Craneware plc

(“Craneware” or the “Company” or the “Group”)

Final Results

Successful integration of Sentry operations and cloud momentum provides strong foundation for growth

20 September 2022 - Craneware (AIM: CRW.L), the market leader in Value Cycle software solutions for the US healthcare market, announces its audited results for the year ended 30 June 2022.

Financial Highlights (US dollars)

- Revenue increased 119% to $165.5m (FY21: $75.6m)
- Adjusted EBITDA[1] increased 91% to $51.8m (FY21: $27.1m)
- Statutory Profit before tax $13.1m (FY21: $13.2m) reflecting increased operating profit offset by amortisation of acquired intangibles and bank interest payments resulting from the Sentry Data Systems, Inc. (“Sentry”) acquisition
- Basic adjusted EPS[1] increased 29% to 89.0 cents (FY21: 69.0 cents) and adjusted diluted EPS increased to 88.1 cents (FY21: 68.1 cents)
- Basic EPS 26.8 cents (FY21: 48.1 cents) and diluted EPS 26.5 cents (FY21: 47.5 cents)
- Annual Recurring Revenue[2] increased by 164% to $170.3m (FY21 $64.5m)
- Robust operating cash conversion[1] at 80% of Adjusted EBITDA (FY21: 99%) reflecting different cash generation profiles of acquired business
- Operating cash reserves (excluding restricted cash) at year-end of $47.2m (FY21: $48.3m) and Net Debt of $64.4m (FY21: $Nil)
- Proposed final dividend of 15.5p per share (18.80 cents) (FY21: 15.5p, 21.47 cents) giving a total dividend for the year of 28p per share (33.96 cents) (FY21: 27.5p, 38.10 cents) up 2%

Operational Highlights

- Sentry and Agilum businesses successfully acquired and integrated during the year, providing considerably increased scale, offering, team and market opportunity
- The enlarged business has successfully rebranded to The Craneware Group[3]
- Synergies realised have delivered combined target +30% Adjusted EBITDA[1] margin ahead of schedule
- Initial cross-sales achieved and pipeline of opportunities is building
- 80% of ARR now from the Cloud, demonstrating successful execution of cloud strategy
- Trisus Chargemaster launched and vast majority of customers expected to have moved to the Trisus platform by end of current calendar year
- Continued investment in R&D and innovation to capitalise on growing market opportunity

Outlook

- Continued sales momentum across the enlarged Group
- Ongoing, long-term transition to value-based care provides basis for sustainable future growth
- Whilst cognisant of ongoing macro-economic challenges that are faced by our end customers, the Board remains confident in the continued strong performance of the enlarged Group

[1] Certain financial measures are not determined under IFRS and are alternative performance measures as described in Note 14.
[2] Annual Recurring Revenue (“ARR”) includes the annual value of licence and transaction revenues as at 30 June 2022 that are subject to underlying contracts.
[3] When we refer to 'Craneware', or 'The Craneware Group' or 'Group' we mean the group of companies having Craneware plc as its parent and therefore these words are used interchangeably.

Keith Neilson, CEO of Craneware plc commented:

"We are pleased to be reporting such positive results, which clearly demonstrate the increased scale of the enlarged Craneware Group and the breadth of our future opportunity. The addition of Sentry, which was completed and integrated during the fiscal year, represents a significant milestone for Craneware.

Whilst we remain cognisant of the ongoing challenges faced by our customers and partners, we are proud of the manner in which the Group has dealt with the challenging backdrop during the year. A focus for the year was to integrate our widened team and this was achieved with great success. Now, with our expanded and reorganised team we are confident we will be able to serve the considerable market need within the US healthcare space through the next stage of our evolution.

We anticipate accelerated levels of sales moving forward, delivering our next phase of growth. We have a robust balance sheet, high recurring revenues and with our high levels of customer retention, we look to further increase shareholder value."

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About Craneware

We at The Craneware Group of companies, including our latest additions Sentry Data Systems and Agilum Healthcare Intelligence, passionately believe we can impact healthcare profoundly by delivering the insights healthcare organisations need to also transform the business of healthcare. Our shared vision is to be the operational and financial partner for US healthcare providers.

Our combined suite of applications and industry-leading team of experts help our customers contextualise operational, financial, and clinical data, providing insights that clearly demonstrate what great looks like. These value cycle insights deliver revenue integrity and 340B compliance, as well as margin and operational intelligence - something no other single partner can provide.

Together, approximately 40% of registered US hospitals are now our customers, including more than 12,000 US hospitals, health systems and affiliated retail pharmacies and clinics. Our customers are operating with a financial impact of nearly half a trillion dollars. We have data sets from customers covering more than 150 million unique patients encounters.

Learn more at www.thecranewaregroup.com

Chair's Statement

I am pleased to report on a year of significant strategic progress, in which the acquisitions of US-based Sentry Data Systems, Inc. ("Sentry") and Agilum Healthcare Intelligence, Inc. ("Agilum") (collectively referred to as the acquisition of Sentry), were successfully completed, considerably increasing the scale of The Craneware Group, enhancing our pharmacy offering and cementing Craneware's position as a leading provider of Value Cycle solutions to the US healthcare market. The combination of the three organisations paves the way for long-term sustained growth, as COVID-19 related impediments dissipate, and the Group unlocks the significant opportunities of our extended product suite. With the transition of the Craneware offerings to the Cloud, which remains on track to complete in the current calendar year, and 80% of ARR now derived from Cloud based solutions, we are confident the building blocks are in place for our ongoing success.

Financials demonstrate increased scale of the Group

The increased scale of The Craneware Group can be seen in the financial performance achieved this year. Revenues increased 119% in the year to $165.5m with an adjusted EBITDA increase of 91% to $51.8m, achieving the combined Group adjusted EBITDA margin target of 30% ahead of schedule.

Software revenue and customer retention continues to be robust across the Group's offerings, as demonstrated by the growth in underlying ARR to $170.3m (30 June 2021: $64.5m). As previously reported, professional services revenues continue to be affected by the impact of the COVID pandemic on hospital workforce and operations. We are confident we will see professional services revenues return to pre-COVID levels once hospital staffing pressures ease.

