprise loan facilities on floating interest rates charged on a daily basis at margin and compounded reference rate. The Group's main interest rate risk arises from these loan facilities and considers the exposure to interest rate risk acceptable. The Directors believe that a 25 basis point move in interest rates on loans would, with all other variables held constant, alter post-tax profit and equity for the year in the region of \$267,000 higher/ lower respectively.

Cash held on deposit attracts interest at variable rates. The Directors believe that a 25 basis point move in interest rates on deposits would, with all other variables held constant, alter post-tax profit and equity for the year in the region of \$217,000 higher/ lower respectively.

The Directors believe that 25 basis points is appropriate for the sensitivity analysis based on recent market conditions.

(b) Credit risk

Credit risk is managed on a 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 to trade receivables is reduced due to contractual terms which require installation, training, annual licensing and support fees, to be invoiced in advance. Transactional revenue is billed monthly in arrears.

Credit risk also arises on cash and cash equivalents placed with the Group's banks. The Group monitors the financial standing of any institution with which it deposits cash.

(c) Counterparty risk

The Group has significant cash and cash equivalent balances and in order to mitigate the risk of failing institutions management has treasury deposits spread across a range of reputable banks, the details of which are disclosed on page 56.

(d) Liquidity risk

Management reviews 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 table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity grouping based on the remaining period from the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------------|-----------------|
| At 30 June 2023 | | | | | |
| Trade and other payables | 14,006 | - | - | - | 14,006 |
| Lease Liabilities | 1,389 | 420 | 2,050 | - | 3,859 |
| Borrowings | 13,808 | 13,234 | 72,660 | - | 99,702 |
| | 29,203 | 13,654 | 74,710 | - | 117,567 |
| At 30 June 2022 | | | | | |
| Trade and Other Payables | 13,331 | - | - | - | 13,331 |
| Lease Liabilities | 2,439 | 1,219 | 325 | - | 3,983 |
| Borrowings | 11,035 | 11,035 | 102,070 | - | 124,140 |
| | 26,805 | 12,254 | 102,395 | - | 141,454 |

There is no difference between the undiscounted trade and other payable liabilities and the amounts shown in Note 23 as these liabilities are all short term in nature.

Lease liabilities relate to leases under IFRS 16 and hire purchase financing and are fixed rate financial liabilities. The difference between the undiscounted cash flows above and the liabilities are per Note 22 and the Group Balance Sheet is future finance charge on the lease liabilities of \$0.2m.

Borrowings relate entirely a term and revolving loan as described in Note 21 and are floating rate financial liabilities. The difference between the undiscounted cash flows above and the liabilities per Note 21 is future finance charge on the borrowings of \$16.7m.

Capital risk management

The Group is cash generative and trading is funded internally. As a result, management does not consider capital risk to be significant for the Group. Contracts are normally billed in advance, except transactional revenue which is billed monthly in arrears. Assuming timely receivables collection, the Group will have favourable movements from working capital by generating cash ahead of revenue recognition. Consequently, funds are retained in the business to finance future growth, either organically or by acquisition. The Group entered into a debt facility and during the FY22 drew down \$120m of secured funding provided by our consortium of banking partners. During the year, \$8.0m (FY22: \$8.0m) of the term loan has been repaid on schedule and the revolving credit facility drawn down has been reduced by an additional \$20.0m (FY22: nil), all covenants have been met, and the second extension of the term loan has been agreed. Net borrowings of \$4.5m (FY22: \$63.2m restated) represents a comfortable level of debt for the Group.

4. Revenue from contracts with customers

The chief operating decision maker has been identified as the Board of Directors. The Group revenue is derived almost entirely from the sale of software licences and professional services (including installation) to hospitals and health systems within the US. Consequently, the Board has determined that Group supplies only one geographical market place and as such revenue is presented in line with management information without the need for additional segmental analysis. All of the Group assets are located in the United States of America with the exception of the Parent Company's, the net assets of which are disclosed separately on the Company Balance Sheet and are located in the United Kingdom.

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------|----------------|----------------|
| Software licensing | 143,125 | 137,956 |
| Professional services | 13,741 | 13,893 |
| Transactional revenue | 16,018 | 13,695 |
| Other revenue | 1,134 | - |
| Total revenue | 174,018 | 165,544 |

4. Revenue from contracts with customers [Cont'd]

Contract assets

The Group has recognised the following assets related to contracts with customers:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Prepaid commissions and royalties < 1 year | 2,206 | 2,504 |
| Prepaid commissions and royalties > 1 year | 2,758 | 3,208 |
| Total contract assets | 4,964 | 5,712 |

Contract assets are included within deferred contract costs and prepayments in the Balance Sheet. Costs recognised during the year in relation to assets at 30 June 2022 were \$2.5m.

Contract liabilities

The following table shows the total contract liabilities from software license and professional service contracts:

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------|----------------|----------------|
| Software licensing | 47,037 | 53,596 |
| Professional services | 5,481 | 5,126 |
| Total contract liabilities | 52,518 | 58,722 |

Contract liabilities are included within deferred income in the Balance Sheet.

Revenue of \$53.7m was recognised during the year in relation to contract liabilities as of 30 June 2022.

The following table shows the aggregate transaction price allocated to performance obligations that are partially or fully unsatisfied from software license and professional service contracts:

| Revenue expected to be recognised | Total unsatisfied performance obligations \$'000 | Expected recognition | | | |
|-----------------------------------|--|----------------------|------------------------|------------------------|---------------------|
| | | < 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | > 3 years \$'000 |
| At 30 June 2023 | | | | | |
| - Software | 348,919 | 124,279 | 99,613 | 67,757 | 57,270 |
| - Professional services | 14,376 | 8,313 | 3,207 | 1,981 | 875 |
| Total at 30 June 2023 | 363,295 | 132,592 | 102,820 | 69,738 | 58,145 |
| At 30 June 2022 | | | | | |
| - Software | 370,081 | 137,234 | 102,247 | 71,642 | 58,958 |
| - Professional services | 13,274 | 6,891 | 3,080 | 1,910 | 1,393 |
| Total at 30 June 2022 | 383,355 | 144,125 | 105,327 | 73,552 | 60,351 |

Revenue of \$144.1m was recognised during the year in relation to unsatisfied performance obligations as of 30 June 2022.

The majority of these performance obligations are unbilled at the Balance Sheet date and therefore not reflected in these financial statements.

5. Operating profit

The following items have been included in arriving at operating profit:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Employee costs (Note 6) | 87,755 | 88,698 |
| Employee costs capitalised | (10,261) | (9,584) |
| Depreciation of property, plant and equipment (Note 13) | 3,451 | 3,259 |
| Amortisation of intangible assets - other (Note 14) | 7,781 | 5,905 |
| Amortisation of intangible assets - acquired intangibles (Note 14) | 20,930 | 20,239 |
| Impairment of trade receivables (Note 16) | 463 | 77 |
| Exceptional items* | 510 | 2,106 |
| Operating lease rents for premises | - | 72 |

* Exceptional items relate to integration costs associated with the purchase of Sentry Data Systems, Inc (FY22: exceptional items relate to legal and professional fees associated with a successful acquisition and related integration costs).

Included in reaching operating profit is the movement in the provision for impairment of trade receivables during the year of a \$1,971,000 credit, as per Note 16, plus \$91,000 net impairment credit for trade receivables recognised directly in operating costs.

Services provided by the Group's auditors

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

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Statutory audit - Parent Company financial statements and consolidation | 477 | 414 |
| Statutory audit - non recurring fees | - | 103 |
| | 477 | 517 |

6. Employee costs

The average monthly number of people employed by the Group and Company during the year, excluding non-executive Directors, is analysed below:

| | 2023 Group Number | 2022 Group Number | 2023 Company Number | 2022 Company Number |
|--------------------------|----------------------|----------------------|------------------------|------------------------|
| Sales and distribution | 103 | 92 | 1 | 1 |
| Client servicing | 241 | 226 | 37 | 37 |
| Research and development | 281 | 321 | 111 | 114 |
| Administration | 109 | 85 | 44 | 37 |
| | 734 | 724 | 193 | 189 |

Employment costs of all employees excluding non-executive Directors:

| | 2023 Group \$'000 | 2022 Group \$'000 | 2023 Company \$'000 | 2022 Company \$'000 |
|---|----------------------|----------------------|------------------------|------------------------|
| Wages and salaries | 75,890 | 78,422 | 19,705 | 18,795 |
| Social security costs | 6,049 | 5,805 | 1,668 | 1,677 |
| Other pension costs | 2,824 | 2,355 | 919 | 981 |
| Share based payments | 2,992 | 2,116 | 1,196 | 978 |
| Total direct costs of employment | 87,755 | 88,698 | 23,488 | 22,431 |

6. Employee costs [Cont'd]

Employee costs are included in Cost of Sales and Operating Costs.

The remuneration of the highest paid Director is \$1.2m (FY22: \$0.5m), including the \$0.5m gain from exercising share options and vested LTIPs in the year (which were granted in 2012, 2018 and 2019 respectively). Full details of Directors' emoluments and share option exercises are detailed in the Remuneration Committee's Report on page 94 and key management compensation is given in Note 24, Related Party Transactions.

Contributions are made on behalf of three of the executive Directors to a defined contribution retirement benefit scheme (FY22: three).

7. Share-based payments

During the year the Group operated seven (FY22: six) equity-settled share-based payment plans whereby options over, or conditional awards of, Ordinary Shares in Craneware plc can be granted to employees and Directors. Directors' interests in share plan awards are set out in the Remuneration Committee's Report on pages 96 and 97. The fair value of the share-based awards is recognised as an expense, with a corresponding increase in equity, during the vesting period. A total share-based payments expense for the Group of \$2,992,270 (FY22: \$2,115,285) was recognised in the Consolidated Statement of Comprehensive Income for the year, as stated in Note 6. This comprises a credit of \$238,542 (FY22: \$178,238 credit) relating to the movement in the accrual for estimated employer National Insurance contributions on the unexercised options granted under the 2007 Share Option Plan and \$3,230,812 (FY22: \$2,293,523) share-based payment charge for the Group in respect of awards granted from the share plans as shown in the following table.

