

Fineos Corporation U.C. and Subsidiaries

**Directors' Report and consolidated financial statements
For the year ended
30 June 2018**

FINEOS CORPORATION U.C. AND SUBSIDIARIES

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2018

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FINEOS CORPORATION U.C. AND SUBSIDIARIES

COMPANY INFORMATION

DIRECTORS

Michael Kelly
Peter Le Beau (Chairman) (British)
Tom Wall
Gilles Biscay (French)

SECRETARY

Tom Wall

REGISTERED OFFICE

FINEOS House,
East Point Business Park,
Dublin 3.

REGISTERED NUMBER

205721

SOLICITORS

William Fry,
2 Grand Canal Square,
Dublin 2.

BANKERS

Bank of Ireland,
Lower Baggot Street,
Dublin 2.

HSBC Bank,
1 Grand Canal Square,
Dublin 2.

AUDITORS

Mazars,
Chartered Accountants & Statutory Audit Firm,
Harcourt Centre,
Block 3,
Harcourt Road,
Dublin 2.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' REPORT for the year ended 30 June 2018

The directors present herewith their report and audited consolidated financial statements for the year ended 30 June 2018. These financial statements reflect the performance of FINEOS Corporation U.C. and its subsidiaries ("the group") for the year ended 30 June 2018.

1. PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS DURING THE FINANCIAL YEAR

FINEOS Corporation U.C. ("the company") and subsidiaries (collectively "FINEOS", or "the group") remains an innovator of enterprise claims management software for the Life, Accident and Health insurance industry. The group continues to develop and sell its solutions to enable greater flexibility, efficiency and profitability within business operations. FINEOS software solutions are typically integrated with existing back office administration systems and other systems in operation within insurance organisations.

The company is headquartered in Ireland and has offices in the United States ("US"), Europe, New Zealand and Australia. In January 2019, a new office was opened in Hong Kong.

Business summary and key performance indicators

The group adopted International Financial Reporting Standards ("IFRS") as its reporting framework in respect of these financial statements and the impact of transition to IFRS is outlined in Note 26.

The key performance indicators of the financial results reflect an increase in revenue from €41.1 million for the year ended 30 June 2017 ("2017") to €53.8 million for the year ended 30 June 2018 ("2018"). The profit before tax for the year ended 30 June 2018 is €2.7 million compared to a loss of €2.2 million for the year ended 30 June 2017. This year on year revenue change reflects growth in new business and a move to a subscription-based licence and billing model.

FINEOS continued to increase investment in research and development during fiscal year 2018 in the FINEOS AdminSuite product suite, which includes the development of Absence Management, Policy Administration and Billing to complement FINEOS Claims. In addition, FINEOS increased investment in the FINEOS Cloud platform.

The financial statements are presented in Euro which is the functional currency of the company. Euro based currency volatility continued during fiscal year 2018 in relation to the US Dollar, Sterling, Australian Dollar, New Zealand Dollar and Canadian Dollar, resulting in a foreign exchange loss of €0.8 million for the group in the year. Foreign exchange continues to be a risk for FINEOS given the number of foreign currencies the Group is exposed to from international sales. This is closely managed with part of the risk being covered by the natural hedge of the non-euro denominated staff costs and other overheads being paid in local currency.

Continued close management and control of the fixed cost base continues to be a key activity. This is important given the ongoing need for sales, implementation and support services in separate geographies such as Canada, Australia, New Zealand, the US and the UK. FINEOS continues to align its organisational structure to reflect the specific business needs in the respective regions. This is in line with the group's strategy of focusing on actively resourcing and training staff in line with business demand in the various regions.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' REPORT **for the year ended 30 June 2018**

1. PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS DURING THE FINANCIAL YEAR (continued)

2018 reflects the continued focus on delivering value in the insurance market and specifically within the Life, Accident and Health Claims sector in the USA, Canada, Australia and New Zealand.

The cash and cash equivalents closed at €9.9 million for the year ended 30 June 2018 compared to €13.8 million for the year ended 30 June 2017. These cash and bank balances continue to be adequate for the on-going development of business operations.

The consolidated statement of comprehensive income for the year ended 30 June 2018 and the consolidated statement of financial position at that date are set out on pages 12 and 13. The consolidated profit on ordinary activities for the year, after tax, amounted to €1.4 million compared to a loss of €2.5 million in 2017.

Non-financial key performance indicators include employment and environmental matters. The company and group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The group adheres to best practice employee welfare and complies in all material respects with health and safety requirements.

2. PRINCIPAL RISKS AND UNCERTAINTIES FACED

In the opinion of the directors, the main risks and uncertainties faced by the group, along with the nature of their potential impact, are as follows:

- Global economic and political uncertainty and volatility continues in all market places where FINEOS trades. This could potentially lead to delays and uncertainty on the allocated budgets of existing and prospective customers and has directly contributed to extended procurement timelines, plus adding additional focus on return on investment and specific payback timelines on these investments;
- FINEOS continues to face competition in its respective markets, and if FINEOS fails to compete successfully, market share will decline;
- FINEOS subsidiaries and branches operate in currencies other than the Euro, and continued volatility in foreign exchange rates relative to the Euro could adversely affect the group reported earnings and cash flow;
- Competitors' products may replace existing FINEOS products and as a result, FINEOS may lose market share in the markets for these products;
- Major changes in technology could have an impact on FINEOS and its trading model unless it continues to invest in R&D and remains competitive and current;
- FINEOS sells product and services in the US, Canada, Australia, New Zealand, the UK and Europe, which increases complexity of local customer requirements, and also local compliance requirements in the respective countries;

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' REPORT **for the year ended 30 June 2018**

2. PRINCIPAL RISKS AND UNCERTAINTIES FACED (continued)

- The loss of a key executive officer or other key employees, or the limited availability of qualified personnel may disrupt operations or increase the cost structure;
- The loss of a significant customer could have a significant negative effect on revenues.

The impact of the above is difficult or impossible to predict accurately and many of the risks and uncertainties faced are beyond the group's control.

In the normal course of business, the group is also exposed to price risk, credit risk, and liquidity risk.

3. GROUP COMPANIES

Particulars of the companies within the group required to be disclosed under Section 314(1) of the Companies Act 2014 in respect of group companies are detailed in Note 12 to the financial statements.

4. RESEARCH AND DEVELOPMENT

The group engages in research and development activity to develop new and innovative products to respond to the needs of its customers. The investment in research and development expenditure is planned to increase to continually develop capabilities as part of its AdminSuite offering, adding Billing and Policy Administration to its existing Claims and Absence solutions to ensure the FINEOS product offering remains competitive. The group also continued to invest in the FINEOS Cloud platform and service.

5. POLITICAL DONATIONS

There were no political donations made during the year ended 30 June 2018.

6. DIVIDENDS

During the year the company made no interim dividend payments to A, B and C Ordinary shareholders or Preference shareholders. The directors do not propose the payment of a final dividend for the year.

7. ACCOUNTING RECORDS

The directors are responsible for ensuring that proper books and accounting records, as outlined in Sections 281 to 285 of the Companies Act 2014, are kept by the company. To achieve this, the directors have appointed a professionally qualified financial director who reports to the Board and ensures that the requirements of Sections 281 to 285 of the Companies Act 2014 are complied with. These books and accounting records are maintained at the company's registered office at FINEOS House, East Point Business Park, Dublin 3.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' REPORT **for the year ended 30 June 2018**

8. FUTURE DEVELOPMENTS IN THE BUSINESS

FINEOS had a number of new sales during fiscal year 2018 and experienced continued growth in staff numbers. Potential market demand for the group's products remains positive. The group continues to invest in its existing product lines and is also investing in the FINEOS Cloud SaaS product and service offering to meet the demands in the market. Maintaining growth and market share is an on-going challenge and combined with the increase in operating costs, continues to put pressure on maintaining operating margins.

9. DIRECTORS AND SECRETARY

The present directors are as listed on page 2 and, unless otherwise indicated, have served throughout the year.

Larry Wilson resigned as a director on 8th December 2017.

10. STATEMENT ON RELEVANT AUDIT INFORMATION

In the case of each persons who are directors at the time this report is approved in accordance with Section 332 of the Companies Act 2014:

- (a) So far as the directors are aware, there is no relevant audit information of which the company's statutory auditors are unaware, and
- (b) The directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information, and to establish that the company's statutory auditors are aware of that information.

11. TRANSACTIONS WITH DIRECTORS

There were no contracts of any significance in relation to the business of the group in which the directors had any interest, as defined by the Companies Act 2014, at any time during the year ended 30 June 2018.

12. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of FINEOS Europe Unlimited, the immediate parent undertaking, which is incorporated in Jersey.

The ultimate parent undertaking is FINEOS International Limited, which is incorporated in Jersey.

Michael Kelly is the ultimate controlling party of the FINEOS group.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' REPORT for the year ended 30 June 2018

13. DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors, company secretary and their immediate families had no beneficial interests in the shares of the company or subsidiary undertakings at the beginning and end of the financial year.

The directors and company secretary held the following interests in the ultimate parent undertaking, FINEOS International Limited, at the beginning and end of the financial year:

Class of shares		Number of shares held	
		30 June 2018	30 June 2017
Michael Kelly	'A' ordinary shares of €0.0127 each	11,851,673	11,851,673
	'C' ordinary redeemable shares of €0.0127 each	<u>6,381,670</u>	<u>6,381,670</u>
Class of shares over which options held		Number of options held	
		30 June 2018	30 June 2017
Tom Wall	'A' ordinary shares of €0.0127 each	<u>277,564</u>	<u>277,564</u>

14. EVENTS SINCE THE YEAR END

There have been no significant events affecting the group subsequent to the year end.