As at 30 June 2022, the Group had strong operating cash reserves of $47.2m (30 June 2021: $48.3m) and net debt of $64.4m (30 June 2021: $nil) representing circa 1.2 times reported adjusted EBITDA. This balance sheet strength, combined with our high levels of ARR, standing at $170.3m at year end, and the potential for a return to pre-pandemic levels of professional services revenue, leaves the Group well positioned for FY23 and beyond.

Investment in innovation provides increased addressable opportunity

With a customer base representing approximately 40% of registered US hospitals, including more than 12,000 US hospitals, health systems, clinics and affiliated retail pharmacies, supported by access to over 20 years of contextualised healthcare data, we have an enviable position within the US healthcare industry.

Our investment in innovation and M&A strategy provide us with a growing solution set to provide further value to our customers. Following two years of intense pressure on our customers and healthcare professionals, they are more motivated than ever to implement strategic and long-term planning. Our Trisus platform is specifically designed to help them achieve this. While we may see fluctuations in our professional services revenue in any individual reporting period, our largely recurring revenue business model provides us with the revenue visibility to continue to invest in our people and offering, to capitalise on the significant opportunity.

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 and colleagues. We have been delighted to welcome the Sentry and Agilum teams into The Craneware Group as well as additional new colleagues across the Group, on behalf of the Board, I would like to thank all the enlarged team for their continued passion and commitment. We detail more of the impact the Group makes, within the communities we serve, in our ESG Statement within the Annual Report.

We were pleased to welcome Issy Urquhart, the Group Chief People Officer to the Craneware plc Board in April this year. Issy has been central in the successful integration of the Sentry team into The Craneware Group and the appointment of a leader with her skillset reflects both the importance the Board places on creating the right environment for our people to thrive and the increased scale of The Craneware Group.

Positive Outlook

The strength of the newly enlarged Craneware Group, our high levels of Annual Recurring Revenue, the breadth of solutions we can provide and the scale of data flowing through our platform are the solid foundations for our future sustained growth. Building on these foundations, whilst remaining cognisant of the challenges our customers and partners continue to face, the Board remains confident in Craneware's ability to address the expanded market opportunity presented.

Will Whitehorn
Chair
Craneware plc
19 September 2022

Strategic Report

We are pleased to be reporting such positive results, which clearly demonstrate the increased scale of the enlarged Craneware Group and the breadth of our future market opportunity. The addition of Sentry, which completed during the fiscal year, represents a significant milestone for Craneware. We are now bolstered by the deepened pharmacy data insights within our platform, the addition of new customers with further products and expertise. We are delighted to have welcomed the Sentry and Agilum teams along with their customers to The Craneware Group as we look forward to our next phase of growth together, in line with our shared vision of transforming the business of healthcare.

Following Sentry's acquisition, we have seen pleasing initial cross-sales which we believe are only a glimpse of things to come, as we look to capitalise on this considerable opportunity moving forwards. Additionally, we have made good progress in growing the number of customers on Trisus, our cloud-based platform, with the vast majority of hospital customers now interacting with the platform, and we expect to have largely completed the migration of customers onto the platform by the end of calendar 2022. Having achieved the scale and integration we had been aiming for during the period, we now have a solid foundation to move to the next step of our evolution.

There is great pride across the Group in the way in which the team has achieved these results amid a significant integration process and testing macro-economic challenges. Whilst remaining cognisant of the challenges our customers and partners continue to face, the strength of the newly enlarged Craneware Group, the applicability of our powerful data sets and solutions together with the scale of the opportunity ahead, means the Board remains confident in the Group's future success.

Market – the move to value-based care continues at pace

As we move through 2022, market conditions are continuing to normalise following the impact of the COVID pandemic, although there is still some way to go before full recovery in hospital workforce and operations to pre-pandemic conditions.

The pandemic ushered in a new era for the industry with healthcare providers having to adjust to new methods of healthcare delivery, with a reduced workforce available to them. Financially, both providers and payers struggled to navigate the rapidly changing market. However, with the US continuing to lag other developed nations in terms of life-expectancy while incurring the highest cost per capita in healthcare spend, the need to provide increased value in healthcare has continued unabated. We expect investment across the healthcare industry to deliver this change, with software and analytics being a key component.

The need for accurate financial data, supporting analytics and the insights those analytics can bring along with the efficiency of technology solutions has never been more important. We provide our customers with access to the market's only platform that directly and holistically addresses issues pertaining to the value cycle. Our products and systems, which are built on the insights of our data, enhance efficiency and helps ensure that both operational and administrative functions of a hospital are working optimally, enabling the existing teams to be more effective and efficient in their roles. Through these insights our solutions can deliver real financial returns and free up resource with a more targeted approach, that can be re-invested and re-deployed by healthcare providers to support the clinical care for their communities.

Our customers have remained resilient in the face of this ongoing challenging and evolving landscape, and we are committed to providing them with the support to navigate through the future impacts of the pandemic and deliver value-based care.

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 as we migrate our existing on-premise products to the Cloud, leverage our data assets to expand our offering, integrate third party solutions to the platform and benefit from the scalability of cloud-technology.

<u>Three Growth Pillars</u>

Our growth strategy has three 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 with the rate at which our customers are transitioning onto the Trisus platform, and we are on track in our move to be a fully cloud based provider. We currently have 80% of our annual recurring revenue (30 June 2021: 16%) being delivered from cloud based solutions, pointing to the strong progress made and the Sentry products acquired already being cloud based. There has been strong adoption of the Trisus Chargemaster offering, the cloud version of our original Chargemaster Toolkit product and we anticipate the migration of our existing customers to Trisus to be largely complete by end of calendar 2022. We are confident in the value our new Trisus Chargemaster will bring to our customers through more readily accessible insights into hospital operations providing a more efficient and effective manner of driving improvements.

Pharmacy operations within healthcare providers is the largest cost area for US hospitals apart from staff costs and an area where we see considerable opportunity to scale our value-focused solutions. We are continually evolving our full Pharmacy product suite, due to the dynamic nature of the 340B marketplace, to ensure our market leading position.