With reference to the Company, a total share-based payments expense for the Company of \$1,196,370 (FY22: \$978,075) was recognised in the Statement of Comprehensive Income for the year, as stated in Note 6 above. This comprises a credit of \$238,542 (FY22: \$178,238 credit) relating to the movement in the accrual for estimated employer National Insurance contributions on the unexercised options granted under the 2007 Share Option Plan and \$1,434,912 (FY22: \$1,156,313) share-based payment charge for the Company in respect of awards granted from the share plans as shown in the following table:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| <i>Type of award and name of share plan</i> | | | | |
| Share options granted under the 2007 Share Option Plan | - | - | - | - |
| Share options granted under the 2016 Unapproved Share Option Plan | 558 | 333 | 81 | 74 |
| Share options granted under the 2016 Schedule 4 Share Option Plan | 71 | 60 | 71 | 60 |
| Share options granted under the 2018 Employee Stock Purchase Plan | 31 | 88 | - | - |
| Share options granted under the 2018 SAYE Option Plan | 62 | 89 | 62 | 89 |
| Conditional share awards granted under the 2016 LTIP | 1,780 | 1,724 | 941 | 933 |
| Conditional share awards granted under the 2022 LTIP | 729 | - | 280 | - |
| Contingent share awards | - | - | - | - |
| Total share-based payments charge | 3,231 | 2,294 | 1,435 | 1,156 |

Share option plans

Share options, granted by the Company to employees in respect of the following number of Ordinary Shares, were outstanding at 30 June 2023.

| Date of grant | Exercise price (GBP) | Exercise price (USD) | Remaining life at 1 July 2022 (years) | No of options at 1 July 2022 | Granted | Exercised | Lapsed | No of options at 30 June 2023 | Remaining life at 30 June 2023 (years) | |
|--|----------------------|----------------------|---------------------------------------|------------------------------|----------------|----------------|-----------------|-------------------------------|--|--|
| <i>2007 Share Option Plan</i> | | | | | | | | | | |
| 21 Sep 2012 | £4.00 | \$6.50 | 0.2 | 6,605 | - | (6,605) | - | - | - | |
| 10 Sep 2013 | £3.95 | \$6.21 | 1.2 | 47,191 | - | (12,719) | - | 34,472 | 0.2 | |
| 22 Sep 2014 | £5.225 | \$8.39 | 2.2 | 94,416 | - | - | - | 94,416 | 1.2 | |
| 09 Mar 2016 | £7.50 | \$10.66 | 3.7 | 100,758 | - | - | - | 100,758 | 2.7 | |
| 12 Sep 2016 | £11.775 | \$15.63 | 4.2 | 36,469 | - | - | - | 36,469 | 3.2 | |
| <i>2016 Unapproved Option Plan</i> | | | | | | | | | | |
| 24 Mar 2017 | £12.375 | \$15.44 | 4.7 | 31,288 | - | (1,616) | - | 29,672 | 3.7 | |
| 17 Jan 2018 | £17.750 | \$24.45 | 5.5 | 43,447 | - | (1,126) | - | 42,321 | 4.5 | |
| 05 Sep 2018 | £27.100 | \$34.88 | 6.2 | 37,353 | - | - | (4,928) | 32,425 | 5.2 | |
| 04 Sep 2019 | £19.000 | \$23.01 | 7.2 | 17,878 | - | - | (5,316) | 12,562 | 6.2 | |
| 02 Oct 2020 | £15.050 | \$19.36 | 8.3 | 57,033 | - | - | (16,283) | 40,750 | 7.3 | |
| 18 Nov 2021 | £26.100 | \$35.21 | 9.4 | 127,014 | - | - | (17,952) | 109,062 | 8.4 | |
| 23 Sep 2022 | £20.500 | \$23.03 | - | - | 183,151 | - | (24,492) | 158,659 | 9.2 | |
| 18 Nov 2022 | £21.100 | \$25.09 | - | - | 74,976 | - | (3,598) | 71,378 | 9.4 | |
| <i>2016 Schedule 4 Option Plan</i> | | | | | | | | | | |
| 24 Mar 2017 | £12.375 | \$15.44 | 4.7 | 11,110 | - | - | - | 11,110 | 3.7 | |
| 17 Jan 2018 | £17.750 | \$24.45 | 5.5 | 5,914 | - | - | - | 5,914 | 4.5 | |
| 05 Sep 2018 | £27.100 | \$34.88 | 6.2 | 3,229 | - | - | - | 3,229 | 5.2 | |
| 04 Sep 2019 | £19.000 | \$23.01 | 7.2 | 3,392 | - | - | (1,337) | 2,055 | 6.2 | |
| 02 Oct 2020 | £15.050 | \$19.36 | 8.3 | 9,533 | - | - | (2,533) | 7,000 | 7.3 | |
| 18 Nov 2021 | £26.100 | \$35.21 | 9.4 | 24,194 | - | - | (4,328) | 19,866 | 8.4 | |
| 23 Sep 2022 | £20.500 | \$23.03 | - | - | 35,402 | - | (9,124) | 26,278 | 9.2 | |
| 18 Nov 2022 | £21.100 | \$25.09 | - | - | 8,357 | - | (1,307) | 7,050 | 9.4 | |
| <i>2018 Employee Stock Purchase Plan</i> | | | | | | | | | | |
| 23 Mar 2021 | £18.360 | \$25.42 | 0.7 | 6,139 | - | - | (6,139) | - | - | |
| <i>2018 SAYE Option Plan</i> | | | | | | | | | | |
| 20 Apr 2020 | £11.475 | \$14.32 | 1.3 | 34,936 | - | (9,621) | (2,335) | 22,980 | 0.3 | |
| 19 Apr 2021 | £18.360 | \$25.39 | 2.3 | 3,292 | - | - | (1,274) | 2,018 | 1.3 | |
| | | | | | 701,191 | 301,886 | (31,687) | (100,946) | 870,444 | |

7. Share-based payments [Cont'd]

The weighted average share price at the date of exercise of share options in the year ended 30 June 2023 was £16.72 (\$19.58) (FY22: £19.62 (\$26.37)). The market value of Craneware plc Ordinary Shares at 30 June 2023 was £13.65 (\$17.22) per share. The weighted average remaining contractual life of the options outstanding at 30 June 2023 is 5.8 years (at 30 June 2022: 5.3 years).

| | 2023 | | 2022 | |
|---|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | Number of Options | Weighted average exercise price (£) | Number of Options | Weighted average exercise price (£) |
| Balance outstanding at beginning of the year | 701,191 | 14.72 | 604,994 | 11.80 |
| Share options granted during the year | 301,886 | 20.67 | 197,681 | 26.10 |
| Exercised during the year | (31,687) | 7.17 | (31,956) | 12.46 |
| Lapsed during the year | (100,946) | 20.61 | (69,528) | 22.74 |
| Balance outstanding at end of the year | 870,444 | 16.38 | 701,191 | 14.72 |
| Exercisable at the end of the year | 428,383 | 10.93 | 417,781 | 10.51 |

The Craneware plc Employees' Share Option Plan 2007 ('the 2007 Share Option Plan')

Options over Ordinary Shares were granted under the 2007 Share Option Plan with an exercise price no less than the market value of the Ordinary Shares on the date of grant and, in the case of the Directors of the Company, were granted subject to sufficiently stretching performance conditions. These options were subject to time-based vesting and were not normally exercisable before the third anniversary of the date of grant. Such options lapse no later than the tenth anniversary of the date of grant. The final grant of options under the 2007 Share Option Plan was on 12 September 2016 and therefore the fair values of the share options granted under this plan were recognised as share-based payments expense in previous financial years until during the year ended 30 June 2020.

The Craneware plc Unapproved Company Share Option Plan (2016) ('the 2016 Unapproved Option Plan')

The Craneware plc Schedule 4 Company Share Option Plan (2016) ('the 2016 Schedule 4 Option Plan')

Share options were granted under these Plans to certain employees in each financial year since March 2017, as summarised in the table above. The exercise price of these share options was at the Company share price on the day before the grant date. Share options granted, in prior financial years, to each executive Director are disclosed in the Remuneration Committee's Report on page 96. During the year ended 30 June 2023, share options were granted to certain employees as summarised and described below.

| Grant date in FY23 | Description of share options granted to employees in FY23 | 2016 Unapproved Option Plan Number of Options | 2016 Schedule 4 Option Plan Number of Options | Total Number of Options |
|--------------------|---|--|--|-------------------------|
| 23 Sep 2022 | Share options granted with service-based vesting condition only | 183,151 | 35,402 | 218,553 |
| 18 Nov 2022 | Share options granted with service-based vesting condition only | 26,113 | 6,775 | 32,888 |
| 18 Nov 2022 | Share options granted with market-based performance conditions | 24,431 | 791 | 25,222 |
| 18 Nov 2022 | Share options granted with non-market performance conditions | 24,432 | 791 | 25,223 |
| | Total share options granted during the year ended 30 June 2023 | 258,127 | 43,759 | 301,886 |

Share options granted with service-based vesting condition only

As explained in the Remuneration Committee's Report on page 92, share options were granted on 23 September 2022, on 18 November 2022 and, in the prior financial year, on 18 November 2021, to certain employees with a service-based vesting condition such that those share options are not normally exercisable before the third anniversary of the date of grant, subject to the option holder being continuously employed within the Group throughout that period.

The Group recognises the fair value of these share options, as a share-based payments expense, over the vesting period based on the number of share options which are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest on the basis of the service-based vesting condition. The impact of the revision to original estimates, if any, are recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity. The fair value of these share options was estimated using the Black-Scholes option pricing model, as appropriately adjusted, based on the following assumptions:

| Date of Grant | 18-Nov-22 | 23-Sep-22 | 18-Nov-21 |
|---|-----------|-----------|-----------|
| Share price at date of grant (£) | £21.30 | £20.50 | £26.10 |
| Share price at date of grant (\$) | \$25.33 | \$23.03 | \$35.21 |
| Vesting period (years) | 3 | 3 | 3 |
| Expected volatility | 42.7% | 43.6% | 42.4% |
| Risk free rate | 3.20% | 4.01% | 0.53% |
| Dividend yield | 1.68% | 1.63% | 1.16% |
| Exercise price (£) | £21.10 | £20.50 | £26.10 |
| Exercise price (\$) | \$25.09 | \$23.03 | \$35.21 |
| Shares under option at date of grant (number) | 32,888 | 218,553 | 160,339 |
| Fair value per option | \$7.27 | \$7.01 | \$9.52 |

The expected volatility was determined by calculating the historic volatility of the Company's share price over the period from the start of April 2020 to the date of grant of the respective share options. It was considered that this reflects a more normalised level of volatility, rather than for the historic three year period to the date of grant, given that it is based on the period after the global equity markets were abnormally impacted by the immediate economic effects of the COVID-19 pandemic in February / March 2020.

Share options granted with performance conditions

Market-based performance conditions

The relative total shareholder return (TSR) (i.e. market-based) performance conditions applicable to those share options granted in November 2021, October 2020 and in September 2019 are outlined in the Remuneration Committee's Report on page 91.

On 18 November 2022 share options were granted from the 2016 Unapproved and the 2016 Schedule 4 Option Plans to certain employees relating to a total of 48,863 and 1,582 Ordinary Shares in the Company respectively. 50% of the quantity of each of these share option awards were subject to a relative TSR performance condition and the other 50% of those share options were subject to a performance condition in respect of growth in adjusted earnings per share of the Group, each condition being measured separately over three overlapping three year periods. The performance conditions were the same as are applicable to the conditional share awards which were granted from the 2022 LTIP, on 18 November 2022, to the executive Directors of the Company and to senior managers, as described in the Remuneration Committee's Report on pages 89 and 90. The fair value of the share plan awards granted on 18 November 2022, which are subject to the relative TSR performance condition, were estimated using a Monte Carlo pricing model as outlined below.