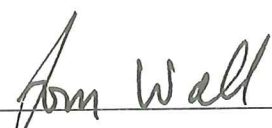
15. AUDITORS

Mazars Chartered Accountants & Statutory Audit Firm express their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board



Michael Kelly
Director



Tom Wall
Director

4 February 2019

FINEOS CORPORATION U.C. AND SUBSIDIARIES

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with Irish law and regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the Group consolidated financial statements in accordance with Companies Act 2014 and IFRS issued by the International Accounting Standards Board, as adopted by the EU, and the parent company financial statements in accordance with Companies Act 2014 and accounting standards issued by the Financial Reporting Council including Financial Reporting Standard 101 "The Reduced Disclosure Framework" the financial reporting standard applicable in UK and Ireland ("relevant financial reporting frameworks"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the parent company as at the financial year end date and of the profit or loss of the Group for the financial year and of the Group otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

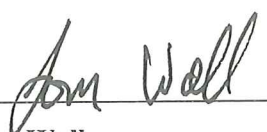
- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for ensuring that the group keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the group and parent company to be determined with reasonable accuracy, enable them to ensure that the financial statements comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance of the financial information included on the company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board


Michael Kelly
Director


Tom Wall
Director

DATE

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FINEOS CORPORATION U.C.**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fineos Corporation U.C. ('the parent company') and Subsidiaries ('the group') for the year ended 30 June 2018, which comprise the Consolidated Statement Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and the International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU ("IFRS") and FRS 101 "The Reduced Disclosure Framework" for the parent company.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 30 June 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU for the group and FRS 101 "The Reduced Disclosure Framework" for the parent company; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FINEOS CORPORATION U.C.**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited and financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report. The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FINEOS CORPORATION U.C.**

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the group's and parent company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the group's and parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Lorcan Colclough
for and on behalf of Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre,
Block 3,
Harcourt Road,
Dublin 2
4 February 2019

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2018

	Note	2018 €	2017 €	2016 €
Revenue	4	53,766,855	41,101,789	45,003,753
Cost of sales		(14,305,304)	(10,665,870)	(9,804,153)
Gross profit		39,461,551	30,435,919	35,199,600
Distribution costs		(1,016,844)	(1,205,164)	(1,605,499)
Administrative expense		(35,304,723)	(31,638,621)	(31,500,751)
Other income	6	<u>594,119</u>	<u>563,215</u>	<u>686,642</u>
Operating profit/(loss)		3,734,103	(1,844,651)	2,779,992
Finance income		8,103	13,619	42,884
Finance costs	7	(1,051,690)	(405,231)	(260,483)
Profit/(loss) on ordinary activities before taxation	8	2,690,516	(2,236,263)	2,562,393
Income tax	9	(1,323,534)	(296,081)	(379,994)
Profit/(loss) for the financial year		1,366,982	(2,532,344)	2,182,399
Other comprehensive income for the year:				
Foreign exchange differences on translation of operations of foreign subsidiaries and branches		(164,222)	(40,200)	<u>7,752</u>
Total comprehensive profit/(loss) for the year attributable to the owners of the Group		<u>1,202,760</u>	<u>(2,572,544)</u>	<u>2,190,151</u>

All results relate to continuing operations.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2018

		30 June	30 June	30 June	Date of transition 1 July 2015
	Note	2018 €	2017 €	2016 €	2015 €
ASSETS					
Non-current assets					
Intangible assets	10	35,872,977	26,108,949	15,591,244	11,173,463
Property, plant and equipment	11	<u>3,721,579</u>	<u>3,198,793</u>	<u>3,503,197</u>	<u>4,213,182</u>
		<u>39,594,556</u>	<u>29,307,742</u>	<u>19,094,441</u>	<u>15,386,645</u>
Current assets					
Trade and other receivables	13	17,879,832	14,369,904	9,384,979	11,317,684
Cash and cash equivalents	15	<u>9,927,253</u>	<u>13,782,062</u>	<u>13,014,502</u>	<u>10,076,904</u>
		<u>27,807,085</u>	<u>28,151,966</u>	<u>22,399,481</u>	<u>21,394,588</u>
Total Assets		<u>67,401,641</u>	<u>57,459,708</u>	<u>41,493,922</u>	<u>36,781,233</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	14	19,274,060	12,012,995	10,967,443	9,777,036
Non-current liabilities					
Long term liabilities	14	24,441,672	23,559,922	6,303,909	5,222,079
Provisions	9	<u>359,593</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities		<u>44,075,325</u>	<u>35,572,917</u>	<u>17,271,352</u>	<u>14,999,115</u>
Capital and reserves					
Called up share capital presented as equity	16	281,937	281,937	281,937	281,937
Share premium account	17	10,744,382	10,744,382	10,744,382	10,744,382
Foreign exchange reserve	17	(208,799)	(44,577)	(4,377)	(12,129)
Retained earnings	17	11,315,671	9,948,689	12,481,033	10,298,634
Capital translation reserve	17	872	872	872	872
Capital redemption reserve fund	17	227,588	227,588	227,588	227,588
Other reserves	17	<u>964,665</u>	<u>727,900</u>	<u>491,135</u>	<u>240,834</u>
Total equity		<u>23,326,316</u>	<u>21,886,791</u>	<u>24,222,570</u>	<u>21,782,118</u>
TOTAL LIABILITIES AND EQUITY		<u>67,401,641</u>	<u>57,459,708</u>	<u>41,493,922</u>	<u>36,781,233</u>

The notes on pages 22 to 68 are an integral part of these financial statements.

On behalf of the Board


Michael Kelly
Director


Tom Wall
Director

4 February 2019

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2018

	Called up share capital presented as equity €	Share premium account €	Foreign exchange reserves arising on translation €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2015	281,937	10,744,382	(12,129)	2,869,399	872	227,588	240,834	14,352,883
Effects of transition to IFRS	-	-	-	<u>7,429,235</u>	-	-	-	<u>7,429,235</u>
At 1 July 2015 (restated)	<u>281,937</u>	<u>10,744,382</u>	<u>(12,129)</u>	<u>10,298,634</u>	<u>872</u>	<u>227,588</u>	<u>240,834</u>	<u>21,782,118</u>
Profit for the year	-	-	-	2,182,399	-	-	-	2,182,399
Other comprehensive income for the year	-	-	<u>7,752</u>	-	-	-	-	<u>7,752</u>
Total comprehensive income for the year	-	-	7,752	2,182,399	-	-	-	2,190,151
Share-based payment charge	-	-	-	-	-	-	250,301	<u>250,301</u>
At 30 June 2016	<u>281,937</u>	<u>10,744,382</u>	<u>(4,377)</u>	<u>12,481,033</u>	<u>872</u>	<u>227,588</u>	<u>491,135</u>	<u>24,222,570</u>

All amounts are attributable to the equity holders of the group.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018 (continued)

	Called up share capital presented as equity €	Share premium account €	Foreign exchange reserves arising on translation €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2016	281,937	10,744,382	(4,377)	12,481,033	872	227,588	491,135	24,222,570
Loss for the year	-	-	-	(2,532,344)	-	-	-	(2,532,344)
Other comprehensive income for the year	-	-	(40,200)	-	-	-	-	(40,200)
Total comprehensive income for the year	-	-	(40,200)	(2,532,344)	-	-	-	(2,572,544)
Share-based payment charge	-	-	-	-	-	-	236,765	236,765
At 30 June 2017	<u>281,937</u>	<u>10,744,382</u>	<u>(44,577)</u>	<u>9,948,689</u>	<u>872</u>	<u>227,588</u>	<u>727,900</u>	<u>21,886,791</u>

All amounts are attributable to the equity holders of the group.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018 (continued)

	Called up share capital presented as equity €	Share premium account €	Foreign exchange reserves arising on translation €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2017	281,937	10,744,382	(44,577)	9,948,689	872	227,588	727,900	21,886,791
Profit for the year	-	-	-	1,366,982	-	-	-	1,366,982
Other comprehensive income for the year	-	-	(164,222)	-	-	-	-	(164,222)
Total comprehensive income for the year	-	-	(164,222)	1,366,982	-	-	-	1,202,760
Share-based payment charge	-	-	-	-	-	-	236,765	236,765
At 30 June 2018	281,937	10,744,382	(208,799)	11,315,671	872	227,588	964,665	23,326,316

All amounts are attributable to the equity holders of the group.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

**COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018 (continued)**

	Called up share capital presented as equity €	Share premium account €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2015	281,937	10,744,382	1,512,295	872	227,588	240,834	13,007,908
Effects of transition to IFRS	-	-	<u>7,429,234</u>	-	-	-	<u>7,429,234</u>
At 1 July 2015 (restated)	<u>281,937</u>	<u>10,744,382</u>	<u>8,941,529</u>	<u>872</u>	<u>227,588</u>	<u>240,834</u>	<u>20,437,142</u>
Profit for the year	-	-	1,479,194	-	-	-	1,479,194
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	1,479,194	-	-	-	1,479,194
Share-based payment charge	-	-	-	-	-	<u>250,301</u>	<u>250,301</u>
At 30 June 2016	<u>281,937</u>	<u>10,744,382</u>	<u>10,420,723</u>	<u>872</u>	<u>227,588</u>	<u>491,135</u>	<u>22,166,637</u>

All amounts are attributable to the equity holders of the parent company.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

**COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018 (continued)**

	Called up share capital presented as equity €	Share premium account €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2016	281,937	10,744,382	10,420,723	872	227,588	491,135	22,166,637
Loss for the year	-	-	(3,456,791)	-	-	-	(3,456,791)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(3,456,791)	-	-	-	(3,456,791)
Share-based payment charge	-	-	-	-	-	236,765	236,765
At 30 June 2017	<u>281,937</u>	<u>10,744,382</u>	<u>6,963,932</u>	<u>872</u>	<u>227,588</u>	<u>727,900</u>	<u>18,946,611</u>

All amounts are attributable to the equity holders of the parent company.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018 (continued)

	Called up share capital presented as equity €	Share premium account €	Retained earnings €	Capital translation reserves €	Capital redemption reserves fund €	Other reserves €	Total €
At 1 July 2017	281,937	10,744,382	6,963,932	872	227,588	727,900	18,946,611
Profit for the year	-	-	267,817	-	-	-	267,817
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	267,817	-	-	-	267,817
Share-based payment charge	-	-	-	-	-	236,765	236,765
At 30 June 2018	<u>281,937</u>	<u>10,744,382</u>	<u>7,231,749</u>	<u>872</u>	<u>227,588</u>	<u>964,665</u>	<u>19,451,193</u>

All amounts are attributable to equity holders of the parent company.