As a result of our R&D in this area and the acquisition of Sentry, we now have four cloud based pharmacy offerings to take to market, effectively replacing our existing on-premise offering, Pharmacy Chargelink (PCL) and 65% of the current PCL customer base are already scheduled to migrate to the new cloud based replacements before the end of the calendar year. These four offerings are: Trisus Pharmacy Financial Management (TRxFM) and Trisus Medication Formulary, which was launched in the last 12 months, and Trisus Medication Claims and Trisus Medication Compare, which are both evolutions of two original Sentry products.

While we are planning to refresh the user interface of the existing Sentry offerings, to create the same look and feel as the Craneware Trisus platform, they are using established cloud architecture and do not require technical integration.

2. **To continue to enhance the capabilities of the platform through the addition of new technology layers and applications - developed through internal R&D, selective M&A and Third-Party Partnerships.**

The dynamic nature of the healthcare market means that we are constantly developing additional applications and tools to provide benefits to our customers. We are continuing to see additional opportunities for the Group as we evolve and expand our capabilities.

While organic growth remains a 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.

In evaluating potential acquisition opportunities, the Board implements a rigorous and disciplined approach to valuation, seeking to maintain its prudent approach to preserving balance sheet strength and efficiency for the long-term. Targets that are profitable with recurring revenue models that provide earnings accretion within the first 12 months of ownership are prioritised.

3. **To grow our customer footprint, through increasing the attractiveness of our solutions and acquiring non-overlapping customers, which in turn provides further expansion opportunities**

In addition to seeing a higher percentage of our ARR driven from cloud based solutions, we have also seen pleasing ARR growth from sales activities during the period, including our initial cross sale successes. ARR for the enlarged Group now stands at $170.3m (30 June 2021: $64.5m). This provides the foundation for further growth through our sales successes and high levels of customer retention, to deliver future organic growth. During the year we have seen some significant customers transition to Trisus and extend their long-term relationships with Craneware through both renewals and extensions to existing contracts, along with competitive wins in the Chargemaster and Pharmacy space.

We are confident that we will be able to further increase sales activity in the future with our broadened and improved products and add to our substantial existing customer base. This success is underpinned by consistently strong customer retention rates which remained high in the period at above 90%.

Post-Acquisition Integration Update

We were delighted with the Sentry acquisition integration during the period. There are strong synergies between the businesses through the complementary nature of Sentry's product suite and customer base, which has been typified by the collaboration between the teams. We have formed one combined management team, including a new role of Transformation Officer, to oversee the continued evolution of The Craneware Group with our commitment to a lean operating model.

We are proud of the manner in which the challenges of integrating businesses of comparable size have been dealt with by the team, achieving comparatively strong staff retention rates and we have successfully achieved the scale and level of integration we had been targeting.

We are now benefitting from an integrated, well-structured team which will no doubt drive strong levels of new sales moving forward.

Our People and Community

Our commitment to our people has always been at the centre of what we do. We are always reviewing our work practices to ensure that our employees are receiving maximum support. We provide further details of these activities with our ESG Statement within the Annual Report.

Craneware continues to develop many social initiatives, such as Craneware Cares and the Craneware Cares Foundation which is driven by our employees. Further, following our acquisition of Sentry, we have also become directly involved with the 340B Coalition. This program aims to give back to local communities with vulnerable populations. Even though our staff were mostly working from home through this year, they still managed to help a total of 42 different charities across the UK and US, including our four Spotlight Charities.

We are uniquely positioned to provide the insights our customers need to manage their operations more efficiently and mitigate risk while they focus on delivering increased levels of care. Importantly, in the period our customers have seen in excess of a $1 billion in benefit from utilising our solutions including a significant contribution from our 340B offerings, helping to stretch scarce federal resources as far as possible, reach more eligible patients and provide more comprehensive services.

Financial Review

We began this financial year as a standalone business, and then completed the transformational acquisition of Sentry. Whilst the financial results we are reporting have yet to include a full twelve-month contribution from this acquisition, they do demonstrate the significant step change that has occurred within The Craneware Group. We are pleased to report the successful integration of Sentry and be able to demonstrate this evolution of our enlarged Group despite the backdrop of the pandemic and the challenges this created for all healthcare providers.

For the year ended 30 June 2022, The Craneware Group is reporting an increase in revenue of 119% to $165.5m (FY21: $75.6m) and a 91% increase in adjusted EBITDA to $51.8m (FY21: $27.1m).

These results not only demonstrate the new scale of The Craneware Group but, with our resulting enlarged portfolio of products and data sets that support them, provide a new 'foundation' for all our key performance metrics. From this foundation, we can demonstrate future organic growth as we do even more to support our customers as they meet the challenges of the post-pandemic macro-environment.

Sentry Acquisition

Our intention to acquire Sentry was originally announced in our prior financial year (June 2021) and was accompanied by a share placing which resulted in the allotment of 6,192,652 new ordinary shares. Following the clearance of the relevant regulatory hurdles, we completed the acquisition on 12 July 2021. The final consideration for the acquisition (being on a cash free / debt free basis and after adjusting for working capital) was $372.9m.

We have completed our assessment of the fair value of the assets and liabilities acquired and the consolidated balance sheet presented includes these amounts; as detailed in Note 8, we have recorded $226.5m of goodwill, having recognised $146.5m of net assets acquired including the fair value of intangible assets: customer list and customer contracts of $151m, proprietary software of $51.5m and trademarks of $5.0m. Deferred tax of $37.8m, $12.9m and $1.2m has been provided respectively in relation to the fair value of those intangible assets. 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.

Underlying Business Model and Professional Services

In Sentry, we have acquired a business model which is similar in its nature to the existing Craneware Annuity SaaS business model. The Sentry business also signs multi-year contracts albeit they are often for a slightly shorter duration, usually three years. In addition to the licence fees, Sentry also provides a number of transactional services to customers, throughout the life of their underlying contracts. These transactional services, whilst highly dependable, see some variation period to period dependent on volume of transactions.

As The Craneware Group, 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.

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. Transactional services are recognised as we provide the service, and we are contractually able to invoice the customer.

In addition to the licence revenues recognised 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.