The fair value of the share options granted under the 2016 Unapproved Option Plan and the 2016 Schedule 4 Option Plan, which have market-based performance conditions, was estimated using a Monte Carlo pricing model, as appropriately adjusted, based on the following assumptions:

| Date of Grant | 18-Nov-22 | 18-Nov-21 | 02-Oct-20 | 04-Sep-19 | 05-Sep-18 | 17-Jan-18 | 24-Mar-17 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Share price at date of grant (£) | £21.300 | £26.100 | £15.050 | £19.000 | £27.100 | £17.750 | £12.375 |
| Share price at date of grant (\$) | \$25.33 | \$35.21 | \$19.36 | \$23.01 | \$34.88 | \$24.45 | \$15.44 |
| Vesting period (years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Expected volatility | 42.7% | 41.1% | 52.5% | 43.5% | 26.6% | 22.8% | 20.5% |
| Risk free rate | 3.18% | 0.36% | -0.04% | 0.38% | 0.77% | 0.56% | 0.11% |
| Exercise price (£) | £21.100 | £26.100 | £15.050 | £19.000 | £27.100 | £17.750 | £12.375 |
| Exercise price (\$) | \$25.09 | \$35.21 | \$19.36 | \$23.01 | \$34.88 | \$24.45 | \$15.44 |
| Shares under option at date of grant | 25,222 | 37,342 | 82,177 | 33,469 | 60,976 | 88,074 | 93,029 |
| Fair value per option | \$8.59 | \$8.06 | \$3.98 | \$5.63 | \$5.88 | \$3.05 | \$1.55 |

7. Share-based payments [Cont'd]

Market-based performance conditions [Cont'd]

Within the assumptions used for the estimation of the fair values of share options granted in financial years 2017 through 2021, the expected volatility was determined by calculating the historic volatility of the Company's share price over the previous three years. However, for the estimation of the fair values of the share options granted on 18 November 2021 and on 18 November 2022, the historic volatility of the Company's share price during the period from early April 2020 to the grant date was used. It was considered that this reflects a more normalised level of volatility, given that it is based on the period after the global equity markets were abnormally impacted by the immediate economic effects of the COVID-19 pandemic in February / March 2020.

Non-Market performance conditions

Share options in respect of a total of 25,223 Ordinary Shares in the Company were also granted on 18 November 2022 but with performance conditions based on growth in adjusted Earnings per Share (EPS) (i.e. a non-market vesting condition) measured over three consecutive three year periods. The Remuneration Committee's Report on page 90 contain a details of the performance conditions.

The Group recognises the fair value of these share options, as a share-based payments expense, over the vesting period based on the number of share options which are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market vesting condition. The impact of the revision to original estimates, if any, are recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity. The fair value of these share options was estimated using the Black-Scholes option pricing model, as appropriately adjusted, based on the following assumptions:

| Date of Grant | 18-Nov-22 |
|---|-----------|
| Share price at date of grant (£) | £21.30 |
| Share price at date of grant (\$) | \$25.33 |
| Vesting period (years) | 3 |
| Expected volatility | 42.7% |
| Risk free rate | 3.20% |
| Dividend yield | 1.68% |
| Exercise price (£) | £21.10 |
| Exercise price (\$) | \$25.09 |
| Shares under option at date of grant (number) | 25,223 |
| Fair value per option | \$7.24 |

The Craneware plc Employee Stock Purchase Plan (2018)

The Craneware plc SAYE Option Plan (2018)

Share options were granted under the Save As You Earn (SAYE) option plan and the Employee Stock Purchase Plan (ESPP), to those employees who chose to participate, in the financial years ended 30 June 2020 and 30 June 2021. The exercise price of those share options was at a 15% discount to the Company share price on the business day immediately preceding the date of grant, in accordance with the rules of the ESPP and the SAYE plans.

The fair value of the share options granted under these two Plans was estimated using the Black-Scholes option pricing model, as appropriately adjusted, based on the following assumptions:

| Date of Grant | 19-Apr-21 | 23-Mar-21 | 20-Apr-20 | 24-Mar-20 |
|---|-------------|-------------|-------------|-------------|
| Share Option Plan | SAYE | ESPP | SAYE | ESPP |
| Share price at date of grant (£) | £25.50 | £21.60 | £20.50 | £13.10 |
| Share price at date of grant (\$) | \$35.27 | \$29.91 | \$25.58 | \$15.23 |
| Vesting period (years) | 3 | 2 | 3 | 2 |
| Expected volatility | 54.2% | 57.9% | 50.6% | 55.8% |
| Risk free rate | 0.12% | 0.02% | 0.11% | 0.11% |
| Dividend yield | 1.01% | 1.01% | 1.58% | 1.58% |
| Exercise price (£) | £18.360 | £18.360 | £11.475 | £11.475 |
| Exercise price (\$) | \$25.39 | \$25.42 | \$14.32 | \$13.34 |
| Number of employees | 18 | 29 | 67 | 37 |
| Shares under option at date of grant (number) | 4,498 | 7,420 | 42,328 | 21,669 |
| Fair value per option | \$16.51 | \$16.19 | \$8.89 | \$8.27 |

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three and two years respectively.

Long Term Incentive Plan

The Craneware plc Long Term Incentive Plan (2016) (the '2016 LTIP')

Conditional share awards were granted under the 2016 LTIP to certain senior managers and to the executive Directors from financial year 2017 through to November 2021, as summarised in the table below. The market-based performance conditions, measured over three consecutive three year periods, applicable to those conditional share awards granted in November 2021, in October 2020, in September 2019, and in September 2018, are outlined in the Remuneration Committee's Report on pages 90 and 91.

| | Number of conditional share awards 2023 | Number of conditional share awards 2022 |
|--|--|---|
| Balance outstanding at 1 July | 464,173 | 337,900 |
| Awards granted in the year | - | 173,983 |
| Vested awards released during the year | (68,356) | (15,863) |
| Forfeited / lapsed during the year | (114,771) | (31,847) |
| Balance outstanding at 30 June | 281,046 | 464,173 |

The remaining weighted average contractual life of the conditional share awards outstanding from the 2016 LTIP at 30 June 2023 is 0.8 years (at 30 June 2022: 1.4 years).

The fair values of the conditional share awards granted from the 2016 LTIP in financial years 2017 through 2022 were estimated using the Monte Carlo pricing model, as appropriately adjusted, with the following main assumptions:

7. Share-based payments [Cont'd]

| Date of Grant | 18-Nov-21 | 02-Oct-20 | 04-Sept-19 | 05-Sept-18 | 17-Jan-18 | 24-Mar-17 |
|--|-----------|-----------|------------|------------|-----------|-----------|
| Share price at date of grant (£) | £26.100 | £15.050 | £19.000 | £27.100 | £17.750 | £12.375 |
| Share price at date of grant (\$) | \$35.21 | \$19.36 | \$23.01 | \$34.88 | \$24.45 | \$15.44 |
| Vesting period (years) | 3 | 3 | 3 | 3 | 3 | 3 |
| Expected volatility | 41.1% | 52.5% | 43.5% | 26.6% | 22.8% | 20.5% |
| Risk free rate | 0.36% | -0.04% | 0.38% | 0.77% | 0.56% | 0.11% |
| Fair value per conditional share award | \$19.95 | \$9.33 | \$16.47 | \$31.48 | \$19.84 | \$12.50 |

Within the assumptions used for the estimation of the fair values of conditional awards granted in financial years 2017 through 2021, the expected volatility was determined by calculating the historic volatility of the Company's share price over the previous three years. However, for the estimation of the fair values of the conditional awards granted on 18 November 2021, the historic volatility of the Company's share price during the period from early April 2020 to the grant date was used. It was considered that this reflects a more normalised level of volatility, given that it is based on the period after the global equity markets were abnormally impacted by the immediate economic effects of the COVID-19 pandemic in February / March 2020.

The Craneware plc Long Term Incentive Plan (2022) (the '2022 LTIP')

This new long term incentive plan was established during the year ended 30 June 2023 and was approved by the Company's shareholders at the Annual General Meeting on 15 November 2022. The reasons for establishing this plan are explained in the Remuneration Committee's Report on page 88 and were also outlined in the Annual Report for the year ended 30 June 2022. Conditional share awards were granted under this Plan to certain senior managers and to the executive Directors, following the AGM, in November 2022.

| | Number of conditional share awards 2023 | Number of conditional share awards 2022 |
|--|---|---|
| Balance outstanding at 1 July | - | - |
| Awards granted in the year | 256,088 | - |
| Vested awards released during the year | - | - |
| Forfeited / lapsed during the year | (5,212) | - |
| Balance outstanding at 30 June | 250,876 | - |

The remaining weighted average contractual life of the conditional share awards outstanding under the 2022 LTIP at 30 June 2023 is 2.4 years (there were no conditional share awards granted from this plan and outstanding at 30 June 2022).

The performance conditions, each measured over three consecutive three year periods, applicable to the conditional share awards granted on 18 November 2022, are outlined in the Remuneration Committee's Report on pages 89 and 90.

Market-based performance conditions

Performance conditions, based on a relative TSR measure, apply to 121,451 of the conditional share awards granted on 18 November 2022. The fair values of those conditional share awards were estimated using the Monte Carlo pricing model, as appropriately adjusted, with the following main assumptions:

| Date of Grant | 18-Nov-22 |
|--|-----------|
| Share price at date of grant (£) | £21.300 |
| Share price at date of grant (\$) | \$25.33 |
| Vesting period (years) | 3 |
| Expected volatility | 42.7% |
| Risk free rate | 3.18% |
| Dividend yield | 1.68% |
| Shares subject to conditional share awards with market-based performance conditions (number) | 121,451 |
| Fair value per conditional share award | \$21.12 |

Within the assumptions used for the estimation of the fair values of conditional awards, the expected volatility was determined by calculating the historic volatility of the Company's share price during the period from early April 2020 to the grant date was used, as explained above.

Non-Market performance conditions

For a further 121,451 of the conditional share awards granted on 18 November 2022, which have performance conditions based on growth in adjusted EPS of the Group as outlined in the Remuneration Committee's Report on pages 91 and 92, the fair value of these conditional share awards is recognised as a share-based payments expense over the vesting period based on the number of awards which are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of contingent share awards that are expected to vest based on the non-market vesting condition. The fair value of these conditional share awards was estimated using the Black-Scholes option pricing model, as appropriately adjusted, based on the following assumptions:

| Date of Grant | 18-Nov-22 |
|--|-----------|
| Share price at date of grant (£) | £21.30 |
| Share price at date of grant (\$) | \$25.33 |
| Vesting period (years) | 3 |
| Expected volatility | 42.7% |
| Risk free rate | 3.18% |
| Dividend yield | 1.68% |
| Shares subject to conditional share awards with non-market performance conditions (number) | 121,451 |
| Fair value per conditional share award | \$25.09 |

Conditional share awards granted with service-based vesting condition only

Conditional share awards in respect of 13,186 Ordinary Shares in the Company were also granted on 18 November 2022 which have service-based vesting conditions but no performance conditions. The fair value of these conditional share awards is recognised as a share-based payments expense over the vesting period of three years based on the number of awards which are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of contingent share awards that are expected to vest based on the service condition. The fair value of these conditional share awards, of \$25.09 per share, was estimated using the Black-Scholes option pricing model, as appropriately adjusted, based on the assumptions summarised in the table above.

Other share-based payments – contingent share awards

In addition to the employee share plans detailed above, contingent share awards have also been granted by the Company to certain employees. Contingent share awards in respect of a total of 159,336 Ordinary Shares were outstanding at 30 June 2023 (159,336 Ordinary Shares at 30 June 2022).

There are three sets of non-market performance conditions applicable to each of the contingent share awards such that the vesting of each one-third amount of the award shares is assessed against one of the performance conditions. If the respective performance conditions are achieved, and subject to continuous employment within the Group throughout the period from the grant date: a maximum of 159,336 award shares will vest in the financial year commencing 1 July 2024 at the earliest.