The notes on pages 22 to 68 are an integral part of these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	2018 €	2017 €	2016 €
<i>Cash flows from operating activities</i>			
Group profit/(loss) after tax	1,366,982	(2,532,344)	2,182,399
Adjusted for:			
Income tax expense	1,323,534	296,081	379,994
Finance costs	1,051,690	405,231	260,483
Finance income	(8,103)	(13,619)	(42,884)
Depreciation	1,745,677	966,699	935,621
Amortisation	4,395,112	3,312,831	3,151,512
Lease expense	(1,996,528)	(938,001)	(657,364)
Movement in trade and other receivables	(3,780,252)	(5,071,205)	1,838,957
Movement in trade and other payables	6,563,722	2,252,990	2,767,800
Net income tax paid	(489,764)	(260,581)	(311,282)
Share-based payment expense	<u>236,765</u>	<u>236,765</u>	<u>250,301</u>
Net cash flows generated from / (used in) operating activities	<u>10,408,835</u>	<u>(1,345,153)</u>	<u>10,755,537</u>
<i>Cash flows from investing activities</i>			
Interest received	8,103	13,619	42,884
Payment for property, plant and equipment	(361,785)	(662,222)	(228,494)
Payment for intangible assets	<u>(13,276,388)</u>	<u>(12,139,004)</u>	<u>(7,569,293)</u>
Net cash used in investing activities	<u>(13,630,070)</u>	<u>(12,787,607)</u>	<u>(7,754,903)</u>
<i>Cash flow from financing activities</i>			
Proceeds from loans	-	15,000,000	-
Interest paid	<u>(484,480)</u>	<u>(65,700)</u>	<u>(58,233)</u>
Net cash (used in)/ generated from financing activities	<u>(484,480)</u>	<u>14,934,300</u>	<u>(58,233)</u>
Net (decrease)/increase in cash and cash equivalents	(3,705,715)	801,540	2,942,401
Effect of movement in exchange rates	(149,094)	(33,980)	(4,803)
Cash and cash equivalents at the beginning of the year	<u>13,782,062</u>	<u>13,014,502</u>	<u>10,076,904</u>
Cash and cash equivalents at the end of the year	<u>9,927,253</u>	<u>13,782,062</u>	<u>13,014,502</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

1. GENERAL INFORMATION

Fineos Corporation U.C. (the Company) is a private unlimited company incorporated in the Republic of Ireland. The registered office is Fineos House, Eastpoint Business Park, Dublin 3.

The principal activity of the Company and its subsidiaries (the Group) is that of enterprise claims management and accident compensation software. Foreign operations are included in accordance with the policies set out in Note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of financial statements*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretation Committee (“IFRS IC”) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board and as adopted by the EU, and Companies Act 2014.

The financial statements have been prepared on the historical cost basis, other than where described below. The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Euro (“€”) which is also the functional currency of the Company.

In accordance with Section 304 of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual statement of comprehensive income account to the Annual General Meeting and from filing it with the Registrar of Companies. The company’s profit for the year was €267,817 (2017: loss €3,456,791, 2016: profit: €1,479,194).

Transition to IFRS

For financial reporting periods up to and including 30 June 2017, the Group prepared its financial statements in accordance with Irish Law and Generally Accepted Accounting Practice in Ireland including accounting standards issued by the Financial Reporting Council and published by the Institute of Chartered Accountants in Ireland.

The Group has adopted IFRS as adopted by the EU in the current year with a transition date of 1 July 2015. An explanation of how the transition to IFRS has affected equity and profit and loss is given in Note 26. IFRS amendments issued and adopted by the Group is set out below and have been applied consistently by the group to all periods presented in these financial statements.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of financial statements (continued)*

New standards and interpretation

There are no changes to IFRS which became effective for the Group during the financial year which resulted in material changes to the financial statements. A number of new standards are effective for annual reporting periods beginning from 1 January 2018 and have been applied early in the preparation of these financial statements as outlined below.

Early adoption of new standards amendments and interpretation

The IASB and IFRIC have issued the following standards and interpretations that are issued but not yet effective but are available for early adoption at the date of transition are disclosed below. The Group applied early adoption of these standards in the transition to IFRS.

- IFRS 15: Revenue from Contracts with Customers
- IFRS 9: Financial Instruments and consequential amendments to IFRS 7 resulting from IFRS 9 adoption
- IFRS 16: Leases

The Group has considered and applied the impact of these amendments on the Group's financial statements in Note 26. The standards set out below have been applied consistently by the group to all periods presented in these financial statements.

New/Revised International Financial Reporting Standards Early adoption

IFRS 9 Financial Instruments

- 'Financial instruments', reflects the final phase of the IASB's work on the replacement of IAS 39 'Financial Instruments' Recognition and Measurement'
- Introduces new requirements for classification and measurement of financial assets and liabilities, impairment, and the application of hedge accounting.

IFRS 15 Revenue from contracts with customers

- 'Revenue from contracts with customers' replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.
- IFRS 15 deals with revenue recognition with the introduction of the 5-step approach. Principles are established for the timing of recognising revenue and reporting useful information to users of financial statements about the nature, amount, timing and the satisfaction of the promises identified arising from an entity's contracts with customers.

IFRS 16 Leases

- IFRS 16 Leases replaces IAS 17 Leases. It sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term greater than a year.
- Under IFRS 16, leases are capitalised by recognising the present value of the lease payments. This has the effect of increased lease assets and financial liabilities for the Group.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Going concern*

Management have prepared projections and forecasts for the 12-month period from the date of approval of the financial statements. These include consideration of revenue growth, funding and finance facilities in place, and cash reserves held. On this basis, the directors consider that it is appropriate to prepare the financial statements on the going concern assumption.

(c) *Basis of consolidation*

The financial statements of the group incorporate the financial statements of the company (the parent) and entities controlled by the company (its subsidiaries) made up to 30 June each year.

Control is achieved when the company:

- has the power over the subsidiary entity;
- is exposed, or has rights, to variable returns from its involvement with the subsidiary entity; and
- has the ability to use its power to affect those returns.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to their control.

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Basis of consolidation (continued)*

The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(d) *Revenue recognition*

The group recognises revenue from the following major sources:

- Initial product license fees;
- Annual subscriptions; and
- Rendering of services, including professional services and support contracts

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Initial product licence fees

Initial software licence revenue is recognised upon delivery of the software to the customer, provided that the group has no significant related obligations or collection uncertainties remaining.

Annual subscriptions

Annual subscriptions are recognised on a straight-line basis, for the right to continued access to the licensed intellectual property (IP) and the support and maintenance services for the licences held, in accordance with the master licence agreement in place. Annual subscriptions include all support, maintenance, software updates and cloud services provided by FINEOS to customers.

Rendering of services, including professional services and support contracts

Revenue from rendering of services is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably.

Professional services are provided primarily on a time and materials basis for which revenue is recognised in the period that the services are provided.

For the services element of fixed price project engagements, revenue is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is generally measured using output measures, primarily arrangement milestones, where such milestones indicate progress to completion. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, an entity shall recognise revenue only to the extent of the expenses recognised that are recoverable.

Income arising on support contracts and rental/ subscription sales where the provision of the service has not been completed at the year-end date is deferred and recognised as the service is provided.

When the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the effective rate of interest.

The Group's policy for contract costs (associated with revenue contracts) is outlined in note 2 (m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Leases*

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.' The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', and lease liabilities in trade and other payables in the statement of financial position. Right-of-use asset of office rentals is presented under 'property, plant and equipment', while right-of-use asset of licenses is presented under 'intangible assets'. The movement of right-of-use of the assets of the group during the years is disclosed in Notes 10 and 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Leases (continued)*

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of offices and licenses that have a lease term of 12 months or less and leases of low-value assets. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) *Foreign currencies*

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Employee benefits*

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

Defined contribution pension plans

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 18. The cost of equity-settled transactions with employees is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each year end date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous year end date is recognised in the statement of comprehensive income, with a corresponding entry in 'other reserves'.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) *Interest income*

Interest income comprises of income on cash held on interest-bearing bank deposits. Interest income is recognised as it occurs in the statement of comprehensive income, using the effective interest rate method.

(j) *Government grants*

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to the acquisition of property, plant and equipment or intangible assets are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

(k) *Income tax*

The taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Income tax (continued)*

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Income tax (continued)*

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(l) *Research and development tax credit*

Research and development tax credits are recognised as a gain, set against the related expenditure in the year to which they relate. To the extent that the related expenditure is capitalised the tax credit is deferred on the statement of financial position.

(m) *Intangible assets*

Intangible assets acquired separately

Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Computer software is recognised as an asset only if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

Computer software is amortised on a straight-line basis over its useful economic life, which is considered to be up to range from 3 to 5 years. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Internally-generated intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Intangible assets (continued)*

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Borrowing costs, which meet the criteria as set out in note 2(h) above, incurred in respect of an internally-generated intangible asset arising from development which meets each of the aforementioned criteria is capitalised and classified as an intangible asset.

Development expenditure is amortised on a straight-line basis over its useful economic life, which commences when the asset is brought into use, and is considered to be between 5 and 10 years. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Contract costs

The incremental costs of obtaining a contract are recognised as an asset if the group expects to recover those costs. However, those incremental costs are limited to the costs that the group would not have incurred if the contract had not been successfully obtained.

Costs incurred to fulfil a contract are recognised as an asset if and only if all of the following criteria are met:

- the costs relate directly to a contract (or a specific anticipated contract);
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

These include costs such as direct labour, direct materials, and the allocation of overheads that relate directly to the contract.