The COVID-19 pandemic and the current macro-economic environment has resulted in shortages of available staff at hospitals which has continued to impact our ability to deliver professional services to our full capability, impacting the underlying growth (especially organic) in the year. As a result, we have experienced a reduction in our professional services revenues, reducing to $13.9m from $14.5m in FY21 despite the enlarged Group and well below our expectations of 15%+ of our combined revenues in any single year being generated from delivery of these services.

However, we have retained our professional services capacity and as this, anticipated to be, short-term impact reverses we are well positioned to return to growth in our professional services delivery and associated 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.

Following the acquisition of Sentry, we have introduced a new KPI of Annual Recurring Revenue ("ARR") to supplement our existing financial KPIs. With the increasing standardisation in how SaaS companies report, this KPI will replace our historic three year visible revenue KPI. ARR demonstrates the annual value of licence and transactional revenues that are subject to underlying contracts.

As at 30 June 2022, ARR had reached a new milestone of $170.3m (30 June 2021: $64.5m). Within this metric we include the annual value of licence and recurring transaction revenues as at 30 June 2022 that are subject to underlying contracts. In future years, we will introduce further KPIs to demonstrate how the underlying growth of the Group is progressing from this 'foundation', such as Net Revenue Retention. We believe this will allow even easier comparison between the Group and its peers.

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.

The gross profit for FY22 was $142.4m (FY21: $70.2m). This represents a gross margin percentage of 86% (FY21: 93%) which was expected following the Sentry acquisition and reflects the nature of the enlarged portfolio of software and services the Group now delivers. This represents a normal level of Gross Margin, going forward.

Operating Expenses

The increase in net operating expenses (to Adjusted EBITDA) to $90.6m (FY21: $43.1m) again reflects the scale of our enlarged Group. The bringing together of the organisations has delivered on anticipated synergies to deliver our combined target Adjusted EBITDA margin of +30% ahead of schedule and has helped to offset the macro-economic inflationary pressures faced. With the ongoing macro-economic challenges, our ability to deliver focused investment whilst retaining our normal prudent cost control is key. Whilst the majority of our cost base is US-located, our ability to balance our investment between the US and the UK (and the associated Sterling exchange rate) will provide an element of protection against the inflationary pressures that currently exist.

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 $51.1m (FY21: $24.7m), a 107% increase primarily as a result of bringing the R&D departments together. We continue to capitalise only the costs that relate to projects that bring future economic benefit to the Group. With a focus in the year on integration activities, the total amount capitalised in the year reduced from 41% of total R&D spend in FY21 to 26% in the current year, being $13.5m (FY21: $10.1m).

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. With the completion of our integration efforts, we expect to see both the levels of development expense and capitalisation return to our historical proportion of revenue in future years. 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 charge on financial and contract assets

This relates to the movement in the provision for the impairment of trade receivables in the year, being $461,000 (FY21: $495,000). The nature of the market the Group serves, and the SaaS based business model limit the Group's exposure in this regard but are required to be shown separately on the face of the Consolidated Statement of Comprehensive Income.

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 14. 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 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 $2.1m (FY21: $6.5m) have been identified as exceptional. These relate primarily to the costs associated with the acquisition of Sentry. As such, these costs were adjusted from earnings in presenting Adjusted EBITDA.

Adjusted EBITDA has grown in the year to $51.8m (FY21: $27.1m) an increase of 91%. This reflects an Adjusted EBITDA margin of 31% (FY21: 36%). This result confirms we have achieved our post acquisition target of returning to a combined Group adjusted EBITDA margin of 30% ahead of schedule. This is a result of the success of the integration following the Sentry acquisition and the synergies the combined organisations have delivered.

Following the amortisation charge relating to acquired intangible assets relating to the Sentry acquisition of $20.2m (FY21: $nil), profit before taxation reported in the year is $13.1m (FY21: $13.2m).

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. As Sentry has no UK operations, its profits are solely generated in the US and therefore the Group now generates a higher proportion of its profits there.

In prior years, the Company qualified for the enhanced small and medium-sized enterprises (SME) R&D tax relief in the UK but, with the increased scale of the Group, this enhanced relief is no longer applicable to the Group and we now fall into the R&D Expenditure Credit (RDEC) scheme at reduced rates of relief. R&D tax relief has reduced in the current year to $0.5m (FY21: $0.7m) due to the reduced rate of applicable relief. RDEC also requires the qualifying expenditure to be included as a tax credit in other income and therefore taxable, rather than a reduction to the tax charge and ultimately results in a net increase of $0.4m.

In the year ended 30 June 2021, the effective tax rate had been further positively affected by the finalisation of R&D tax relief claims in respect to the prior two years, totalling $1.6m, along with the estimated R&D tax relief for that year. In addition, in the year to 30 June 2021, following the substantive enactment of the increase in UK corporation tax rate to 25% effective from 1 April 2023, the UK deferred tax assets and liabilities as at 30 June 2021 were revalued which reduced that year's tax charge by $0.5m.

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 associated tax treatment. Reconciliation of the tax charge for the year can be seen in Note 5. As a result the effective tax rate for the year ended 30 June 2022 is 28% (FY21: 2%).

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 $1.6m (tax adjusted) in the year (FY21: $5.6m) and amortisation of acquired intangibles of $20.2m (FY21: $nil).

Adjusted EPS, after the factors noted above including the increased levels of Adjusted EBITDA, has increased 29% to $0.890 (FY21: $0.690) and adjusted diluted EPS has increased to $0.881 (FY21: $0.681).

Basic EPS in the period reduced to $0.268 (FY21: $0.481) and Diluted EPS reduced to $0.265 (FY21: $0.475) primarily as a result of the exceptional items noted above and bank interest relating to the new borrowings.

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).

Sentry, prior to its acquisition, whilst cash generative was not achieving the levels of cash generation achieved by Craneware. 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 80% in the year after adjusting for cash outflows relating to exceptional costs accrued in the prior year (FY21: 99%).

We continue to invest in our future and return funds to our enlarged shareholder base via dividends, returning $13.0m in the current year (FY21: $9.7m).