The fair value of the contingent share awards is based on the market value of an Ordinary Share on the date of grant. An assessment of the expected extent of vesting of the awards is made at the end of each reporting period and the share-based payments expense recognised is adjusted so that over the whole vesting period the expense recognised is based on the fair value of the quantity of share awards that actually vest.

8. Finance income and expense

| Finance Income | 2023 \$'000 | 2022 \$'000 |
|-----------------------------|----------------|----------------|
| Deposit interest receivable | 214 | 1 |
| Total finance income | 214 | 1 |

| Finance Expense | 2023 \$'000 | 2022 \$'000 |
|----------------------------------|----------------|----------------|
| Interest on borrowings (Note 21) | 6,212 | 4,823 |
| Interest on lease liabilities | 145 | 208 |
| Total finance expense | 6,357 | 5,031 |

9. Tax on profit on ordinary activities

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Profit on ordinary activities before tax | 13,085 | 13,102 |
| Current tax | | |
| Corporation tax on profits of the year | 5,596 | 2,774 |
| Adjustments for prior years | 1,080 | 94 |
| Total current tax charge | 6,676 | 2,868 |
| Deferred tax | | |
| Deferred tax for current year | (3,324) | 842 |
| Adjustments for prior years | 485 | 9 |
| Change in UK tax rate | 16 | (26) |
| Total deferred tax (credit) / charge | (2,823) | 825 |
| Tax on profit on ordinary activities | 3,853 | 3,693 |

The difference between the current tax charge on ordinary activities for the year, reported in the Consolidated Statement of Comprehensive Income, 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 20.5% (FY22: 19%) | 2,682 | 2,490 |
| Effects of: | | |
| Adjustment for prior years | 1,566 | 103 |
| Change in tax rate on opening deferred tax balance | 23 | (26) |
| Change in tax rate on closing deferred tax balance | - | 339 |
| Additional US taxes on profits 25% (FY22: 25%) | 392 | 328 |
| Internally developed software | 628 | - |
| Expenses not deductible for tax purposes | 246 | 119 |
| Income not taxable in the period | (1,004) | - |
| Use of tax losses | (427) | - |
| Spot rate remeasurement | 240 | 39 |
| (Deduction) / expense on share plan charges | (535) | 301 |
| Other | 42 | - |
| Total tax charge | 3,853 | 3,693 |

10. Dividends

The dividends paid during the year were as follows:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Final dividend, re 30 June 2022 - 18.80 cents (15.5 pence)/ share (FY22: 21.47 cents (15.5 pence) / share) | 6,645 | 7,227 |
| Interim dividend, re 30 June 2023 - 15.13 cents (12.5 pence)/ share (FY22: 16.88 cents (12.5 pence) / share) | 5,474 | 5,749 |
| Total dividends paid to Company shareholders in the year | 12,119 | 12,976 |

The proposed final dividend of 20.19 cents (16 pence), as noted on page 12, for the year ended 30 June 2023 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Weighted average number of shares

| | 2023 No. of Shares 000s | 2022 No. of Shares 000s |
|---|-------------------------------|-------------------------------|
| Weighted average number of Ordinary Shares for the purpose of basic earnings per share (excluding own shares held) | 35,146 | 35,110 |
| Effect of dilutive potential Ordinary Shares: share options and LTIPs | 289 | 367 |
| Weighted average number of shares for the purpose of diluted earnings per share | 35,435 | 35,477 |

The Group has one category of dilutive potential Ordinary shares, being those granted to Directors and employees under the employee share plans.

Shares held by the Employee Benefit Trust and Treasury Shares held directly by the Company are excluded from the weighted average number of Ordinary shares for the purposes of basic earnings per share.

Profit for the year

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Profit for the year attributable to equity holders of the parent | 9,232 | 9,409 |
| Acquisition and associated share placing costs (tax adjusted) | - | 1,279 |
| Acquisition integration costs (tax adjusted) | 405 | 325 |
| Amortisation of acquired intangibles (tax adjusted) | 20,930 | 20,238 |
| Adjusted profit for the year attributable to equity holders of the parent | 30,567 | 31,251 |

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

For diluted earnings per share, the weighted average number of Ordinary shares calculated above is adjusted to assume conversion of all dilutive potential Ordinary shares.

Earnings per share

| | 2023 cents | 2022 cents |
|----------------------|---------------|---------------|
| Basic EPS | 26.3 | 26.8 |
| Diluted EPS | 26.1 | 26.5 |
| Adjusted basic EPS | 87.0 | 89.0 |
| Adjusted diluted EPS | 86.3 | 88.1 |

12. Business Combination

Year ended 30 June 2023

There were no business combinations in the year ended 30 June 2023.

Year ended 30 June 2022

On 12 July 2021, the Group acquired 100% of the voting rights of SDS Holdco, Inc., the ultimate holding company of Sentry Data Systems, Inc. ('Sentry'), a leader in the pharmacy procurement, compliance and utilisation management, based in Florida, USA. For further information on the reasons for the acquisition see Note 25 of the annual report for the year ended 30 June 2021. The aggregate consideration for the acquisition of Sentry on a cash free/ debt free basis subject to an adjustment against a benchmark level of working capital on the date of acquisition as calculated and determined in accordance with the terms of the agreement relating to the acquisition.

The deal was funded by \$297.0m (as adjusted) of cash and \$75.9m from the issue of 2,507,348 new ordinary shares at fair value on 12 July 2021 (measured using the closing market price of the Company's ordinary shares on that date). The cash consideration was funded from the Group's existing cash resources, \$120m from a new debt facility and \$187.3m net proceeds from a share placing completed in June 2021.

Details of the purchase consideration, net assets acquired and goodwill, were as follows:

| | \$'000 |
|---|----------------|
| Cash paid (net of working capital adjusted) | 297,015 |
| Shares issued (fair value) | 75,905 |
| Total purchase consideration | 372,920 |

The fair values for assets and liabilities recognised as a result of the acquisition were as follows:

| | Restated Fair value \$'000 |
|--|----------------------------------|
| Non-current assets | |
| Property, plant and equipment | 9,179 |
| Intangible assets - customer relations | 151,000 |
| Intangible assets - proprietary software | 51,496 |
| Intangible assets - trademarks | 5,000 |
| Intangible assets - other | 3,762 |
| Other contract assets | 376 |
| Total non-current assets | 220,813 |
| Current assets | |
| Trade and other receivables | 13,254 |
| Cash and cash equivalents | 3,727 |
| Restricted cash | 1,880 |
| Total current assets | 18,861 |
| Non-current liabilities | |
| Leased property > 1 year | 1,540 |
| Leased equipment > 1 year | 1,146 |
| Deferred tax | 48,685 |
| Total non-current liabilities | 51,371 |
| Current liabilities | |
| Deferred income | 27,164 |
| Trade and other payables | 12,267 |
| Total current liabilities | 39,431 |
| Net identifiable assets acquired | 148,872 |
| Add: goodwill | 224,048 |
| Total consideration | 372,920 |

The goodwill is attributable to Sentry's strong position in the market and synergies expected to arise after the company's acquisition of these new subsidiaries.

The fair value of the acquired customer list and customer contracts of \$151m, proprietary software of \$51.5m and trademarks of \$5.0m have been valued as per the details in Note 2. Deferred tax of \$37.8m, \$9.7m (restated) and \$1.2m has been provided respectively in relation to these intangible assets. Acquisition related costs of \$2.1m were included within exceptional costs in profit and loss in the year ended 30 June 2022.

The fair value of trade and other receivables is \$13.7m and includes trade receivables with a fair value of \$9.5m. The gross contractual amount for trade receivables due is \$12.7m of which \$3.1m was expected to be uncollectible.

Sentry contributed revenue of \$94.7m and net profit of \$1.6m to the Group for the period from 13 July 2021 to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated revenue and consolidated profit after tax for the year ended 30 June 2022 would have been \$168.2m and \$9.5m respectively.

See Note 26 for details of the restatement in the prior year.

13. Property, plant and equipment

| Group | Leased Properties \$'000 | Computer Equipment \$'000 | Office Furniture \$'000 | Tenants Improvements \$'000 | Total \$'000 |
|---------------------------------------|-----------------------------|------------------------------|----------------------------|--------------------------------|-----------------|
| Cost | | | | | |
| At 1 July 2022 | 5,981 | 8,966 | 888 | 1,778 | 17,613 |
| Additions | 2,521 | 504 | 3 | 13 | 3,041 |
| Reclassification | - | 450 | - | - | 450 |
| Disposals | (657) | (3) | (2) | (40) | (702) |
| At 30 June 2023 | 7,845 | 9,917 | 889 | 1,751 | 20,402 |
| Accumulated depreciation | | | | | |
| At 1 July 2022 | 3,409 | 3,223 | 712 | 1,450 | 8,794 |
| Charge for year | 1,607 | 1,721 | 55 | 68 | 3,451 |
| Depreciation on disposals | (280) | (1) | - | (26) | (307) |
| At 30 June 2023 | 4,736 | 4,943 | 767 | 1,492 | 11,938 |
| Net Book Value at 30 June 2023 | 3,109 | 4,974 | 122 | 259 | 8,464 |
| Cost | | | | | |
| At 1 July 2021 | 3,826 | 1,954 | 676 | 1,678 | 8,134 |
| Additions | - | 282 | 30 | 40 | 352 |
| Acquisition of subsidiary | 2,155 | 6,781 | 183 | 60 | 9,179 |
| Disposals | - | (51) | (1) | - | (52) |
| At 30 June 2022 | 5,981 | 8,966 | 888 | 1,778 | 17,613 |
| Accumulated depreciation | | | | | |
| At 1 July 2021 | 1,834 | 1,686 | 669 | 1,393 | 5,582 |
| Charge for year | 1,575 | 1,583 | 44 | 57 | 3,259 |
| Depreciation on disposals | - | (46) | (1) | - | (47) |
| At 30 June 2022 | 3,409 | 3,223 | 712 | 1,450 | 8,794 |
| Net Book Value at 30 June 2022 | 2,572 | 5,743 | 176 | 328 | 8,819 |

13. Property, plant and equipment [Cont'd]

Leased properties

All leased properties are right-of-use assets. These properties consist of office spaces used by the Group in the UK and the US.

One right-of-use leased property had the lease extended for a further 5 year term during the year. Another right-of-use leased property was vacated at the request of the lessor, with a new property being provided by the lessor. There were no other additions or disposals during the period. Depreciation of \$1,607,000 (FY22: \$1,575,000) was recognised during the year in respect of right-of-use assets.

The average remaining lease term is 2.4 years.