The asset recognised in respect of the costs to obtain or fulfil a contract is amortised on a systematic basis that is consistent with the associated revenue contract's pattern of transfer of the services to which the asset relates. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Intangible assets (continued)*

The incremental costs of obtaining a contract are expensed if the associated amortisation period would be 12 months or less.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(n) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs, and borrowing costs capitalised.

Depreciation

Depreciation is calculated using the straight-line method to write off the cost of property, plant and equipment over their expected useful lives as follows:

Office equipment	33.33%
Computer equipment	33.33%
Fixtures and fittings	20% - 33.33%
Right of use assets	Lower of the useful life of the asset or the lease term

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent additions

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) *Investments in subsidiary companies*

Investments in subsidiary companies are reflected in the separate financial statements of the parent company. Investments in subsidiaries are stated at cost less accumulated impairment losses.

(p) *Impairment of tangible and intangible assets*

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) *Financial instruments*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Financial instruments (continued)*

Financial assets

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from contract customers, bank balances and fixed deposits.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime Expected Credit Losses ("ECL") for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. When there has not been a significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL which represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date; except for assets for which simplified approach was used.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Financial instruments (continued)*

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (a) The financial instrument has a low risk of default,
- (b) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity

Classification of debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Share premium

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Financial instruments (continued)*

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

In order to manage interest rate and foreign currency risks, the Group has from time to time entered derivative financial instruments (principally interest rate swaps, currency swaps and forward foreign exchange contracts). Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The carrying value of derivatives is fair value based on discounted future cash flows and adjusted for counterparty risk. Future floating rate cash flows are estimated based on future interest rates (from observable yield curves at the end of the reporting period). Fixed and floating rate cash flows are discounted at future interest rates and translated at period-end foreign exchange rates. At the statement of financial position date, no derivative instruments were recognised on the statement of financial position.

(r) *Provisions and contingencies*

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) *Provisions and contingencies (continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(s) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(t) *Related party transactions*

The parent entity has availed of the exemption under FRS 101 "Reduced Disclosure Framework" and does not disclose transactions entered into between wholly owned members of the group. Transactions with entities not wholly group owned are disclosed in accordance with the accounting standards and the Companies Act 2014.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, the group makes judgements, estimates and assumptions concerning the future that impact the application of policies and reported amounts of assets, liabilities, income and expenses.

The resulting accounting estimates calculated using these judgements and assumptions are based on historical experience and expectations of future events, and may not equal the actual results. Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognised prospectively.

The judgements and key sources of assumptions and estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Critical judgements made in applying the group accounting policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these consolidated financial statements are below:

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(a) Development expenditure

The group capitalises a proportion of costs related to software development in accordance with its accounting policy. The group regularly reviews the carrying value of capitalised development costs, which are amortised over 5 to 10 years, to ensure they are not impaired and the amortisation period is appropriate. Management makes judgements about the technical feasibility and economic benefit of completed products, as well as the period of time over which the economic benefit will cease.

(b) Revenue recognition

The group recognises revenue in line with IFRS 15 Revenue recognition. Management applies judgement in determining the nature, variable considerations, and timing of satisfaction of promises in the context of the contract that meet the basis of revenue recognition criteria. Significant judgements include identifying performance obligations, identifying distinct intellectual property licenses, and determining the timing of satisfaction and approach in recognising the revenue of those identified performance obligations; whether a point in time or a passage of time approach to be adopted. See applied revenue recognition criteria for each revenue streams within note 2 (g) for details on the group's revenue recognition policies adopted. The amount of the group's revenue recognised as at 30 June 2018 was €53,766,855 (2017: €41,101,789) (note 4).

(c) Useful life of intangible assets

Intangible assets are amortised over their useful lives. The estimated useful life reflects management's estimate of the period that the group intends to derive future economic benefits from the use of intangible assets. Changes in the economic usage and developments could affect the economic useful life of the intangible fixed asset which could then consequently impact future amortisation charges. The carrying amount of the intangible assets of the group as at 30 June 2018 was €35,872,977 (2017: €26,108,949) (note 10).

(d) Useful economic lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects management's estimate of the period that the group intends to derive future economic benefits from the use of the group's property, plant and equipment. The residual value reflects management's estimated amount that the group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

(e) Expected credit losses of trade receivables

IFRS 9 requires the Group to consider expected credit losses when determining its expectations of impairment. Expectations of future events must be taken into account which will result in the earlier recognition of larger impairment in the Group's financial statements. The Group is adopting the simplified approach of measuring expected credit losses for trade receivables which will reflect management's estimate of the loss allowance to be disclosed in the group's financial statements. The group measures the loss allowance at an amount equal to the lifetime expected credit losses in the previous reporting period. The expected credit losses reflect the historical loss rate and effects of current conditions on the age profile of trade receivable balances. The expected credit losses of trade receivables of the group at 30 June 2018 was €30,272 (2017: €17,018) (note 13).

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

4. REVENUE	2018 €	2017 €	2016 €
<i>Amount of revenue by class of activity:</i>			
Initial product licence fees	7,072,923	4,829,899	6,241,180
Annual subscriptions	14,974,798	12,955,821	12,234,663
Professional services	<u>31,719,134</u>	<u>23,316,069</u>	<u>26,527,910</u>
	<u>53,766,855</u>	<u>41,101,789</u>	<u>45,003,753</u>
	2018 €	2017 €	2016 €
<i>Amount of revenue by market:</i>			
Northern Hemisphere	24,863,513	22,899,557	25,154,737
Southern Hemisphere	<u>28,903,342</u>	<u>18,202,232</u>	<u>19,849,016</u>
	<u>53,766,855</u>	<u>41,101,789</u>	<u>45,003,753</u>

Segment information

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments. The Board assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment.

Initial product licence fees

Initial software licence is considered a distinct performance obligation to the customer. Revenue is recognised when control is transferred to the customer which is upon delivery of the licensed intellectual property (IP) at a point in time, provided that the group has no significant related obligations remaining which would significantly enhance or modify the licensed IP or any collection uncertainties over the term of the contract.

Licenses with related obligations which significantly enhance or modify the IP are considered a single performance obligation. The performance obligation is satisfied over time as the client avails of consistent access to the services enhancing and customising the licensed IP. The satisfaction of the performance obligation is reliably measured primarily on a percentage-of-completion basis. Revenue is recognised over the passage of time using the output method based on pre-agreed milestones between the parties in accordance with the master license agreement in place.

Income arising on customised solutions where the provision of the service has not been completed at the year-end date is deferred and recognised as the service is provided.

Annual subscriptions

Annual subscriptions include all support, maintenance, software updates and cloud services provided by FINEOS to customers.

Annual support and maintenance is considered a distinct performance obligation. The performance obligation is satisfied over time and the annual license fees are recognised using the output method on a straight-line basis which reflects time lapsed, for the right to continued support and maintenance for licences held, in accordance with the master licence agreement in place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

4. REVENUE (continued)

Annual subscriptions (continued)

Income arising on support and maintenance where the provision of the service has not been completed at the year-end date is deferred creating a contract liability which is subsequently recognised as the service is provided.

Cloud services are made available to the customer through the Group's preferred Virtual Private Cloud (VPC) provider. In accordance with the master agreement, the subscription includes the provision of the license along with annual support and maintenance services. The promises are considered a single performance obligation which is satisfied over time and the subscription fees, including the third-party fees, are recognised using the output method on a straight-line basis which reflects time lapsed, for the continued right to access the licensed IP and to benefit of the support and maintenance services.

Income arising on Cloud subscription where the provision of the service has not been completed at the year-end date is deferred creating a contract liability which is subsequently recognised as the service is provided.

Rendering of services, including professional services

Rendering of services are distinct performance obligations for which revenue is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably.

The performance obligations are satisfied over time and the satisfaction of the promises is measured using the input method, primarily on a time and materials basis for which revenue is recognised in the period that the services are provided.

For the services element of fixed price project engagements, the performance obligations are satisfied over time and the satisfaction of the promises are reliably measured primarily on a percentage-of-completion basis over the term of the contract. Revenue is recognised using the output method based on pre-agreed milestones indicating progress to completion.

Income arising on rendering of services where the provision of the service has not been completed at the year-end date is deferred creating a contract liability which is subsequently recognised as the service is provided.

Contract assets and contract liabilities

Contract asset

Contract assets are disclosed separately as unbilled receivables in Trade and other receivables amounting to €1,135,781 (2017: €1,226,975) (note 13).

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

4. REVENUE (continued)

Contract liabilities

Contract liabilities are disclosed separately as deferred income in Trade and other payables amounting to €10,447,737 (2017: €6,633,134) (note 14). The group is availing of the practical expedient which exempts the disclosure of unsatisfied performance obligations to date since both of the following criteria are met:

- The performance obligations are part of contracts which have an original expected duration of one year or less;
- The group recognises revenue from the satisfaction of the performance obligations which has been completed to date and to which the group has a right to invoice.

5. EMPLOYEES

The average monthly number of persons employed by the group (including directors) during the year was as follows:

	2018 Number	2017 Number	2016 Number
Product development and delivery	491	421	370
Sales and marketing	12	13	17
Administration	<u>36</u>	<u>38</u>	<u>37</u>
	<u>539</u>	<u>472</u>	<u>424</u>

The staff costs comprise:

	2018 €	2017 €	2016 €
Wages and salaries	37,933,471	36,399,118	32,433,677
Social welfare costs	3,371,318	3,178,470	2,804,751
Pension costs	2,078,761	1,973,492	1,707,015
Share-based payments	<u>236,765</u>	<u>236,765</u>	<u>250,301</u>
	<u>43,620,315</u>	<u>41,787,845</u>	<u>37,195,744</u>

Directors' remuneration

	2018 €	2017 €	2016 €
Directors' remuneration in respect of qualifying services in respect of Fineos Corporation U.C.:			
- Emoluments	782,735	783,412	790,883
- Pensions	<u>26,642</u>	<u>26,642</u>	<u>25,992</u>

The number of directors to whom retirement benefits are accruing under defined contribution scheme pension costs noted above is one (2017 and 2016: one).