Also, as part of the funding for the acquisition of Sentry, the Group entered into a debt facility and during the year 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, $8m (FY21: $nil) of the loan has been repaid on schedule, all covenants have been met, and the first extension of the term has been agreed. We would like to thank our banking partners, alongside our shareholders, for their continued support of our growth strategy.

Cash reserves at the year-end were $47.2m (FY21: $48.3m operating cash reserves) with net debt of $64.4m (FY21: $nil) representing a comfortable level of debt for the Group.

Balance sheet

Whilst the consolidated balance sheet has significantly changed following the Sentry acquisition (details of net assets acquired are provided in Note 8), the Group maintains a strong 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 3.

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 regards 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 $1.3317 as compared to $1.3466 in the prior year. The exchange rate at the Balance Sheet date was $1.2128 (FY21: $1.3853).

Audit Tender

Following the audit tender process conducted in the prior year, in which a number of audit firms were invited to tender, the Board approved PricewaterhouseCoopers LLP for recommendation to shareholders, for re-appointment as auditors, and this was approved by shareholders at the Company's Annual General Meeting which was held in November 2021.

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 especially in light of the Sentry acquisition and our continued desire to recognise the support our shareholders provide. After carefully weighing up these factors, the Board proposes a final dividend of 15.5p (18.80 cents) per share giving a total dividend for the year of 28p (33.96 cents) per share (FY21: 27.5p (38.10 cents) per share), an increase of 2%. Subject to approval at the Annual General Meeting, the final dividend will be paid on 16 December 2022 to shareholders on the register as at 25 November 2022, with a corresponding ex-Dividend date of 24 November 2022.

The final dividend of 15.5p 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 25 November 2022. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 25 November 2022. The final dividend referred to above in US dollars of 18.80 cents is given as an example only using the Balance Sheet date exchange rate of $1.2128/£1 and may differ from that finally announced.

Outlook

Whilst we remain cognisant of the ongoing challenges faced by our customers and partners, we are proud of the manner in which the Group has dealt with the challenging backdrop during the year. A focus for the year was to integrate our widened team and this was achieved with great success. Now, with our expanded and reorganised team we are confident we will be able to serve the considerable market need within the US healthcare space through the next stage of our evolution.

We anticipate accelerated levels of sales moving forward, delivering our next phase of growth. We have a robust balance sheet, high recurring revenues and with our high levels of customer retention, we look to further increase shareholder value.

Keith Neilson
CEO Craneware plc
19 September 2022

Craig Preston
CFO Craneware plc
19 September 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	**Total 2022 $'000**	Total 2021 $'000
Continuing operations:			
Revenue	3	**165,544**	75,578
Cost of sales		**(23,178)**	(5,373)
Gross profit		**142,366**	70,205
Other income		**551**	37
Operating expenses	4	**(124,324)**	(56,507)
Net impairment charge on financial and contract assets	4	**(461)**	(495)
Operating profit		**18,132**	13,240
Analysed as:			
Adjusted EBITDA[1]		**51,757**	27,111
Share based payments		**(2,116)**	(2,141)
Depreciation of property, plant and equipment		**(3,259)**	(1,403)
Exceptional Costs[2]	8	**(2,106)**	(6,487)
Amortisation of intangible assets – other		**(5,905)**	(3,840)
Amortisation of intangible assets – acquired intangibles		**(20,239)**	-
Finance income		**1**	1
Finance expense		**(5,031)**	(76)
Profit before taxation		**13,102**	13,165
Tax on profit on ordinary activities	5	**(3,693)**	(260)
Profit for the year attributable to owners of the parent		**9,409**	12,905
Other comprehensive income/ (expense)			
Items that may be reclassified subsequently to profit or loss			
Currency translation reserve movement		**42**	(126)

Total items that may be reclassified subsequently to profit or loss	**42**	(126)
Total comprehensive income attributable to owners of the parent	**9,451**	12,779

1. *See Note 14 for explanation of Alternative Performance Measures.*
2. *Exceptional items relate to legal and professional fees associated with a successful acquisition and related integration costs (FY21: legal and professional fees associated with an aborted potential acquisition in H1 2021 and a successful acquisition completed post year end its associated share placing).*

Earnings per share for the year attributable to equity holders

	Notes	**2022**	2021
Basic ($ per share)	7	**0.268**	0.481
*Adjusted Basic ($ per share)	7	**0.890**	0.690
Diluted ($ per share)	7	**0.265**	0.475
*Adjusted Diluted ($ per share)	7	**0.881**	0.681

** Adjusted Earnings per share calculations allow for the tax adjusted acquisition costs and share related transactions (if applicable in the year) together with amortisation on acquired intangible assets.*

Statement of Changes in Equity for the year ended 30 June 2022

	Share Capital $'000	**Share Premium Account $'000**	**Capital Redemption Reserve $'000**	**Merger Reserve $'000**	**Other Reserves $'000**	**Retained Earnings $'000**	**Total Equity $'000**
At 30 June 2020	**536**	**21,097**	**9**	**-**	**4,148**	**42,605**	**68,395**
Total comprehensive income - profit for the year	-	-	-	-	-	12,905	12,905
Total other comprehensive expense	-	-	-	-	-	(126)	(126)
Transactions with owners:							

Share-based payments	-	-	-	-	1,332	-	1,332
Share placing	88	-	-	186,933	-	-	187,081
Purchase of own shares through EBT	-	-	-	-	-	(422)	(422)
Deferred tax taken directly to equity	-	-	-	-	-	1,212	1,212
Impact of share options and awards exercised/lapsed	-	-	-	-	(752)	354	(398)
Dividends (Note 6)	-	-	-	-	-	(9,700)	(9,700)
At 30 June 2021	**624**	**21,097**	**9**	**186,933**	**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	-	-	-	-	-	(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 6)	-	-	-	-	-	(12,976)	(12,976)
At 30 June 2022	**659**	**97,204**	**9**	**186,981**	**5,933**	**42,236**	**333,022**

Consolidated Balance Sheet as at 30 June 2022

	Notes	**2022**	2021
		$'000	$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**8,819**	2,552