The Group does not have any other right-of-use assets other than those disclosed under leased properties.

| Company | Leased Properties \$'000 | Computer Equipment \$'000 | Office Furniture \$'000 | Tenants Improvements \$'000 | Total \$'000 |
|---------------------------------------|-----------------------------|------------------------------|----------------------------|--------------------------------|-----------------|
| Cost | | | | | |
| At 1 July 2022 | 1,988 | 1,096 | 486 | 1,494 | 5,064 |
| Additions | 2,085 | 200 | 1 | 4 | 2,290 |
| Disposals | - | (2) | - | - | (2) |
| At 30 June 2023 | 4,073 | 1,294 | 487 | 1,498 | 7,352 |
| Accumulated depreciation | | | | | |
| At 1 July 2022 | 1,645 | 975 | 455 | 1,310 | 4,385 |
| Charge for the year | 516 | 62 | 9 | 33 | 620 |
| Depreciation on disposals | - | (1) | - | - | (1) |
| At 30 June 2023 | 2,161 | 1,036 | 464 | 1,343 | 5,004 |
| Net Book Value at 30 June 2023 | 1,912 | 258 | 23 | 155 | 2,348 |
| Cost | | | | | |
| At 1 July 2021 | 1,988 | 1,015 | 456 | 1,454 | 4,913 |
| Additions | - | 100 | 30 | 40 | 170 |
| Disposals | - | (19) | - | - | (19) |
| At 30 June 2022 | 1,988 | 1,096 | 486 | 1,494 | 5,064 |
| Accumulated depreciation | | | | | |
| At 1 July 2021 | 1,097 | 885 | 453 | 1,277 | 3,712 |
| Charge for year | 548 | 106 | 2 | 33 | 689 |
| Depreciation on disposals | - | (16) | - | - | (16) |
| At 30 June 2022 | 1,645 | 975 | 455 | 1,310 | 4,385 |
| Net Book Value at 30 June 2022 | 343 | 121 | 31 | 184 | 679 |

One right-of-use leased property had the lease extended for a further 5 year term during the year. There were no other additions or disposals during the period. Depreciation of \$516,000 (FY22: \$548,000) was recognised during the year in respect of right-of-use assets.

The average remaining lease term is 4.6 years.

14. Intangible assets

| Group | Goodwill \$'000 | Customer Relationships \$'000 | Proprietary Software \$'000 | Trademarks \$'000 | Development Costs \$'000 | Computer Software \$'000 | Total \$'000 |
|--|--------------------|-------------------------------------|-----------------------------------|----------------------|--------------------------------|--------------------------------|-----------------|
| Cost | | | | | | | |
| At 1 July 2022 | 235,486 | 153,964 | 52,724 | 5,000 | 56,096 | 4,840 | 508,110 |
| Additions | - | - | - | - | 14,960 | 71 | 15,031 |
| Reclassification | - | - | - | - | - | (450) | (450) |
| At 30 June 2023 | 235,486 | 153,964 | 52,724 | 5,000 | 71,056 | 4,461 | 522,691 |
| Accumulated amortisation and impairment | | | | | | | |
| At 1 July 2022 | 250 | 12,706 | 11,187 | 538 | 15,607 | 1,899 | 42,187 |
| Charge for the year | - | 10,067 | 10,307 | 556 | 6,477 | 1,304 | 28,711 |
| At 30 June 2023 | 250 | 22,773 | 21,494 | 1,094 | 22,084 | 3,203 | 70,898 |
| Net Book Value at 30 June 2023 | 235,236 | 131,191 | 31,230 | 3,906 | 48,972 | 1,258 | 451,793 |
| Cost | | | | | | | |
| At 1 July 2021 | 11,438 | 2,964 | 3,043 | - | 42,976 | 1,004 | 61,425 |
| Additions | - | - | - | - | 13,506 | 174 | 13,680 |
| Acquisition of subsidiary - restated | 224,048 | 151,000 | 51,496 | 5,000 | - | 3,762 | 435,306 |
| Disposals | - | - | (1,815) | - | (386) | (100) | (2,301) |
| At 30 June 2022 - restated | 235,486 | 153,964 | 52,724 | 5,000 | 56,096 | 4,840 | 508,110 |
| Accumulated amortisation and impairment | | | | | | | |
| At 1 July 2021 | 250 | 2,964 | 3,043 | - | 11,324 | 734 | 18,315 |
| Charge for the year | - | 9,742 | 9,959 | 538 | 4,669 | 1,236 | 26,144 |
| Amortisation on disposal | - | - | (1,815) | - | (386) | (71) | (2,272) |
| At 30 June 2022 | 250 | 12,706 | 11,187 | 538 | 15,607 | 1,899 | 42,187 |
| Net Book Value at 30 June 2022 - restated | 235,236 | 141,258 | 41,537 | 4,462 | 40,489 | 2,941 | 465,923 |

See Note 26 for details of the restatement in the prior year.

In accordance with the Group's accounting policy, the carrying values of Goodwill and other intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill arose on the acquisition of subsidiaries and is split into the following CGUs:

| | 2023 \$'000 | Restated 2022 \$'000 |
|-----------------------|----------------|----------------------------|
| Craneware InSight | 11,188 | 11,188 |
| Sentry | 224,048 | 224,048 |
| Total Goodwill | 235,236 | 235,236 |

Craneware InSight

The carrying values are assessed for impairment purposes by calculating the value in use of the core Craneware business cash generating unit. This is the lowest level of which there are separately identifiable cash flows to assess the Goodwill acquired as part of the Craneware InSight, Inc purchase.

14. Intangible assets [Cont'd]

Sentry

The carrying values are assessed for impairment purposes by calculating the value in use of the Sentry business cash generating unit. This is the lowest level of which there are separately identifiable cash flows to assess the Goodwill acquired as part of the Sentry acquisition.

The key assumptions in assessing value in use for the CGU's are:

| | Growth rate in perpetuity | | Post-tax discount rate | |
|-------------------|---------------------------|------|------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Craneware InSight | 2.0% | 2.0% | 9.0% | 12.1% |
| Sentry | 2.0% | 2.0% | 9.0% | 9.5% |

After the initial term of 5 years, the Group applied a growth rate for each CGU. These take into consideration the customer bases and expected revenue commitments from it, anticipated additional sales to both existing and new customers and market trends currently seen and those expected in the future.

The Group has assessed events and circumstances in the year and the assets and liabilities of the business cash-generating units; this assessment has confirmed that no significant events or circumstances occurred in the year and that the assets and liabilities showed no significant change from last year.

After review of future forecasts, the Group confirmed the growth forecast for the next five years showed that the recoverable amounts would continue to exceed the carrying values. There are no reasonable possible changes in assumptions that would result in an impairment in the Craneware CGU and certain disclosures, including sensitivities, relating to goodwill have not been made for this CGU given the significant headroom on impairment testing. For the Sentry CGU the impairment test was most sensitive to the discount rate assumption. There is no impairment, with all other assumptions remaining the same, with a discount rate up to 12%. There are no reasonable possible changes in any of the other assumptions for this CGU that would result in an impairment.

| Company | Development Costs \$'000 | Computer Software \$'000 | Total \$'000 |
|---------------------------------------|-----------------------------|-----------------------------|-----------------|
| Cost | | | |
| At 1 July 2022 | 52,868 | 587 | 53,455 |
| Additions | 11,468 | 71 | 11,539 |
| At 30 June 2023 | 64,336 | 658 | 64,994 |
| Accumulated amortisation | | | |
| At 1 July 2022 | 15,368 | 550 | 15,918 |
| Charge for the year | 5,724 | 55 | 5,779 |
| At 30 June 2023 | 21,092 | 605 | 21,697 |
| Net Book Value at 30 June 2023 | 43,244 | 53 | 43,297 |
| Cost | | | |
| At 1 July 2021 | 42,569 | 686 | 43,255 |
| Additions | 10,299 | 1 | 10,300 |
| Disposals | - | (100) | (100) |
| At 30 June 2022 | 52,868 | 587 | 53,455 |
| Accumulated amortisation | | | |
| At 1 July 2021 | 10,917 | 453 | 11,370 |
| Charge for the year | 4,451 | 168 | 4,619 |
| Amortisation on disposal | - | (71) | (71) |
| At 30 June 2022 | 15,368 | 550 | 15,918 |
| Net Book Value at 30 June 2022 | 37,500 | 37 | 37,537 |

15. Investment in subsidiary undertakings

The following information relates to all of the direct and indirect subsidiaries of the Company:

| Name of Company | Class of Shares held | Percentage of ordinary shares held | Country of Incorporation | Nature of Business |
|--|----------------------|------------------------------------|--------------------------|--|
| Held directly by Craneware plc | | | | |
| Craneware US Holdings, Inc. | Ordinary | 100% | USA | Holding company |
| Held indirectly by Craneware plc | | | | |
| Craneware, Inc. | Ordinary | 100% | USA | Sales & Marketing |
| Craneware InSight, Inc. | Ordinary | 100% | USA | Software Development & Professional Services |
| Craneware Healthcare Intelligence, LLC | Ordinary | 100% | USA | Software Development |
| SDS Holdco, Inc. | Ordinary | 100% | USA | Dormant |
| SDS Intermediate, Inc. | Ordinary | 100% | USA | Dormant |
| Sentry Data Systems, Inc. | Ordinary | 100% | USA | Software Development & Professional Services |
| Agilum Healthcare Intelligence, Inc. | Ordinary | 100% | USA | Software Development |
| | | | 2023 \$'000 | 2022 \$'000 |
| Cost | | | | |
| At 1 July | | | 84,905 | 9,000 |
| Acquisition of subsidiary | | | - | 75,905 |
| At 30 June | | | 84,905 | 84,905 |

The results of the Subsidiary companies have been included in the consolidated financial statements. Subsidiary registered addresses are listed on page 56. The carrying value of the subsidiaries is supported by the underlying net assets and future cashflows.

16. Trade and other receivables

| | Group | | Company | |
|---|----------------|----------------------------|----------------|----------------|
| | 2023 \$'000 | Restated 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Trade receivables | 27,594 | 34,730 | 13,958 | 17,025 |
| Less: provision for impairment of trade receivables | (3,421) | (5,855) | (2,623) | (2,714) |
| Net trade receivables | 24,173 | 28,875 | 11,335 | 14,311 |
| Other receivables | 1,024 | 827 | 9,666 | 9,252 |
| Current tax receivable | - | 2,932 | 1,020 | 1,000 |
| Amounts owed from group companies | - | - | 183,657 | 202,350 |
| Prepayments and accrued income | 8,270 | 4,714 | 1,513 | 1,603 |
| Deferred contract costs | 4,715 | 5,470 | - | - |
| | 38,182 | 42,818 | 207,191 | 228,516 |
| Less non-current amounts owed from group companies | - | - | - | (6,000) |
| Less non-current prepayments | - | (26) | - | - |
| Less non-current deferred contract costs | (2,758) | (3,208) | - | - |
| Current portion | 35,424 | 39,584 | 207,191 | 222,516 |

See Note 26 for details of the restatement in the prior year.

There is no material difference between the fair value of trade and other receivables and the book value stated above. All amounts included within trade and other receivables are classified as financial assets at amortised cost.