Other than as shown above any further disclosures in section 305 and 306 of the Companies Act 2014 are €nil for the three financial years presented.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

5. EMPLOYEES (continued)

Aggregate amount of gains by the directors on the exercise of share options during the financial year amounted to €nil (2017 and 2016: €Nil).

Staff costs as qualifying development expenditure

The qualifying development expenditure generating an asset as shown in Note 10 consists of qualifying staff costs incurred in relation to the development of the group's projects. During the current period, qualifying staff costs amounted to €13,030,786 (2017: €12,066,848 2016: €7,228,730).

6. OTHER INCOME	2018	2017	2016
	€	€	€
Research and development tax credit	<u>594,119</u>	<u>563,215</u>	<u>686,642</u>

The company has previously availed of research and development tax credits pursuant to Section 33, Finance Act 2004.

7. FINANCE COSTS	2018	2017	2016
	€	€	€
Bank charges and interest	664,480	177,033	58,233
Lease interest (Note 21)	<u>387,210</u>	<u>228,198</u>	<u>202,250</u>
	<u>1,051,690</u>	<u>405,231</u>	<u>260,483</u>

8. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2018	2017	2016
	€	€	€

The profit/(loss) on ordinary activities before taxation is stated after charging/ (crediting):

Auditor's remuneration - Audit of group companies	49,000	42,500	42,500
- Tax compliance services	7,000	6,250	6,250
Other non-audit services	10,000	19,850	2,500
Depreciation (note 11)	1,745,677	966,699	935,621
Amortisation (note 10)	4,395,112	3,312,831	3,151,512
Research and development expense	8,507,660	5,837,846	5,932,402
Research and development tax credit (note 6)	(594,119)	(563,215)	(686,642)
Foreign exchange loss	<u>753,763</u>	<u>214,340</u>	<u>675,854</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2018 €	2017 €	2016 €
<i>Current tax:</i>			
Overseas taxation	509,300	351,115	358,513
Foreign withholding tax	209,017	3,439	20,935
Adjustments in respect of previous years	<u>683</u>	<u>(26,219)</u>	<u>(43)</u>
Total current tax	719,000	328,335	379,405
<i>Deferred tax:</i>			
Origination and reversal of timing differences	<u>604,534</u>	<u>(32,254)</u>	<u>589</u>
Tax on profit/(loss) on ordinary activities	<u>1,323,534</u>	<u>296,081</u>	<u>379,994</u>

Overseas taxation has been provided on the results of overseas subsidiary companies at the appropriate overseas rates of tax.

(b) Factors affecting the tax charge for the year

The current tax charge for the year differs from the amount computed by applying the standard rate of corporation tax in the Republic of Ireland to the profit/(loss) on ordinary activities before taxation. The sources and tax effects of the differences are explained below:

	2018 €	2017 €	2016 €
Profit/(loss) on ordinary activities before tax	<u>2,690,516</u>	<u>(2,236,263)</u>	<u>2,562,393</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of tax of 12.5%	336,315	(279,533)	320,299
Depreciation greater than capital allowances	16,036	12,738	13,949
Short term timing differences	29,621	26,061	9,925
Non-deductible expenses/non-taxable income	45,530	38,609	47,758
Higher tax charge on passive income	(2,244)	3,419	4,967
Higher rates of tax on foreign income	299,206	250,680	213,336
Research and development tax credits claimed	(49,524)	(450,152)	(198,761)
Foreign withholding tax	209,017	3,439	20,935
Adjustments in respect of previous years	683	(26,219)	(43)
Losses (utilised)/carried forward	(165,640)	749,293	(52,960)
Deferred tax	<u>604,534</u>	<u>(32,254)</u>	<u>589</u>
Total tax charge	<u>1,323,534</u>	<u>296,081</u>	<u>379,994</u>

In all prior years there is an unrecognised deferred tax asset related to losses incurred by the group, as follows:

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

<i>(b) Factors affecting the tax charge for the year (continued)</i>	2017 €	2016 €	2015 €
Losses available	<u>19,587,865</u>	<u>6,172,481</u>	<u>3,591,832</u>

No deferred tax asset was recognised in respect of these losses forward due to the uncertainty as to the existence of suitable future taxable profits from which the future reversal of these timing differences could be deducted.

<i>(c) Deferred tax asset/(liability) GROUP</i>	2018 €	2017 €	2016 €	2015 €
At beginning of year	258,427	228,322	230,527	164,154
(Charged)/released to the statement of comprehensive income <i>(note 9(a))</i>	(604,534)	32,254	(589)	55,800
Foreign exchange	<u>(13,486)</u>	<u>(2,149)</u>	<u>(1,616)</u>	<u>10,573</u>
At end of year	<u>(359,593)</u>	<u>258,427</u>	<u>228,322</u>	<u>230,527</u>

The deferred tax asset/(liability) is analysed as follows:

Timing differences between depreciation and capital allowances	123,419	(6,512)	1,568	(719)
Timing differences on holiday leave	230,097	244,748	199,560	209,575
Timing differences between losses forward and capitalised development costs	(804,390)	-	-	-
Other timing differences	<u>91,281</u>	<u>20,191</u>	<u>27,194</u>	<u>21,671</u>
At end of year	<u>(359,593)</u>	<u>258,427</u>	<u>228,322</u>	<u>230,527</u>

<i>Deferred tax liability COMPANY</i>	2018 €	2017 €	2016 €	2015 €
At beginning of year	-	-	-	-
Charged to the statement of comprehensive income	<u>(630,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>(630,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax liability is analysed as follows:

Timing differences between depreciation and capital allowances	124,361	-	-	-
Timing differences between losses forward and capitalised development costs	(804,390)	-	-	-
Other	<u>49,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(630,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

10. INTANGIBLE ASSETS

GROUP 2018	Right of use assets	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2017	2,281,125	37,535,742	70,983	341,736	40,229,586
Additions	<u>462,752</u>	<u>13,450,786</u>	<u>245,602</u>	<u>—</u>	<u>14,159,140</u>
At 30 June 2018	<u>2,743,877</u>	<u>50,986,528</u>	<u>316,585</u>	<u>341,736</u>	<u>54,388,726</u>
Amortisation					
At 30 June 2017	1,004,944	13,007,076	2,366	106,251	14,120,637
Charged in year	<u>683,094</u>	<u>3,596,029</u>	<u>47,518</u>	<u>68,471</u>	<u>4,395,112</u>
At 30 June 2018	<u>1,688,038</u>	<u>16,603,105</u>	<u>49,884</u>	<u>174,722</u>	<u>18,515,749</u>
Net book amounts					
At 30 June 2018	<u>1,055,839</u>	<u>34,383,423</u>	<u>266,701</u>	<u>167,014</u>	<u>35,872,977</u>
At 30 June 2017	<u>1,276,181</u>	<u>24,528,666</u>	<u>68,617</u>	<u>235,485</u>	<u>26,108,949</u>
GROUP 2017	Right of use assets	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2016	694,593	25,363,894	-	340,563	26,399,050
Additions	<u>1,586,532</u>	<u>12,171,848</u>	<u>70,983</u>	<u>1,173</u>	<u>13,830,536</u>
At 30 June 2017	<u>2,281,125</u>	<u>37,535,742</u>	<u>70,983</u>	<u>341,736</u>	<u>40,229,586</u>
Amortisation					
At 30 June 2016	520,945	10,248,753	-	38,108	10,807,806
Charged in year	<u>483,999</u>	<u>2,758,323</u>	<u>2,366</u>	<u>68,143</u>	<u>3,312,831</u>
At 30 June 2017	<u>1,004,944</u>	<u>13,007,076</u>	<u>2,366</u>	<u>106,251</u>	<u>14,120,637</u>
Net book amounts					
At 30 June 2017	<u>1,276,181</u>	<u>24,528,666</u>	<u>68,617</u>	<u>235,485</u>	<u>26,108,949</u>
At 30 June 2016	<u>173,648</u>	<u>15,115,141</u>	<u>—</u>	<u>302,455</u>	<u>15,591,244</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

10. INTANGIBLE ASSETS (continued)

GROUP 2016	Right of use assets	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2015	694,593	18,135,164	-	-	18,829,757
Additions	-	<u>7,228,730</u>	-	<u>340,563</u>	<u>7,569,293</u>
At 30 June 2016	694,593	25,363,894	-	340,563	26,399,050
Amortisation					
At 30 June 2015	289,414	7,366,880	-	-	7,656,294
Charged in year	<u>231,531</u>	<u>2,881,873</u>	-	<u>38,108</u>	<u>3,151,512</u>
At 30 June 2016	<u>520,945</u>	<u>10,248,753</u>	-	<u>38,108</u>	<u>10,807,806</u>
Net book amounts					
At 30 June 2016	<u>173,648</u>	<u>15,115,141</u>	-	<u>302,455</u>	<u>15,591,244</u>
At 30 June 2015	<u>405,179</u>	<u>10,768,284</u>	-	-	<u>11,173,463</u>
COMPANY 2018	Right of use assets €	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2017	2,281,125	37,535,742	70,983	340,563	40,228,413
Additions	<u>462,752</u>	<u>13,450,786</u>	<u>245,602</u>	-	<u>14,159,140</u>
At 30 June 2018	<u>2,743,877</u>	<u>50,986,528</u>	<u>316,585</u>	<u>340,563</u>	<u>54,387,553</u>
Amortisation					
At 30 June 2017	1,004,944	13,007,077	2,366	106,220	14,120,607
Charged in year	<u>683,094</u>	<u>3,596,029</u>	<u>47,518</u>	<u>68,113</u>	<u>4,394,754</u>
At 30 June 2018	<u>1,688,038</u>	<u>16,603,106</u>	<u>49,884</u>	<u>174,333</u>	<u>18,515,361</u>
Net book amounts					
At 30 June 2018	<u>1,055,839</u>	<u>34,383,422</u>	<u>266,701</u>	<u>166,230</u>	<u>35,872,192</u>
At 30 June 2017	<u>1,276,181</u>	<u>24,528,665</u>	<u>68,617</u>	<u>234,343</u>	<u>26,107,806</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