Intangible assets - goodwill	9	**237,646**	11,188
Intangible assets – acquired intangibles	9	**187,257**	-
Intangible assets – other	9	**43,430**	31,922
Trade and other receivables	10	**3,234**	5,427
Deferred tax		**-**	5,459
		480,386	56,548
Current Assets			
Trade and other receivables	10	**40,001**	19,435
Cash and cash equivalents		**47,157**	235,617
Restricted cash		**1,251**	-
		88,409	255,052
Total Assets		**568,795**	311,600
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Borrowings	13	**103,589**	-
Leased property		**1,206**	1,148
Hire purchase equipment		**290**	-
Deferred tax		**47,606**	-
Other provisions		**568**	764
		153,259	1,912
Current Liabilities			
Borrowings	13	**8,000**	-
Deferred income	3	**58,722**	33,670
Trade and other payables		**15,792**	15,739
		82,514	49,409
Total Liabilities		**235,773**	51,321

Equity			
Share capital	11	**659**	624
Share premium account		**97,204**	21,097
Capital redemption reserve		**9**	9
Merger reserve		**186,981**	186,993
Other reserves		**5,933**	4,728
Retained earnings		**42,236**	46,828
Total Equity		**333,022**	260,279
Total Equity and Liabilities		**568,795**	311,600

Consolidated Statement of Cash Flows for the year ended 30 June 2022

	Notes	**2022**	2021
		$'000	$'000
Cash flows from operating activities			
Cash generated from operations	12	**32,943**	26,711
Tax paid		**(5,979)**	(3,174)
Net cash generated from operating activities		**26,964**	23,537
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	8	**(293,288)**	-
Purchase of property, plant and equipment		**(353)**	(159)
Capitalised intangible assets	9	**(13,680)**	(10,167)
Interest received		**1**	1
Net cash used in investing activities		**(307,320)**	(10,325)
Cash flows from financing activities			

Dividends paid to company shareholders	6	**(12,976)**	(9,700)
Shares issued for cash	11	**-**	187,244
Share issue professional fees		**(263)**	-
Paid up share capital	11	**236**	88
Proceeds from borrowings	13	**120,000**	-
Loan arrangement fees	13	**(268)**	(1,692)
Repayment of borrowings	13	**(8,000)**	-
Interest on borrowings		**(3,080)**	-
Purchase of own shares by EBT		**(1,726)**	(422)
Payment of lease liabilities		**(2,027)**	(964)
Net cash generated from financing activities		**91,896**	174,554
Net (decrease)/ increase in cash and cash equivalents		**(188,460)**	187,766
Cash and cash equivalents at the start of the year		**235,617**	47,851
Cash and cash equivalents at the end of the year		**47,157**	235,617

In FY21 shares issued for cash includes net proceeds of $187,331,713 related to the share placing in June 2021, being gross proceeds of $192,282,712 less transaction costs of $4,950,999.

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 AIM stock exchange. The principal activity of the Company continues to be the development, licensing and ongoing support of computer software for the US healthcare industry.

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 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. The Directors, having made suitable enquiries and analysis of the financial statements, including the consideration of:

- net debt;
- continued cash generation;
- continued compliance with: debt facility covenants and related payments (Note 13); and
- SaaS business model

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. Selected 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 $1.3317/£1 (2021: $1.3466/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date $1.2128/£1 (2021: $1.3853/£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.

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 and professional services including training and consultancy and transactional fees.

Revenue from software licenses

Revenue from both on premises and Trisus 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. 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 material non-recurring events. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

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 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. 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 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.

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. As explained under "Share-based payments", a compensation expense is 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.

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 are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market 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.

When the 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.

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.

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 (2021: 5 to 10 years). During the year, the Group has updated the estimated useful life of Customer Relationships to up to 15 years as a result of the valuation work performed on the acquisition of Sentry. This has been applied on a prospective basis. All historic customer relationship assets were fully amortised at 30 June 2021 and therefore there is no change to historic asset amortisation as a result of the change.

- **Intangible assets acquired and liabilities assumed:** the Group has 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
    - 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.
    - 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.
    - 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. Revenue

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 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.

	2022	2021
	$'000	$'000
Software licencing	**137,956**	61,115
Professional services	**13,893**	14,463
Transactional fees	**13,695**	-
Total revenue	**165,544**	75,578

Contract assets

The Group has recognised the following assets related to contracts with customers:

	2022	2021
	$'000	$'000
Prepaid commissions and royalties < 1 year	**2,504**	2,483
Prepaid commissions and royalties > 1 year	**3,208**	3,735
Total contract assets	**5,712**	6,218

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 2021 were $2.5m.

Contract liabilities

The following table shows the total contract liabilities at 30 June 2022 from software license and professional service contracts:

	2022	2021
	$'000	$'000
Software licencing	**53,596**	29,245
Professional services	**5,126**	4,425
Total contract liabilities	**58,722**	33,670

Contract liabilities are included within deferred income in the Balance Sheet.

Revenue of $33.0m was recognised during the year in relation to contract liabilities as of 30 June 2021.

The following table shows the aggregate transaction price allocated to performance obligations that are partially or fully unsatisfied at 30 June 2022 from software license and professional service contracts.

	Total unsatisfied	**Expected recognition**			
	performance obligations	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**> 3 years**
Revenue expected to be recognised	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**
At 30 June 2021					
- Software	155,617	57,862	43,485	28,282	25,988
- Professional services	11,513	6,475	2,419	1,306	1,313
Total at 30 June 2021	167,130	64,337	45,904	29,588	27,301

Revenue of $64.3m was recognised during the year in relation to unsatisfied performance obligations as of 30 June 2021.

The majority of these performance obligations are unbilled at the Balance Sheet date and therefore not reflected in these financial statements.

4. Operating expenses

	2022	2021
	$'000	$'000
Sales and marketing expenses	**15,268**	6,620
Client servicing	**17,729**	12,615
Research and development	**37,584**	14,549
Administrative expenses	**20,383**	9,300
Share-based payments	**2,116**	2,141
Depreciation of property, plant and equipment	**3,259**	1,403
Amortisation of intangible assets – other	**5,905**	3,840
Amortisation of intangible assets – acquired intangibles	**20,239**	-
Exceptional costs*	**2,106**	6,487
Exchange loss	**196**	47
Operating expenses	**124,785**	57,002

* Exceptional items relate to legal and professional fees associated with a successful acquisition and related integration costs (FY21: legal and professional fees associated with an aborted potential acquisition in H1 2021 and a successful acquisition completed post year end its associated share placing).