16. Trade and other receivables [Cont'd]

Expected credit loss allowance for trade receivables - Group

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables.

| 30 June 2023 | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | > 90 days \$'000 |
|----------------------------|-------------------|--------------------|----------------------|----------------------|---------------------|
| Expected credit loss rate | 0.3% | 0.3% | 7.7% | 4.9% | 46.8% |
| Gross carrying amount | 11,377 | 5,004 | 1,677 | 2,913 | 6,623 |
| Expected credit loss | 37 | 14 | 130 | 143 | 3,098 |
| Net carrying amount | 11,340 | 4,990 | 1,548 | 2,771 | 3,525 |
| 30 June 2022 | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | >90 days \$'000 |
| Expected credit loss rate | 0.4% | 3.8% | 10.7% | 10.7% | 50.6% |
| Gross carrying amount | 20,457 | 1,869 | 1,055 | 419 | 10,930 |
| Expected credit loss | 92 | 71 | 113 | 45 | 5,534 |
| Net carrying amount | 20,365 | 1,798 | 942 | 374 | 5,396 |

Expected credit loss allowance for trade receivables - Company

The following table provides information about the Company's exposure to credit risk and ECLs for trade receivables.

| 30 June 2023 | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | > 90 days \$'000 |
|----------------------------|-------------------|--------------------|----------------------|----------------------|---------------------|
| Expected credit loss rate | 0.4% | 2.0% | 14.9% | 9.7% | 78.9% |
| Gross carrying amount | 9,392 | 484 | 616 | 361 | 3,105 |
| Expected credit loss | 37 | 10 | 92 | 35 | 2,449 |
| Net carrying amount | 9,355 | 474 | 524 | 326 | 656 |
| 30 June 2022 | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | >90 days \$'000 |
| Expected credit loss rate | 0.3% | 1.5% | 1.9% | 3.0% | 47.2% |
| Gross carrying amount | 10,203 | 799 | 317 | 54 | 5,652 |
| Expected credit loss | 29 | 12 | 6 | 2 | 2,665 |
| Net carrying amount | 10,174 | 787 | 311 | 52 | 2,987 |

Movement on the provision for impairment of trade receivables is as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| At 1 July | 5,855 | 2,270 | 2,714 | 2,270 |
| Acquisition of subsidiary | - | 3,141 | - | - |
| Provision for receivables impairment on revenue recognised | 704 | 716 | 704 | 840 |
| Receivables written off during year as uncollectable | (463) | (77) | (447) | (202) |
| Unused amounts reversed | (2,675) | (195) | (348) | (194) |
| At 30 June | 3,421 | 5,855 | 2,623 | 2,714 |

The creation and release of provision for impaired receivables has been included in net operating expenses in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

17. Deferred tax

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 25% (FY22: 25%) in the UK and 25% (FY22: 25%) in the US including a provision for state taxes.

See Note 26 for details or the restatement in the prior year.

| | Group | | Company | |
|--|-----------------|----------------------------|----------------|----------------|
| | 2023 \$'000 | Restated 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| At 1 July | (44,417) | 5,459 | 805 | 2,217 |
| Credit/ (charge) to comprehensive income | 4,084 | (825) | (1,365) | (1,431) |
| Transfer direct to equity | (1,004) | (366) | (666) | 19 |
| Deferred tax arising on acquisitions | - | (48,685) | - | - |
| At 30 June | (41,337) | (44,417) | (1,226) | 805 |

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 liability at 30 June 2023 was \$41,337,000 (FY22: net deferred tax liability \$44,417,000 restated).

17. Deferred tax [Cont'd]

| Deferred tax assets - recognised | Short term | Losses | Share | Total |
|--|--------------|------------|--------------|--------------|
| | timing | | | |
| Group | differences | \$'000 | Options | \$'000 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2022 | 3,926 | 293 | 3,201 | 7,420 |
| Credited to comprehensive income | 585 | 135 | 160 | 880 |
| Charged to equity | - | - | (1,004) | (1,004) |
| Total provided at 30 June 2023 | 4,511 | 428 | 2,357 | 7,296 |
| At 1 July 2021 | 759 | 1,058 | 3,924 | 5,741 |
| (Charged) / credited to comprehensive income | 3,167 | (765) | (357) | 2,045 |
| Charged to equity | - | - | (366) | (366) |
| Total provided at 30 June 2022 | 3,926 | 293 | 3,201 | 7,420 |

| Deferred tax liabilities - recognised | Long term | Accelerated tax | Total |
|--|-----------------|-----------------|-----------------|
| | timing | depreciation | |
| Group | differences | \$'000 | \$'000 |
| | \$'000 | \$'000 | \$'000 |
| At 1 July 2021 | (47,921) | (3,916) | (51,837) |
| Charged / (credited) to comprehensive income | 3,543 | (339) | 3,204 |
| Total provided at 30 June 2023 | (44,378) | (4,255) | (48,633) |
| At 1 July 2021 | - | (282) | (282) |
| Credited / (charged) to comprehensive income | 764 | (3,634) | (2,870) |
| Arising on acquisition restated | (48,685) | - | (48,685) |
| Total provided at 30 June 2022 restated | (47,921) | (3,916) | (51,837) |

The analysis of the deferred tax assets and liabilities is as follows:

| Group | 2023 | Restated |
|---|-----------------|-----------------|
| | \$'000 | 2022 \$'000 |
| Deferred tax assets: | | |
| Deferred tax assets to be recovered after more than 1 year | 6,867 | 7,126 |
| Deferred tax assets to be recovered within 1 year | 429 | 294 |
| | 7,296 | 7,420 |
| Deferred tax liabilities: | | |
| Deferred tax liabilities to be recovered after more than 1 year | (43,633) | (46,837) |
| Deferred tax liabilities to be recovered within 1 year | (5,000) | (5,000) |
| | (48,633) | (51,837) |
| Net deferred tax liability | (41,337) | (44,417) |

The Company's deferred tax assets and liabilities are all expected to be recovered in the future.

| Deferred tax assets - recognised | | | |
|--|---|-------------------------|-----------------|
| Company | Short term timing differences \$'000 | Share Options \$'000 | Total \$'000 |
| At 1 July 2022 | 101 | 1,661 | 1,762 |
| (Charged) / credited to comprehensive income | (46) | 64 | 18 |
| Credited to equity | - | (666) | (666) |
| Total provided at 30 June 2023 | 55 | 1,059 | 1,114 |
| At 1 July 2021 | 178 | 2,054 | 2,232 |
| Charged to comprehensive income | (77) | (412) | (489) |
| Credited to equity | - | 19 | 19 |
| Total provided at 30 June 2023 | 101 | 1,661 | 1,762 |

| Deferred tax liabilities - recognised | | | |
|---------------------------------------|--|--|-----------------|
| Company | | Accelerated tax depreciation \$'000 | Total \$'000 |
| At 1 July 2022 | | (957) | (957) |
| Charged to comprehensive income | | (1,384) | (1,384) |
| Total provided at 30 June 2023 | | (2,341) | (2,341) |
| At 1 July 2021 | | (15) | (15) |
| Charged to comprehensive income | | (942) | (942) |
| Total provided at 30 June 2023 | | (957) | (957) |

The Group continues to monitor the recoverability of deferred tax assets and are satisfied that the continuing profitability will utilise the assets in respect of losses and there remains the expectation that share options will be exercised which will give rise to the utilisation of the asset in this regard.

18. Share capital and reserves

(a) Share capital

| Authorised | 2023 | | 2022 | |
|--|-------------------|------------|-------------------|------------|
| | Number | \$'000 | Number | \$'000 |
| Equity share capital | | | | |
| Ordinary shares of 1p each | 50,000,000 | 1,014 | 50,000,000 | 1,014 |
| Allotted called-up and fully paid | | | | |
| Equity share capital | | | | |
| <i>Ordinary shares of 1p each</i> | | | | |
| At 1 July | 35,542,169 | 659 | 33,019,191 | 624 |
| Allotted and issued in the year as part of the consideration for the acquisition of Sentry (Note 12) | - | - | 2,507,348 | 34 |
| Allotted and issued in the year on exercise of employee share options | - | - | 15,630 | 1 |
| At 30 June | 35,542,169 | 659 | 35,542,169 | 659 |

18. Share capital and reserves [Cont'd]*Share buyback*

During the year, the Company purchased a total of 223,632 of its own Ordinary Shares (FY22: nil) in accordance with a share buyback programme which commenced on 12 April 2023 and is ongoing at the time of approval of these financial statements. Further details regarding the share buyback are contained in the Directors' Report on page 62. Total consideration for this share buyback programme, including directly attributable costs incurred up to the date of approval of these financial statements, was \$4,417,000, of which \$3,815,000 was paid during the year ended 30 June 2023. The Ordinary Shares purchased by the Company in the share buyback programme are held in treasury (with no voting rights attached) for the purpose of satisfying employee share plan awards.

During the year ended 30 June 2023, a total of 9,621 (FY22: nil) Ordinary Shares were transferred from treasury by the Company to satisfy the exercise of employee share options. Therefore at 30 June 2023, the Company held 214,011 Ordinary Shares in treasury (as at 30 June 2022: nil).

Shares issued during the year ended 30 June 2023

In the year ended 30 June 2023, no new Ordinary Shares in Craneware plc were issued. In the prior financial year, on 12 July 2021, 2,507,348 new Ordinary Shares in Craneware plc were issued as part of the consideration for the acquisition of SDS Holdco, Inc., the ultimate holding company of Sentry. Note 12 contains further details of this business combination. The fair value of the consideration given in excess of the nominal value of these Ordinary Shares issued in July 2021 was \$75,870,408 which is included in the share premium account.

The Company has granted share options and conditional share awards in respect of its Ordinary Shares and details of these are contained in Note 7. During the year ended 30 June 2023 no new Ordinary Shares (FY22: 15,630 Ordinary Shares) were issued on the exercise of share options by employees.

Employee Benefit Trust

The Company established the 'The Craneware plc Employee Benefit Trust' (the EBT) during the year ended 30 June 2017. This is a discretionary trust established, in conjunction with the operation of the Company's employee share plans, for the benefit of the employees of the Company and its subsidiaries. The EBT has an independent trustee, JTC Employer Solutions Trustee Limited. The Company has provided a loan to the EBT. The movement in the balance of the loan, which is denominated in Sterling, from the Company to the EBT during the year ended 30 June 2023 is summarised in the table below.

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Loan balance (from Company to the EBT) at 1 July | 8,867 | 8,732 |
| Exchange gain / (loss) | 355 | (1,169) |
| Addition to the loan from the Company to the EBT during the year | 179 | 3,421 |
| Partial repayment of loan by the EBT during the year | (138) | (2,117) |
| Loan balance (from Company to the EBT) at 30 June | 9,263 | 8,867 |

The EBT did not purchase any Craneware plc Ordinary Shares of 1 pence each in the market in the year ended 30 June 2023 (FY22: 67,420 Ordinary Shares in the Company were purchased by the EBT in the market). The EBT purchased 10,086 Ordinary Shares in the Company off market, based on the prevailing market price per share on the date of purchase, in the year ended 30 June 2023 (FY22: 15,797 Ordinary Shares in the Company were purchased by the EBT off market). As such, the net outflow from the Group in the current year as disclosed in the Statement of Changes in Equity and Consolidated Cashflow Statement is \$179,000 (FY22: \$1,726,000 net outflow).

The Shares held by the EBT are utilised to satisfy employee share plan awards and, during the financial year ended 30 June 2023, a total of 55,934 of the Shares from the EBT (FY22: 20,479 Shares) were used to satisfy the exercise of employee share options and vested employee conditional share awards. At 30 June 2023 the EBT held 365,475 Craneware plc Ordinary Shares (at 30 June 2022: 411,323 Ordinary Shares).

(b) Reserves*Share premium account*

The share premium represents amounts received in excess of the nominal value of shares issued, net of the direct costs of issuing those shares.

Treasury shares

Treasury Shares represent Ordinary Shares of the Company which were purchased by the Company in a share buyback programme, which commenced in April 2023, and held for the purpose of satisfying employee share plan awards.