10. INTANGIBLE ASSETS (continued)

COMPANY 2017	Right of use assets €	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2016	694,593	25,363,894	-	340,563	26,399,050
Additions	<u>1,586,532</u>	<u>12,171,848</u>	<u>70,983</u>	<u>-</u>	<u>13,829,363</u>
At 30 June 2017	<u>2,281,125</u>	<u>37,535,742</u>	<u>70,983</u>	<u>340,563</u>	<u>40,228,413</u>
Amortisation					
At 30 June 2016	520,945	10,248,753	-	38,108	10,807,806
Charged in year	<u>483,999</u>	<u>2,758,324</u>	<u>2,366</u>	<u>68,112</u>	<u>3,312,801</u>
At 30 June 2017	<u>1,004,944</u>	<u>13,007,077</u>	<u>2,366</u>	<u>106,220</u>	<u>14,120,607</u>
Net book amounts					
At 30 June 2017	<u>1,276,181</u>	<u>24,528,665</u>	<u>68,617</u>	<u>234,343</u>	<u>26,107,806</u>
At 30 June 2016	<u>173,648</u>	<u>15,115,141</u>	<u>-</u>	<u>302,455</u>	<u>15,591,244</u>
COMPANY 2016	Right of use assets €	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2015	694,593	18,135,164	-	-	18,829,757
Additions	<u>-</u>	<u>7,228,730</u>	<u>-</u>	<u>340,563</u>	<u>7,569,293</u>
At 30 June 2016	<u>694,593</u>	<u>25,363,894</u>	<u>-</u>	<u>340,563</u>	<u>26,399,050</u>
Amortisation					
At 30 June 2015	289,414	7,366,880	-	-	7,656,294
Charged in year	<u>231,531</u>	<u>2,881,873</u>	<u>-</u>	<u>38,108</u>	<u>3,151,512</u>
At 30 June 2016	<u>520,945</u>	<u>10,248,753</u>	<u>-</u>	<u>38,108</u>	<u>10,807,806</u>
Net book amounts					
At 30 June 2016	<u>173,648</u>	<u>15,115,141</u>	<u>-</u>	<u>302,455</u>	<u>15,591,244</u>
At 30 June 2015	<u>405,179</u>	<u>10,768,284</u>	<u>-</u>	<u>-</u>	<u>11,173,463</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

10. INTANGIBLE ASSETS (continued)

Development expenditure

In total, research and development costs for the group amounted to €21,538,446 (2017: €17,904,694) in the reporting period, out of which €13,030,786 (2017: €12,066,848) qualifies for capitalisation under IAS 38 'Intangible assets'. Qualifying development expenditure is amortised on a straight-line basis over its useful economic life, which is considered to be between 5 and 10 years. The amortisation expense amounting to €3,553,123 in 2018 (2017: €2,758,324) is included within administrative expenses in the consolidated statement of comprehensive income.

Included within group development expenditure additions is capitalised borrowing costs of €420,000 (2017: €105,000) during the year. The amortisation expense relating to capitalised borrowing costs is €42,906 (€Nil).

11. PROPERTY, PLANT AND EQUIPMENT

GROUP 2018	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2017	2,909,463	685,652	5,607,630	2,790,391	11,993,136
Additions	1,909,003	45,567	305,607	10,611	2,270,788
Disposals	-	-	(3,657,070)	-	(3,657,070)
Translation adjustment	-	(4,662)	(384,773)	(80,677)	(470,112)
At 30 June 2018	<u>4,818,466</u>	<u>726,557</u>	<u>1,871,394</u>	<u>2,720,325</u>	<u>10,136,742</u>
Depreciation					
At 30 June 2017	872,839	617,084	5,126,962	2,177,458	8,794,343
Charged in year	1,035,632	30,381	305,442	374,222	1,745,677
Disposals	-	-	(3,657,070)	-	(3,657,070)
Translation adjustment	-	(9,307)	(381,061)	(77,419)	(467,787)
At 30 June 2018	<u>1,908,471</u>	<u>638,158</u>	<u>1,394,273</u>	<u>2,474,261</u>	<u>6,415,163</u>
Net book amounts					
At 30 June 2018	<u>2,909,995</u>	<u>88,399</u>	<u>477,121</u>	<u>246,064</u>	<u>3,721,579</u>
At 30 June 2017	<u>2,036,624</u>	<u>68,568</u>	<u>480,668</u>	<u>612,933</u>	<u>3,198,793</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP 2017	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2016	2,909,463	608,802	5,197,623	2,628,694	11,344,582
Additions	-	78,992	413,188	170,042	662,222
Disposals	-	-	(25,900)	-	(25,900)
Translation adjustment	<u>-</u>	<u>(2,142)</u>	<u>22,719</u>	<u>(8,345)</u>	<u>12,232</u>
At 30 June 2017	<u>2,909,463</u>	<u>685,652</u>	<u>5,607,630</u>	<u>2,790,391</u>	<u>11,993,136</u>
Depreciation					
At 30 June 2016	581,893	600,096	4,835,154	1,824,242	7,841,385
Charged in year	290,946	21,354	295,075	359,324	966,699
Disposals	-	-	(25,900)	-	(25,900)
Translation adjustment	<u>-</u>	<u>(4,366)</u>	<u>22,633</u>	<u>(6,108)</u>	<u>12,159</u>
At 30 June 2017	<u>872,839</u>	<u>617,084</u>	<u>5,126,962</u>	<u>2,177,458</u>	<u>8,794,343</u>
Net book amounts					
At 30 June 2017	<u>2,036,624</u>	<u>68,568</u>	<u>480,668</u>	<u>612,933</u>	<u>3,198,793</u>
At 30 June 2016	<u>2,327,570</u>	<u>8,706</u>	<u>362,469</u>	<u>804,452</u>	<u>3,503,197</u>

GROUP 2016	Right of use assets €	Office equipment €	Computer equipment €	Leased computer equipment €	Fixtures & fittings €	Total €
Cost						
At 30 June 2015	2,909,463	613,324	4,977,348	830,191	2,623,953	11,954,279
Additions	-	-	228,494	-	-	228,494
Disposals	-	-	-	(830,191)	-	(830,191)
Translation adjustment	<u>-</u>	<u>(4,522)</u>	<u>(8,219)</u>	<u>-</u>	<u>4,741</u>	<u>(8,000)</u>
At 30 June 2016	<u>2,909,463</u>	<u>608,802</u>	<u>5,197,623</u>	<u>-</u>	<u>2,628,694</u>	<u>11,344,582</u>
Depreciation						
At 30 June 2015	290,946	586,973	4,548,300	830,191	1,484,687	7,741,097
Charged in year	290,947	16,423	291,135	-	337,116	935,621
Disposals	-	-	-	(830,191)	-	(830,191)
Translation adjustment	<u>-</u>	<u>(3,300)</u>	<u>(4,281)</u>	<u>-</u>	<u>2,439</u>	<u>(5,142)</u>
At 30 June 2016	<u>581,893</u>	<u>600,096</u>	<u>4,835,154</u>	<u>-</u>	<u>1,824,242</u>	<u>7,841,385</u>
Net book amounts						
At 30 June 2016	<u>2,327,570</u>	<u>8,706</u>	<u>362,469</u>	<u>-</u>	<u>804,452</u>	<u>3,503,197</u>
At 30 June 2015	<u>2,618,517</u>	<u>26,351</u>	<u>429,048</u>	<u>-</u>	<u>1,139,266</u>	<u>4,213,182</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **30 June 2018**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY 2018	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2017	2,909,463	533,006	4,772,475	2,307,021	10,521,965
Additions	-	38,746	228,866	5,779	273,391
Disposals	—	—	(3,303,588)	—	(3,303,588)
At 30 June 2018	<u>2,909,463</u>	<u>571,752</u>	<u>1,697,753</u>	<u>2,312,800</u>	<u>7,491,768</u>
Depreciation					
At 30 June 2017	872,839	478,801	4,426,341	1,749,085	7,527,066
Charged in year	290,946	26,238	225,345	355,248	897,777
Disposals	—	—	(3,303,588)	—	(3,303,588)
At 30 June 2018	<u>1,163,785</u>	<u>505,039</u>	<u>1,348,098</u>	<u>2,104,333</u>	<u>5,121,255</u>
Net book amounts					
At 30 June 2018	<u>1,745,678</u>	<u>66,713</u>	<u>349,655</u>	<u>208,467</u>	<u>2,370,513</u>
At 30 June 2017	<u>2,036,624</u>	<u>54,205</u>	<u>346,134</u>	<u>557,936</u>	<u>2,994,899</u>
COMPANY 2017	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2016	2,909,463	469,349	4,536,384	2,190,133	10,105,329
Additions	-	63,657	261,991	116,888	442,536
Disposals	—	—	(25,900)	—	(25,900)
At 30 June 2017	<u>2,909,463</u>	<u>533,006</u>	<u>4,772,475</u>	<u>2,307,021</u>	<u>10,521,965</u>
Depreciation					
At 30 June 2016	581,893	467,355	4,222,531	1,404,793	6,676,572
Charged in year	290,946	11,446	229,710	344,292	876,394
Disposals	—	—	(25,900)	—	(25,900)
At 30 June 2017	<u>872,839</u>	<u>478,801</u>	<u>4,426,341</u>	<u>1,749,085</u>	<u>7,527,066</u>
Net book amounts					
At 30 June 2017	<u>2,036,624</u>	<u>54,205</u>	<u>346,134</u>	<u>557,936</u>	<u>2,994,899</u>
At 30 June 2016	<u>2,327,570</u>	<u>1,994</u>	<u>313,853</u>	<u>785,340</u>	<u>3,428,757</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **30 June 2018**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY 2016	Right of use assets €	Office equipment €	Computer equipment €	Leased computer equipment €	Fixtures & fittings €	Total €
Cost						
At 30 June 2015	2,909,463	469,349	4,330,654	830,191	2,190,133	10,729,790
Additions	-	-	205,730	-	-	205,730
Disposals	-	-	-	(830,191)	-	(830,191)
At 30 June 2016	<u>2,909,463</u>	<u>469,349</u>	<u>4,536,384</u>	<u>-</u>	<u>2,190,133</u>	<u>10,105,329</u>
Depreciation						
At 30 June 2015	290,946	461,040	3,971,588	830,191	1,073,298	6,627,063
Charged in year	290,947	6,315	250,943	-	331,495	879,700
Disposals	-	-	-	(830,191)	-	(830,191)
At 30 June 2016	<u>581,893</u>	<u>467,355</u>	<u>4,222,531</u>	<u>-</u>	<u>1,404,793</u>	<u>6,676,572</u>
Net book amounts						
At 30 June 2016	<u>2,327,570</u>	<u>1,994</u>	<u>313,853</u>	<u>-</u>	<u>785,340</u>	<u>3,428,757</u>
At 30 June 2015	<u>2,618,517</u>	<u>8,309</u>	<u>359,066</u>	<u>-</u>	<u>1,116,835</u>	<u>4,102,727</u>