Included in operating expenses is the movement in the provision for impairment of trade receivable during the year of $444,000 (FY21: $495,000), plus $17,000 net impairment charge for trade receivables recognised directly in operating expenses.

5. Tax on profit on ordinary activities

	2022	2021
	$'000	$'000
Profit on ordinary activities before tax	**13,102**	13,165
Current tax		
Corporation tax on profits of the year	**2,774**	3,772
Adjustments for prior years	**94**	(1,673)
Total current tax charge	**2,868**	2,099
Deferred tax		
Deferred tax for current year	**842**	(1,656)
Adjustments for prior years	**9**	122
Change in UK tax rate	**(26)**	(305)
Total deferred tax charge/ (credit)	**825**	(1,839)

Tax on profit on ordinary activities	**3,693**	260

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 19% (2021: 19%)	**2,490**	2,501
Effects of:		
Adjustment for prior years	**103**	(1,551)
Change in tax rate on opening deferred tax balance	**(26)**	(305)
Change in tax rate on closing deferred tax balance	**339**	(227)
Additional US taxes on profits 25% (2021: 25%)	**328**	116
R&D tax credit	**-**	(712)
Expenses not deductible for tax purposes	**119**	703
Spot rate remeasurement	**39**	12
Expense/ (deduction) on share plan charges	**301**	(258)
Other	**-**	(19)
Total tax charge	**3,693**	260

6. Dividends

The dividends paid during the year were as follows:-

	2022	2021
	$'000	$'000
Final dividend, re 30 June 2021 – 21.47 cents (15.5 pence)/share	**7,227**	5,329
Interim dividend, re 30 June 2022 – 16.88 cents (12.5 pence)/share	**5,749**	4,371
Total dividends paid to Company shareholders in the year	**12,976**	9,700

Prior year:

Final dividend 19.80 cents (15 pence)/share

Interim dividend 16.68 cents (12 pence)/share

The proposed final dividend 18.80 cents (15.5 pence), as noted in the Financial Review section of the Strategic Report, for the year ended 30 June 2022 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Weighted average number of shares

	2022	2021
	No. of Shares	No. of Shares
	000s	000s
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	**35,110**	26,811
Effect of dilutive potential Ordinary Shares: share options and LTIPs	**367**	374
Weighted average number of Ordinary Shares for the purpose of diluted earnings per share	**35,477**	27,185

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 are excluded from the weighted average number of Ordinary shares for the purposes of basic earnings per share.

Profit for year

	2022	2021
	$000's	$'000s
Profit for the year attributable to equity holders of the parent	**9,409**	12,905
Aborted share placing costs (tax adjusted)	**-**	386
Acquisition and associated share placing costs (tax adjusted)	**1,279**	5,210
Acquisition integration costs (tax adjusted)	**325**	-
Amortisation of acquired intangibles	**20,238**	-
Adjusted profit for the year attributable to equity holders of the parent	**31,251**	18,501

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

	2022	2021

	cents	cents
Basic EPS	**26.8**	48.1
Diluted EPS	**26.5**	47.5
Adjusted basic EPS	**89.0**	69.0
Adjusted diluted EPS	**88.1**	68.1

8. Business Combinations

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, are 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 are as follows:

	Fair value $'000
Non-Current assets	
Property, plant and equipment	9,179
Intangible assets – customer relations	151,000
Intangible asset – 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	13,671
Cash and cash equivalents	3,727
Restricted cash	1,880
Total current assets	**19,278**
Non-current liabilities	
Leased property > 1 year	1,540
Leased equipment > 1 year	1,146
Deferred tax	51,874
Total non-current liabilities	**54,560**
Current liabilities	
Deferred income	27,164
Trade and other payables	11,905
Total current liabilities	**39,069**
Net identifiable assets acquired	**146,462**
Add: goodwill	226,458
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 $51.5 and trademarks of $5.0m have been valued as per the details in Note 2. Deferred tax of $37.8m, $12.9m and $1.2m has been provided respectively in relation to these intangible assets.

Acquisition related costs of $2.1m (FY21: $6.5m) are included within exceptional costs in profit and loss.

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 $3.2m is 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.

9. Intangible assets

Goodwill and Other Intangible assets

	Goodwill	Customer Relationships	Proprietary Software	Trademarks	Development Costs	Computer Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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	226,458	151,000	51,496	5,000	-	3,762	437,716
Disposals	-	-	(1,815)	-	(386)	(100)	(2,301)
At 30 June 2022	**237,896**	**153,964**	**52,724**	**5,000**	**56,096**	**4,840**	**510,520**
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	**237,646**	**141,258**	**41,537**	**4,462**	**40,489**	**2,941**	**468,333**
Cost							
At 1 July 2020	11,438	2,964	3,043	-	32,877	2,104	52,426
Additions	-	-	-	-	10,099	68	10,167
Disposals	-	-	-	-	-	(1,168)	(1,168)
At 30 June 2021	11,438	2,964	3,043	-	42,976	1,004	61,425
Accumulated amortisation and impairment							
At 1 July 2020	250	2,964	3,043	-	7,794	1,592	15,643
Charge for the year	-	-	-	-	3,530	310	3,840
Amortisation on disposal	-	-	-	-	-	(1,168)	(1,168)
At 30 June 2021	250	2,964	3,043	-	11,324	734	18,315

Net Book Value at 30 June 2021	11,188	-	-	-	31,652	270	43,110

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:

	2022	2021
	$000's	$'000s
Craneware InSight	**11,188**	11,188
Sentry	**226,458**	-
Total Goodwill	**237,646**	11,188

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.

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	
	2022	2021	**2022**	2021
Craneware InSight	**2%**	2%	**12.1%**	13.5%
Sentry	**2%**	-	**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 unit; 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 amount would continue to exceed the carrying value. There are no reasonable possible changes in assumptions that would result in an impairment. Certain disclosures, including sensitivities, relating to goodwill have not been made, given the significant headroom on impairment testing.