Merger reserve

The merger reserve contains the excess of the net proceeds over the nominal value of shares issued in the situation where the conditions, under section 612 of the Companies Act 2006, for merger relief are satisfied. The balance on the merger reserve as at 30 June 2023 and as at 30 June 2022 comprises the excess of the net proceeds over the nominal value of the Ordinary Shares issued on a share placing in June 2021. The purpose of the share placing was to obtain net proceeds to part fund the acquisition of SDS Holdco, Inc., the ultimate holding company of Sentry (Note 12 contains further details of this acquisition). The placing was effected by way of a cash box structure and the resulting transactions satisfied all of the required conditions under section 612 of the Act to obtain merger relief. This merger reserve is not considered to be distributable as a consequence of the net proceeds of the share placing being for a specific acquisition.

Capital redemption reserve

The capital redemption reserve includes the nominal value of own shares purchased back by the Company and subsequently cancelled. This is not a distributable reserve.

Other reserves

Other reserves comprise the credit corresponding to share-based payment charges recognised in the Statement of Comprehensive Income in relation to the Company's employee share plans. Amounts are released from this reserve to Retained Earnings when employee share plan awards are exercised, released or lapsed.

19. Cash generated from/ (used in) operations

Reconciliation of profit before taxation to net cash generated from/ (used in) operations:

| | Group | | Company | |
|--|----------------|----------------|----------------|------------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Profit before tax | 13,085 | 13,102 | 8,486 | 8,633 |
| Finance income | (214) | (1) | (443) | (279) |
| Finance expense | 6,357 | 5,031 | 40 | 28 |
| Depreciation on property, plant and equipment | 3,451 | 3,259 | 620 | 689 |
| Amoritsation on intangible assets - other | 7,781 | 5,905 | 5,779 | 4,619 |
| Amortisation on intangible assets - acquired intangibles | 20,930 | 20,239 | - | - |
| Loss / (gain) on disposals | 7 | (5) | - | - |
| Share based payments | 2,992 | 2,116 | 1,196 | 978 |
| Movements in working capital: | | | | |
| Decrease / (increase) in trade and other receivables | 1,116 | (3,203) | 15,668 | (193,542) |
| (Decrease) / increase in trade and other payables | (5,462) | (13,500) | (13,126) | 3,005 |
| Increase in amounts held on behalf of customers | 50,548 | - | - | - |
| Cash generated from / (used in) operations | 100,591 | 32,943 | 18,220 | (175,869) |

20. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash held by the Group and short-term bank deposits.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Total cash and cash equivalents | 78,537 | 47,157 | 25,102 | 28,400 |

The effective rates on short-term bank deposits were 0.247% (FY22: 0.003%).

Restricted cash balances comprises amounts held on behalf of customers as part of services provided in connecting them to their contract pharmacy network. After further assessment during the year, these amounts have been included within cash and cash equivalents in the current year.

| | Group | |
|------------------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 |
| Restricted cash | - | 1,251 |

21. Borrowings

The debt facility comprises a term loan of \$24m (FY22: \$32m) which is repayable in quarterly instalments over 5 years up to 30 June 2026, and a revolving loan facility of \$100m of which \$60m (FY22: \$80m) is drawn down and which expires on 7 June 2026. During the year, \$8m was repaid on the term loan and the amount drawn down on the revolving credit facility was reduced by \$20m.

Interest is charged on the facility on a daily basis at margin and compounded reference rate. The margin is related to the leverage of the Group as defined in the loan agreement. As the leverage of the Group strengthens, the applicable margin reduces.

The facility is secured by a Scots law floating charge granted by the Company, an English law debenture granted by the Company and a New York law security agreement to which the Company and certain of its subsidiaries are parties. The securities granted by the Company and the relevant subsidiaries provide security over all assets of the Company and specified assets of the Group.

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Current interest bearing borrowings | 8,000 | 8,000 |
| Non current interest bearing borrowings | 75,033 | 103,589 |
| Total | 83,033 | 111,589 |

Arrangement fees paid in advance of the setting up of the facility are being recognised over the life of the facility in operating costs. The remaining balance of unamortised fees and interest at 30 June 2023 is \$0.97m (FY22: \$3.2m).

See Note 3 for the contractual maturity of the Group's borrowings at the period end. See Note 27 for a reconciliation between borrowings, cash and net borrowings.

Loan covenants

Under the facilities the Group is required to meet quarterly covenants tests in respect of:

- Adjusted leverage which is the ratio of total net borrowings on the last day of the relevant period to adjusted EBITDA.
- Cash flow cover which is the ratio of cashflow to net finance charges in respect of the relevant period.

The Group complied with these ratios throughout the reporting period.

Financing arrangements

The Group's undrawn borrowing facilities were as follows:

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------------|----------------|----------------|
| Revolving facility | 40,000 | 20,000 |
| Undrawn borrowing facilities | 40,000 | 20,000 |

22. Trade and other payables

| | Group | | Company | |
|---------------------------------|----------------|----------------------------|----------------|----------------|
| | 2023 \$'000 | Restated 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Trade payables | 4,005 | 3,587 | 2,185 | 1,592 |
| Amounts owed to group companies | - | - | 17,128 | 27,720 |
| Lease creditor due < 1 year | 1,389 | 2,439 | 226 | 353 |
| Other provisions < 1 year | 420 | 379 | 58 | 17 |
| Social security and PAYE | 1,299 | 2,705 | 552 | 514 |
| Other creditors | 237 | 128 | 89 | - |
| Accruals | 8,466 | 6,222 | 2,397 | 1,115 |
| Advanced payments | 135 | 22 | 135 | 22 |
| Trade and other payables | 15,951 | 15,482 | 22,770 | 31,333 |

Amounts owed to Group companies are non-interest bearing and are payable on demand. Trade payables are settled in accordance with those terms and conditions agreed, generally within 30 days, provided that all trading terms and conditions on invoices have been met. The Group's average payment period at 30 June 2023 was 25 days (FY22: 29 days). Trade and other payables are classified as financial liabilities at amortised cost.

Other provisions relate to employer taxes due in relation to employee share awards from the 2007 Share Option Plan payable on exercise of options of \$59,000 (FY22: \$17,000) and potential sales tax due in relation to audits in respect of Sentry Data Systems for periods prior to the acquisition of \$362,000 (FY22: \$362,000 restated).

Amounts held on behalf of customers of \$0.7m was included within other creditors in the prior year. Due to the size of the balance in the current year, it has been included on face of the Balance Sheet.

See Note 26 for details for restatement in the prior year.

23. Contingent liabilities and financial commitments

(a) Capital commitments

The Group has no capital commitments at 30 June 2023 (FY22: nil).

(b) Lease commitments

The Group leases certain buildings and equipment under short term (less than 12 months) and low value assets. The commitments payable by the Group under these leases are as follows:

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------|----------------|----------------|
| Within one year | 3 | 3 |
| Between 1 and 5 years | - | 2 |
| More than 5 years | - | - |
| | 3 | 5 |

The undiscounted lease liability maturity analysis of leases under IFRS 16 is disclosed in Note 3.

24. Related party transactions

During the year the Group has traded in its normal course of business with shareholders and its wholly owned subsidiaries in which Directors and the subsidiaries have a material interest as follows:

| Group | 2023 | | 2022 | |
|--|---------------|----------------------------------|---------------|----------------------------------|
| | Charged \$ | Outstanding at year end \$ | Charged \$ | Outstanding at year end \$ |
| Fees for services provided as non-executive Directors | | | | |
| Fees | 209,517 | - | 175,632 | - |
| Salaries and short-term employee benefits | 146,571 | - | 162,076 | - |
| Executive Directors | | | | |
| Salaries and short-term employee benefits | 1,473,370 | 586,549 | 796,671 | - |
| Post employment benefits | 60,649 | - | 53,435 | - |
| Share based payments | 929,609 | - | 447,139 | - |
| Other key management | | | | |
| Salaries and short-term employee benefits | 2,625,438 | 670,743 | 1,764,885 | - |
| Post employment benefits | 69,971 | - | 73,071 | - |
| Share based payments | 824,662 | - | 494,728 | - |

| Company | 2023 | | 2022 | |
|---|---------------|----------------------------------|---------------|----------------------------------|
| | Charged \$ | Outstanding at year end \$ | Charged \$ | Outstanding at year end \$ |
| Fees for services provided as non-executive Directors | | | | |
| Fees | 209,517 | - | 175,632 | - |
| Salaries and short-term employee benefits | 146,571 | - | 162,076 | - |
| Executive Directors | | | | |
| Salaries and short-term employee benefits | 1,473,370 | 586,549 | 796,671 | - |
| Post employment benefits | 60,649 | - | 53,435 | - |
| Share based payments | 929,609 | - | 447,139 | - |
| Other key management | | | | |
| Salaries and short-term employee benefits | 273,708 | 81,955 | 380,142 | - |
| Post employment benefits | 13,399 | - | 26,451 | - |
| Share based payments | 144,202 | - | 133,210 | - |
| Amounts due from Craneware US Holdings, Inc. - Subsidiary company | | | | |
| Net operating expenses | - | - | - | - |
| Balance | | 181,489,918 | | 194,653,801 |
| Amounts due to Craneware, Inc. - Subsidiary company | | | | |
| Sales commission | 25,775,233 | | 26,129,580 | |
| Net operating expenses | 7,430,275 | | 5,723,046 | |
| Balance | | (3,346,820) | | (11,672,683) |
| Net Amounts due to Craneware InSight, Inc. - Subsidiary company | | | | |
| Sales commission | 2,051,137 | | 3,880,648 | |
| Net operating expenses | 597,648 | | 1,032,308 | |
| Balance | | (7,392,240) | | (10,531,030) |
| Net Amounts due to Craneware Healthcare Intelligence, LLC - Subsidiary company | | | | |
| Net operating expenses | 3,560,729 | | 1,908,459 | |
| Balance | | (6,388,775) | | (5,515,981) |
| Net Amounts due from Sentry Data Systems, Inc. - Subsidiary company | | | | |
| Net operating recharges | (808,402) | | (823,486) | |
| Balance | | 1,199,305 | | 1,419,494 |
| Net Amounts due from Agilum Healthcare Intelligence, Inc. - Subsidiary company | | | | |
| Net operating recharges | (949,002) | | (276,250) | |
| Balance | | 967,455 | | 276,250 |

Note 18 contains details of the transactions and balances between the Company and the employee benefit trust during and at the end of the financial year.

Key management are considered to be the Directors together with the Chief Information Officer, Chief Marketing Officer, Chief Revenue Officer, Chief Legal Officer, Chief Customer Officer, Chief Transformation Officer and Chief Technology Officer.

There were no other related party transactions in the year which require disclosure in accordance with IAS 24.