12. FINANCIAL ASSETS

2018 **2017** **2016** **2015**
€ **€** **€** **€**

COMPANY

Shares in group undertakings – unlisted, at cost:

At beginning of year	1,215	1,215	1,203	1,203
Additions during year	-	-	12	-
At end of year	<u>1,215</u>	<u>1,215</u>	<u>1,215</u>	<u>1,203</u>

The company has the following subsidiary undertakings. All subsidiaries are wholly owned unless otherwise indicated, and all shareholdings are in ordinary shares:

	2018 €	2017 €	2016 €	2015 €
FINEOS Corporation Limited (UK)	2	2	2	2
FINEOS Inc. (USA)	32	32	32	32
FINEOS Australia Pty Limited	6	6	6	6
FINEOS New Zealand Limited	1	1	1	1
FINEOS South Africa Limited	89	89	89	89
FINEOS Polska Sp Zoo	1,066	1,066	1,066	1,066
FINEOS Canada Limited	7	7	7	7
FINEOS Hong Kong Limited	12	12	12	-
	<u>1,215</u>	<u>1,215</u>	<u>1,215</u>	<u>1,203</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

12. FINANCIAL ASSETS (continued)

FINEOS Corporation Limited is incorporated in the United Kingdom and has its registered office at 5 Clapham Chase, Bedford, Bedfordshire, MK41 6FA, UK (previously 5 Amberly Gardens, Bedford, Bedfordshire). It provides sales and marketing services to its parent undertaking.

FINEOS Inc. is incorporated in the United States of America and has its registered office at 60 State Street, Suite 700, Boston, MA 02109 United States of America. It provides sales and marketing services to its parent undertaking.

FINEOS Australia Pty Limited is incorporated in Australia and has its registered office at Level 8, 224 Queen Street, Melbourne, VIC 3000, Australia. It provides sales and marketing services to its parent undertaking.

FINEOS New Zealand Limited is incorporated in New Zealand and has its registered office at Level 22, 209 Queen Street, Auckland 1010, New Zealand. It services local customers and is supported by the provision of services from its parent undertaking.

FINEOS South Africa Limited is incorporated in South Africa and has its registered office at 4th floor, 191 Jan Smuts Ave, Rosebank, 2196.

FINEOS Polska S.p. Z.o.o is incorporated in Poland and has its registered office at ul. Cypriana Kamila Norwida 2, 80-280 Gdansk, Poland. It services local customers and is supported by the provision of services from its parent undertaking.

FINEOS Canada Limited is incorporated in Canada and has its registered office at 900-1959 Upper Water Street, Halifax, NS, Canada B3J 3N2. It services local customers and is supported by the provision of services from its parent undertaking.

FINEOS Hong Kong Limited is incorporated in Hong Kong and has its registered office at 16th floor, Wing on Centre, 111 Connaught Road Central, Hong Kong.

13.	TRADE AND OTHER RECEIVABLES	2018	2017	2016	2015
		€	€	€	€
	GROUP				
	Trade receivables	11,470,051	6,901,983	4,091,796	6,532,559
	Unbilled receivables	1,135,781	1,226,975	1,302,326	1,346,047
	Other receivables	42,485	70,396	167,299	273,677
	Prepayments	1,326,382	647,245	781,331	641,367
	Research and development tax credits	3,516,117	4,950,205	2,495,667	1,917,614
	Value added tax recoverable	259,687	173,447	60,615	26,727
	Corporation tax recoverable	129,329	141,226	257,623	349,166
	Deferred tax asset	—	258,427	228,322	230,527
		<u>17,879,832</u>	<u>14,369,904</u>	<u>9,384,979</u>	<u>11,317,684</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

13.	TRADE AND RECEIVABLES (continued)	2018 €	2017 €	2016 €	2015 €
	<i>COMPANY</i>				
	Trade receivables	9,480,084	6,322,727	4,063,846	5,829,046
	Unbilled receivables	715,803	1,226,975	1,302,326	1,346,047
	Other receivables	42,485	26,404	99,759	218,090
	Prepayments	1,157,118	550,386	3,096,105	2,431,801
	Research and development tax credits	3,516,116	4,950,205	-	-
	Value added tax recoverable	219,073	148,400	39,988	-
	Amounts due from subsidiary undertakings	974,580	753,799	331,733	948,295
	Corporation tax recoverable	<u>129,329</u>	<u>105,261</u>	<u>254,552</u>	<u>349,166</u>
		<u>16,234,588</u>	<u>14,084,157</u>	<u>9,188,309</u>	<u>11,122,445</u>

Trade and other receivables

The carrying amounts of trade receivables and other receivables approximate their fair value largely due to the short-term maturities and nature of these instruments. All trade receivables are due within the group's and company's normal terms, which is 30 days. Trade receivables are shown net of impairment in respect of doubtful debts.

Amounts due from subsidiary undertakings

The amounts due from subsidiary undertakings are unsecured, interest free and are repayable on demand.

Unbilled receivables

The terms of the accrued income are based on underlying invoices.

Taxes and tax credits

Taxes and social welfare costs are subject to the terms of the relevant legislation.

14.	TRADE AND OTHER PAYABLES	2018 €	2017 €	2016 €	2015 €
	<i>Current</i>				
	<i>GROUP</i>				
	Trade payables	1,375,191	624,205	485,649	470,798
	Amount due to ultimate parent undertaking	93,409	93,509	93,509	93,610
	Corporation tax	260,038	43,381	87,867	128,315
	Value added tax	161,845	187,024	56,515	378,171
	PAYE and PRSI	916,220	736,617	576,115	396,431
	Accruals	4,008,859	2,630,272	2,257,933	1,976,911
	Deferred revenue	10,447,737	6,633,134	6,463,606	5,192,133
	Research & development tax credit	915,917	542,561	538,848	666,113
	Lease liabilities (Note 21)	<u>1,094,844</u>	<u>522,292</u>	<u>407,401</u>	<u>474,554</u>
		<u>19,274,060</u>	<u>12,012,995</u>	<u>10,967,443</u>	<u>9,777,036</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

14.	TRADE AND OTHER PAYABLES (continued)	2018	2017	2016	2015
	<i>Current</i>	€	€	€	€
	<i>COMPANY</i>				
	Trade payables	719,898	502,652	276,935	288,756
	Amount due to ultimate parent undertaking	93,409	93,509	93,509	93,610
	Amounts due to subsidiary undertakings	2,546,357	1,260,341	1,237,286	1,069,633
	PAYE and PRSI	830,079	724,393	556,293	377,090
	Accruals	2,840,217	1,613,277	1,356,499	966,113
	Deferred income	10,447,737	6,633,134	6,463,606	5,192,133
	Research & development tax credit	915,917	542,561	538,848	666,113
	Value added tax	-	-	-	21,272
	Lease liabilities (Note 21)	<u>909,355</u>	<u>522,292</u>	<u>407,401</u>	<u>474,554</u>
		<u>19,302,969</u>	<u>11,892,159</u>	<u>10,930,377</u>	<u>9,149,274</u>
	TRADE AND OTHER PAYABLES	2018	2017	2016	2015
	<i>Non-current</i>	€	€	€	€
	<i>Group</i>				
	Long term loan (Note 19)	15,000,000	15,000,000	-	-
	Lease liability (Note 21)	3,166,219	2,976,335	2,214,497	2,602,458
	Research and development tax credit	<u>6,275,453</u>	<u>5,583,587</u>	<u>4,089,412</u>	<u>2,619,621</u>
		<u>24,441,672</u>	<u>23,559,922</u>	<u>6,303,909</u>	<u>5,222,079</u>
	<i>Company</i>				
	Long term loan (Note 19)	15,000,000	15,000,000	-	-
	Lease liability (Note 21)	2,142,668	2,976,335	2,214,497	2,602,458
	Research and development tax credit	<u>6,275,453</u>	<u>5,583,587</u>	<u>4,089,412</u>	<u>2,619,621</u>
		<u>23,418,121</u>	<u>23,559,922</u>	<u>6,303,909</u>	<u>5,222,079</u>

Trade and other payables

The carrying amounts of trade and other payables approximate their fair value largely due to the short-term maturities and nature of these instruments. The repayment terms of trade payables vary between on demand and 30 days. No interest is payable on trade payables.

Reservation of title

Certain trade payables purport to claim a reservation of title clause for goods supplied. Since the extent to which these payables are secured at any time depends on a number of conditions, the validity of some of which is not readily determinable, it is not possible to indicate how much of the above was effectively secured.

Amount due to group companies

The amount due to group and related companies are unsecured, interest free and are repayable on demand.

Accruals

The terms of the accruals are based on underlying invoices.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

14. TRADE AND OTHER PAYABLES (continued)

Taxes and social welfare costs

Taxes and social welfare costs are subject to the terms of the relevant legislation. Interest accrues on late payments. No interest was due at the financial year end date.