10. Trade and other receivables

	2022	2021
	$'000	$'000
Trade receivables	**34,730**	16,450
Less: provision for impairment of trade receivables	**(5,855)**	(2,270)
Net trade receivables	**28,875**	14,180
Other receivables	**827**	302
Current tax receivable	**3,349**	278
Prepayments and accrued income	**4,714**	4,090
Deferred Contract Costs	**5,470**	6,012
	43,235	24,862
Less non-current receivables:		
Prepayments	**(26)**	(1,692)
Deferred Contract Costs	**(3,208)**	(3,735)
Current portion	**40,001**	19,435

11. Share capital

	2022		2021	
	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

	2022		2021	
	Number	**$'000**	Number	$'000
Equity share capital				
Ordinary shares of 1p each				
At 1 July	**33,019,191**	**624**	26,826,539	536
Share placing	**-**	**-**	6,192,652	88

Allotted and issued in the year as part of the consideration for the acquisition of Sentry (Note 8)	**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**	33,019,191	624

The Company did not purchase any of its own shares during the financial year ended 30 June 2022 (2021: nil).

Shares issued during the year ended 30 June 2022

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 8 contains further details of this business combination. The fair value of the consideration given in excess of the nominal value of these issued Ordinary Shares 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. During the year ended 30 June 2022 15,630 Ordinary Shares (2021: no Ordinary Shares) were issued on the exercise of share options by employees in March 2022. The exercise price of those share options was £11.475 per share (approximately $15.13 cents per share) and therefore the total amount received by the Company was $236,464 (£179,354) including share premium totalling $236,258 (£179,198) recognised on the issue of those Ordinary Shares.

12. Cash flow generated from operating activities

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

	2022	2021
	$'000	$'000
Profit before tax	**13,102**	13,165
Finance income	**(1)**	(1)
Finance expense	**5,031**	76
Depreciation on property, plant and equipment	**3,259**	1,403
Amortisation on intangible assets - other	**5,905**	3,840
Amortisation on intangible assets – acquired intangibles	**20,239**	-
Gain on disposals	**(5)**	-
Share-based payments	**2,116**	2,141
FX on non cash items	**-**	(136)
Movements in working capital:		

(Increase)/ decrease in trade and other receivables	**(3,202)**	2,026
(Decrease)/ increase in trade and other payables	**(13,500)**	4,197
Cash generated from operations	**32,943**	26,711

13. Borrowings

In June 2021, the Group entered into a new debt facility to finance the purchase of Sentry. The total available amount under the facility is $140m, of which $120m was drawn down on 12 July 2021.

The debt facility comprises a term loan of $40m which is repayable in quarterly instalments over 5 years up to 30 June 2026, and a revolving loan facility of $80m which expires on 7 June 2025. The Group has the ability to extend the revolving loan facility for an additional one year term. Interest is charged on the facility on a daily basis at margin and compounded reference rate. The margin rate was fixed at 2.55% for the first 9 months of the facility term. Following this initial period, 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.

	2022	2021
	$'000	$'000
Current interest bearing borrowings	8,000	-
Non current interest bearing borrowings	103,589	-
Total	**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 2022 is $3.2m.

See Note 14 for a reconciliation between borrowings, cash and net debt.

Loan covenants

Under the facilities the Group is required to meet quarterly covenants tests in respect of:

a) Adjusted leverage which is the ratio of total net debt on the last day of the relevant period to adjusted EBITDA.
b) 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:

	2022	2021
	$'000	$'000
Term loan	-	40,000
Revolving facilities	20,000	100,000
Undrawn borrowing facilities	**20,000**	140,000

14. 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.

	2022	2021
	$'000	$'000
Operating profit	**18,132**	13,240
Depreciation of property, plant and equipment	**3,259**	1,403
Amortisation of intangible assets – other	**5,905**	3,840
Amortisation of intangible assets – acquired intangibles	**20,239**	-
Share based payments	**2,116**	2,141
Exceptional items – aborted share placing	**-**	283
Exceptional items – acquisition and associated share placing	**1,705**	6,204
Exceptional items – integration costs	**401**	-
Adjusted EBITDA	**51,757**	27,111

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 7 for the calculation.

Operating cash conversion

Operating cash conversion is calculated as cash generated from operations (as per Note 12), adjusted to exclude cash payments for exceptional items, divided by adjusted EBITDA.

	2022	2021
	$'000	$'000
Cash generated from operations (Note 12)	**32,943**	26,711
Total exceptional items	**2,106**	6,487
Accrued exceptional items at the start of the period paid in the current period	**5,509**	-
Accrued exceptional items at the end of the period	**(60)**	(5,509)
Trade payable exceptional items at the start of the period paid in the current period	**683**	-
Trade payables cash exceptional items at the end of the period	**(12)**	(683)
Cash generated from operations before exceptional items	**41,169**	27,006
Adjusted EBITDA	**51,757**	27,111
Operating cash conversion	**79.5%**	99.6%

Adjusted PBT

Adjusted PBT refers to profit before tax adjusted for exceptional items and amortisation of acquired intangibles.

	2022	2021
	$'000	$'000
Profit before taxation	**13,102**	13,165
Amortisation of intangible assets – acquired intangibles	**20,239**	-
Exceptional items – aborted share placing	**-**	283
Exceptional items – acquisition and associated share placing	**1,705**	6,204
Exceptional items – integration costs	**401**	-
Adjusted PBT	**35,447**	19,652

Net Debt

Net Debt refers to net balance of short term borrowings, long term borrowings and cash and cash equivalents (excluding restricted cash).

	2022	2021

	$'000	$'000
Cash and cash equivalents	**47,147**	235,617
Borrowings (Note 13)	**(111,589)**	-
Net (debt)/ cash	**(64,432)**	235,617

Lease liabilities are excluded from borrowings for the purpose of net debt.

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 refer 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 2022 that are subject to underlying contracts.

% Annual Recurring Revenue from the Cloud

Annual Recurring Revenue from the Cloud is the Annual Recurring Revenue as described above relating specifically to cloud-based products expressed as a percentage of total Annual Recurring Revenue.

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.