25. Ultimate controlling party

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

26. Restatement of prior period*Deferred revenue in Sentry opening balance sheet*

On acquisition of Sentry Data Systems, Inc. in FY22, \$4.792m of the deferred revenue for one contract recorded in the Sentry opening balance sheet related to a period more than one year from 30 June 2022. This was disclosed as less than one year on the prior year balance sheet. The balance sheet has been restated to reflect the long term portion of the deferred revenue on the closing balance sheet. There was no impact on the opening balance sheet at 1 July 2021.

| | Note | Restated 2022 \$'000 | Adjustment 2022 \$'000 | 2022 \$'000 |
|--------------------------------|------|----------------------------|------------------------------|----------------|
| Non-Current Liabilities | | | | |
| Deferred income | | 4,792 | 4,792 | - |
| | | 158,051 | 4,792 | 153,259 |
| Current Liabilities | | | | |
| Deferred income | | 53,930 | (4,792) | 58,722 |
| | | 77,722 | (4,792) | 82,514 |
| Total Liabilities | | 235,773 | - | 235,773 |

Deferred tax, current tax and sales tax and goodwill on acquisition

On acquisition of Sentry Data Systems, Inc. in FY22, \$51.874m of the deferred tax liabilities and \$1.100m of corporation tax receivables were recognised at 30 June 2022, with the other side going against goodwill. Following the completion of the FY22 tax returns it was identified that an asset class included in the fair value of assets and liabilities recognised on acquisition liabilities has incorrectly been given a 'tax basis' and as such the deferred tax liability included \$3.189m and the tax debtor included \$0.417m incorrectly in relation to this asset class.

In the period since acquisition, it has been identified that there are two states in which Sentry Data Systems, Inc operates where amounts are due in respect of sales tax for periods prior to the acquisition. A provision should have been made in respect of these amounts as part of the fair value of assets and liabilities recognised on acquisition. A provision of \$0.362m should have been included on acquisition.

The balance sheet has been restated to reflect the reduction in the deferred tax liability on acquisition of \$3.189m, an increase in trade and other payables of \$0.362m on acquisition, a decrease in trade and other receivables of \$0.417m on acquisition and a corresponding reduction in goodwill of \$2.410m. While these adjustments have decreased total assets and total liabilities by \$2.827m each, there is no impact on net assets. There was no impact on the opening balance sheet at 1 July 2021.

Balance sheet extract

| | Note | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|-------------------------------------|------|----------------------------|----------------------------|----------------|
| Assets | | | | |
| Non-Current Assets | | | | |
| Intangible assets - goodwill | 14 | 235,236 | (2,410) | 237,646 |
| | | 477,976 | (2,410) | 480,386 |
| Current Assets | | | | |
| Trade and other receivables | | 39,584 | (417) | 40,001 |
| | | 87,992 | (417) | 88,409 |
| Total Assets | | 565,968 | (2,827) | 568,795 |
| Equity and Liabilities | | | | |
| Non-Current Liabilities | | | | |
| Deferred tax | 17 | 44,417 | (3,189) | 47,606 |
| | | 154,862 | (3,189) | 158,051 |
| Current Liabilities | | | | |
| Trade and other payables | 22 | 15,482 | 362 | 15,120 |
| | | 78,084 | 362 | 77,722 |
| Total Liabilities | | 232,946 | (2,827) | 235,773 |
| Total Equity and Liabilities | | 565,968 | (2,827) | 568,795 |

Note 12 Business combinations has been updated to reduce the deferred tax liability on acquisition by \$3.189m, increase trade and other payables by \$0.362m and decrease trade and other receivables by \$0.417m with a respective decrease to goodwill on acquisition of \$2.410m

Note 12 extract

| | Restated Fair Value \$'000 | Adjusted Fair Value \$'000 | Fair Value \$'000 |
|--|----------------------------------|----------------------------------|----------------------|
| Current assets | | | |
| Trade and other receivables | 13,254 | (417) | 13,671 |
| Total current assets | 18,861 | (417) | 19,278 |
| Non-current liabilities | | | |
| Deferred tax | 48,685 | (3,189) | 51,874 |
| Total non-current liabilities | 51,371 | (3,189) | 54,560 |
| Current liabilities | | | |
| Trade and other payables | 12,267 | 362 | 11,905 |
| Total current liabilities | 39,431 | 362 | 39,069 |
| Net indentifiable assets acquired | 148,872 | 2,410 | 146,462 |
| Add: goodwill | 224,048 | (2,410) | 226,458 |
| Total consideration | 372,920 | - | 372,920 |

26. Restatement of prior period [Cont'd]*Deferred tax, sales tax and goodwill on acquisition [cont'd]*

The fair value of the acquired customer list and customer contracts of \$151m, proprietary software of \$51.5m and trademarks of \$5.0m have been valued as per the details in Note 2. Deferred tax of \$37.8m, \$9.7m restated (FY22: \$12.9m) and \$1.2m has been provided respectively in relation to these intangible assets.

Note 14 Intangible assets has been updated to reflect the reduction in goodwill on acquisition of \$2.410m.

Note 14 extract

| Group | Goodwill \$'000 | Total \$'000 |
|--|--------------------|-----------------|
| Cost | | |
| Acquisition of subsidiary restated | 224,048 | 435,306 |
| At 30 June 2022 restated | 235,486 | 508,110 |
| Net book value at 30 June 2022 restated | 235,236 | 465,923 |
| Cost | | |
| Acquisition of subsidiary adjusted | (2,410) | (2,410) |
| At 30 June 2022 adjusted | (2,410) | (2,410) |
| Net book value at 30 June 2022 adjusted | (2,410) | (2,410) |
| Cost | | |
| Acquisition of subsidiary | 226,458 | 437,716 |
| At 30 June 2022 | 237,896 | 510,520 |
| Net book value at 30 June 2022 | 237,646 | 468,333 |

| | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|-----------------------|----------------------------|----------------------------|----------------|
| Craneware InSight | 11,188 | - | 11,188 |
| Sentry | 224,048 | (2,410) | 226,458 |
| Total Goodwill | 235,236 | (2,410) | 237,646 |

Note 16 Trade and other receivables has been updated to reflect the reduction in the tax receivable \$0.417m.

Note 16 extract

| | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|------------------------|----------------------------|----------------------------|----------------|
| Current tax receivable | 2,932 | (417) | 3,349 |
| | 42,818 | (417) | 43,235 |
| Current portion | 39,584 | (417) | 40,001 |

Note 17 Deferred tax has been updated to reflect the reduction in deferred tax liabilities on acquisition of \$3.189m.

Note 17 extract

| Group | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|--------------------------------------|----------------------------|----------------------------|-----------------|
| Deferred tax arising on acquisitions | (48,685) | 3,189 | (51,874) |
| At 30 June | (44,417) | 3,189 | (47,606) |

Deferred tax liabilities - recognised

| Group | Long term timing differences \$'000 | Total \$'000 |
|--|--|-----------------|
| Arising on acquisition restated | (48,685) | (48,685) |
| Total provided at 30 June 2022 restated | (47,921) | (51,837) |
| Arising on acquisition adjusted | 3,189 | 3,189 |
| Total provided at 30 June 2022 adjusted | 3,189 | 3,189 |
| Arising on acquisition | (51,874) | (51,874) |
| Total provided at 30 June 2022 | (51,110) | (55,026) |

The analysis of the deferred tax assets and liabilities is as follows:

| Group | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|---|----------------------------|----------------------------|-----------------|
| Deferred tax liabilities: | | | |
| Deferred tax liabilities to be recovered after more than 1 year | (46,837) | 3,189 | (50,026) |
| | (51,837) | 3,189 | (55,026) |
| Net deferred tax liabilities | (44,417) | 3,189 | (47,606) |

Note 22 has been updated to reflect the inclusion of the provision for sales taxes of \$0.362m.

Note 22 extract

| | Restated 2022 \$'000 | Adjusted 2022 \$'000 | 2022 \$'000 |
|---------------------------|----------------------------|----------------------------|----------------|
| Other provisions < 1 year | 379 | 362 | 17 |
| At 30 June | 15,482 | 362 | 15,120 |

Other provisions relate to employer taxes due in relation to employee share awards from the 2007 Share Option Plan payable on exercise of options of \$59,000 (FY22: \$17,000) and potential sales tax due in relation to audits in respect of Sentry Data Systems for periods prior to the acquisition of \$362,000 (FY22: \$362,000 restated, FY22: nil).

27. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore non-GAAP (alternative) performance measures.

The Directors believe these measures enable the reader to focus on what the Group regard as a more reliable indicator of the underlying performance of the Group since they exclude items which are not reflective of the normal course of business, accounting estimates and non-cash items. The adjustments made are consistent and comparable with other similar companies.

Adjusted EBITDA

Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, exceptional items and share based payments.

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Operating profit | 19,228 | 18,132 |
| Depreciation of property, plant and equipment | 3,451 | 3,259 |
| Amortisation of intangible assets - other | 7,781 | 5,905 |
| Amortisation of intangible assets - acquired intangibles | 20,930 | 20,239 |
| Share based payments | 2,992 | 2,116 |
| Exceptional items - acquisition and associated share placing | - | 1,705 |
| Exceptional items - integration costs | 510 | 401 |
| Adjusted EBITDA | 54,892 | 51,757 |

27. Alternative performance measures [Cont'd]

Adjusted earnings per share (EPS)

Adjusted earnings per share (EPS) calculations allow for the tax adjusted acquisition costs and share related transactions together with amortisation on acquired intangibles via business combinations. See Note 11 for the calculation.

Operating cash conversion

Operating cash conversion is calculated as cash generated from operations (as per Note 19), adjusted to exclude cash payments for exceptional items and movements in cash held on behalf of customers, divided by adjusted EBITDA.

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Cash generated from operations (Note 19) | 100,591 | 32,943 |
| Total exceptional items | 510 | 2,106 |
| Movement in amounts held on behalf of customers (Note 19) | (50,548) | - |
| Accrued exceptional items at the start of the year paid in the current year | 60 | 5,509 |
| Accrued exceptional items at the end of the year | (92) | (60) |
| Trade payable exceptional items at the start of the year paid in the current year | 12 | 683 |
| Trade payables exceptional items at the end of the year | - | (12) |
| Cash generated from operations before exceptional items | 50,533 | 41,169 |
| Adjusted EBITDA | 54,892 | 51,757 |
| Operating cash conversion | 92.1% | 79.5% |

Adjusted PBT

Adjusted PBT refers to profit before tax adjusted for exceptional items and amortisation of acquired intangibles.

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Profit before taxation | 13,085 | 13,102 |
| Amortisation of intangible assets - acquired intangibles | 20,930 | 20,239 |
| Exceptional items - acquisition and associated share placing | - | 1,705 |
| Exceptional items - integration costs | 510 | 401 |
| Adjusted PBT | 34,525 | 35,447 |

Net borrowings

Net borrowings refers to the net balance of short term borrowings, long term borrowings and cash and cash equivalents (excluding restricted cash in the prior year).

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------------|----------------|-----------------|
| Cash and cash equivalents (Note 20) | 78,537 | 47,157 |
| Borrowings (Note 21) | (83,033) | (111,589) |
| Net borrowings | (4,496) | (64,432) |

Lease liabilities are excluded from borrowings for the purpose of net borrowings.

Cash and cash equivalents have been restated to include amounts held on behalf of customers as per note 26. The change has resulted in a decrease in Net borrowings of \$1.251m.

Total Sales

Total Sales refer to the total value of contracts signed in the year, consisting of New Sales and Renewals.

New Sales

New Sales refers to the total value of contracts with new customers or new products to existing customers at some time in their underlying contract.

Annual Recurring Revenue

Annual Recurring Revenue includes the annual value of license and transaction revenues at 30 June 2023 that are subject to underlying contracts.

Net Revenue Retention

Net Revenue Retention is the percentage of revenue retained from existing customers over the measurement period, taking into account both churn and expansion sales.

Revenue Growth

Revenue Growth is the increase in Revenue in the current year compared to the prior year expressed as a percentage of the previous year Revenue.



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