15. CASH AND CASH EQUIVALENTS	2018 €	2017 €	2016 €	2015 €
Cash and cash equivalents	<u>9,927,253</u>	<u>13,782,062</u>	<u>13,014,502</u>	<u>10,076,904</u>

There are no restrictions on the cash held.

16. CALLED UP SHARE CAPITAL	2018 €	2017 €	2016 €	2015 €
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GROUP AND COMPANY

Authorised:

450,000,000 'A' ordinary shares of €0.0127 each	5,715,000	5,715,000	5,715,000	5,715,000
2,462,944 'B' ordinary redeemable shares of €0.01 each	24,629	24,629	24,629	24,629
7,978,180 preferred 'A' shares of €0.01 each	79,782	79,782	79,782	79,782
8,341,420 'C' ordinary redeemable shares of €0.0127 each	<u>105,936</u>	<u>105,936</u>	<u>105,936</u>	<u>105,936</u>
	<u>5,925,347</u>	<u>5,925,347</u>	<u>5,925,347</u>	<u>5,925,347</u>

Allotted, called up, fully paid and presented as equity:

15,158,235 'A' ordinary shares of €0.0127 each	192,510	192,510	192,510	192,510
36,440 'B' ordinary redeemable shares of €0.01 each	364	364	364	364
441,124 preferred 'A' shares of €0.01 each	4,411	4,411	4,411	4,411
6,665,486 'C' ordinary redeemable shares of €0.0127 each	<u>84,652</u>	<u>84,652</u>	<u>84,652</u>	<u>84,652</u>
Total	<u>281,937</u>	<u>281,937</u>	<u>281,937</u>	<u>281,937</u>

The 'A' ordinary shares, 'B' ordinary redeemable shares, preferred 'A' shares, and 'C' ordinary redeemable shares shall rank pari passu together in relation to all dividends which may be declared or paid by the company. The holders of the 'A' ordinary, 'B' ordinary redeemable, preferred 'A' shares and 'C' ordinary redeemable shares shall be entitled to receive notice of and to attend and vote at all general meetings of the company and on a poll shall be entitled to one vote per share. 'B' ordinary redeemable shares and 'C' ordinary redeemable shares can be redeemed, subject to the approval of the board, upon written application to the company, at a redemption price not less than €1.69. During the year the company made no interim dividend payments to A, B and C Ordinary shareholders or Preference shareholders. The directors do not propose the payment of a final dividend for the year.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

17. RESERVES

Share premium

The share premium reserve represents the premium on issue of the ordinary shares.

Foreign exchange reserve

The foreign exchange reserve represents gains/losses arising on retranslating the net assets of overseas operations into Euro.

Retained earnings

The retained earnings represent cumulative gains and losses recognised, net of transfers to/from other reserves and dividends paid.

Capital translation reserve

This reserve records the nominal value of shares repurchased by the company.

Capital redemption reserve fund

This reserve records the nominal value of shares repurchased by the company.

Other reserves

Other reserves represent movements in share-based payments. The movement in the cumulative expense since the previous year end date is recognised in the statement of comprehensive income, with a corresponding entry in 'other reserves'.

18. SHARE-BASED PAYMENTS

FINEOS International Limited, the ultimate parent undertaking of the group to which the company is a member, established a share option scheme in April 2012, which was available to all employees of the company and such other persons as the board of directors determine. The pricing and vesting periods of the options granted are generally determined by the board of directors. The options generally vest over the subsequent three year period if the employee remained in service at these vesting times. No options can be exercised until a "triggering event" occurs, being an acquisition by any person, or group of persons acting in concert (excluding any persons connected or related to the existing shareholders), of control of the company (FINEOS International Limited) as a result of purchasing and/or subscribing for shares under a trade sale or IPO. The exercise price of the options was set at the time of grant against the market value of the underlying share. There are no cash settlement alternatives. In 2015, a new share option scheme was established with the same terms and conditions as the scheme established in 2012.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options granted under the schemes to employees of FINEOS Corporation U.C. during the year. There were no shares issued during the year or prior year.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

18.	SHARE-BASED PAYMENTS	2018 No.	2018 WAEF	2017 No.	2017 WAEF	2016 No.	2016 WAEF	2015 No.	2015 WAEF
	Outstanding as at 1 July	2,115,614	1.85	2,222,564	1.85	2,222,564	1.85	1,250,000	1.35
	Options granted during year			-	-	-	-	972,564	2.49
	Options expired during year	(50,775)	1.85	(106,950)	1.85	-	-	-	-
	Outstanding at 30 June	<u>2,064,839</u>	<u>1.85</u>	<u>2,115,614</u>	<u>1.85</u>	<u>2,222,564</u>	<u>1.85</u>	<u>2,222,564</u>	<u>1.85</u>
	Exercisable at 30 June	-	-	-	-	-	-	-	-

The group's share-based payment transactions which were recognised as an expense through the profit or loss for the reporting period amounted to €236,765 (2017: €236,765). Liabilities arising from share-based payment transactions at 30 June 2018 amounted to €Nil (2017: €Nil).

For the share options outstanding as at 30 June 2018 the weighted average remaining contractual life is 2.5 years. The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The Black-Scholes model is internationally recognised as being appropriate to value employee share schemes. Since shares in the group are not freely tradable useful volatility information is not available. The company has therefore used expected share price volatilities of comparable listed companies.

The following table lists the inputs to the model used for the year ended 30 June 2018:

	2018 %	2017 %	2016 %
Dividend yield	0	0	0
Expected volatility	19	19	19
Risk free interest rate	1	1	1
Average expected life remaining in years	6	6	6

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

19.	BANK LOANS	2018 €	2017 €	2016 €	2015 €
	Due after one year	<u>15.000.000</u>	<u>15.000.000</u>	<u>-</u>	<u>-</u>

A five-year loan agreement was entered into during 2017. Six interest-only repayments are repayable per annum, with a final payment required in full and final settlement of the principal and interest on the loan at the end of the five year period. Borrowing costs are directly attributable to an internally-generated intangible asset being development costs, and is capitalised in line with the amount of qualifying development expenditure in the period. Borrowing costs of €420,000 (2017: €105,000, 2016: €Nil) are capitalised in the current year using the effective interest rate method at a rate of 7%. Interest amortised in the period amounted to €42,906 (2017: €Nil).

20. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At the year end the group had no capital commitments.

(b) Contingent liabilities

At the year end the group had no contingent liabilities.

(c) Lease commitments

The group has total future minimum lease payments under non-cancellable operating lease commitments as follows:

At 30 June 2018	Land and buildings €	Software licences €	Total €
Due within one year	801,577	759,311	1,560,888
Due within two to five years	2,662,887	414,333	3,077,220
Due after five years	<u>400,000</u>	<u>-</u>	<u>400,000</u>
	<u>3,864,464</u>	<u>1,173,644</u>	<u>5,038,108</u>
At 30 June 2017	Land and buildings €	Software licences €	Total €
Due within one year	609,028	759,311	1,368,339
Due within two to five years	1,791,789	1,173,644	2,965,433
Due after five years	<u>800,000</u>	<u>-</u>	<u>800,000</u>
	<u>3,200,817</u>	<u>1,932,955</u>	<u>5,133,772</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

21.	LEASE LIABILITIES	2018 €	2017 €	2016 €	2015 €
	<i>Group</i>				
	Current lease liabilities	1,094,844	522,292	407,401	474,554
	Non-current lease liabilities	<u>3,166,219</u>	<u>2,976,335</u>	<u>2,214,497</u>	<u>2,602,458</u>
		<u>4,261,063</u>	<u>3,498,627</u>	<u>2,621,898</u>	<u>3,077,012</u>
	<i>Company</i>				
	Current lease liabilities	909,355	522,292	407,401	474,554
	Non-current lease liabilities	<u>2,142,668</u>	<u>2,976,335</u>	<u>2,214,497</u>	<u>2,602,458</u>
		<u>3,052,023</u>	<u>3,498,627</u>	<u>2,621,898</u>	<u>3,077,012</u>

The group's total lease liability over the years are as follows:

	30 June 2018 €	30 June 2017 €	30 June 2016 €	Restated cumulative at date of transition 1 July 2015 €
Opening liability	(3,498,626)	(2,621,897)	(3,077,012)	(3,077,012)
Additions for the year	(2,371,754)	(1,586,532)	-	-
Interest for the year	(387,211)	(228,198)	(202,250)	-
Operating lease expense for the year	<u>1,996,528</u>	<u>938,001</u>	<u>657,364</u>	-
Closing lease liability	<u>(4,261,063)</u>	<u>(3,498,626)</u>	<u>(2,621,898)</u>	<u>(3,077,012)</u>
Short term lease expenses through profit or loss	==	==	==	==

The group's leases include rental of office spaces for business use and right of use licences. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental repayments. The operating lease terms range from 2 to 10 years depending on the term set in the contract. The effective interest rates charged during the financial year is 7% (2017: 7%) per annum which reflects the borrowing rate on the loan drawn by the group in 2017.

Right of use asset of office rentals is classified as "property, plant and equipment", while right-of-use asset of licences is classified as "intangible assets". The movement of the carrying amount of the right-of-use assets of the group at the start and end of each reporting period is disclosed in Note 10 and 11.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

22. ULTIMATE AND IMMEDIATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of FINEOS Europe Unlimited, the immediate parent undertaking and controlling party, which is incorporated in Jersey. The ultimate parent undertaking is FINEOS International Limited, which is incorporated in Jersey. Michael Kelly is the ultimate controlling party of the FINEOS group.

23. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. Pension benefits are funded over the employee's period of service by way of contributions to an insured fund. The group's contributions are charged to the statement of comprehensive income in the year to which they relate and amounted to €2,078,761 (2017: €1,973,492). An amount of €253,667 was payable at the year end (2017: €234,002).

24. FINANCIAL INSTRUMENTS

(i) Liquidity risk

Liquidity risk refers to the risk that the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle. The following table details the Group's remaining contractual maturity for its liabilities. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

30 June 2018		Within 1	Between 1 - 5	Over 5
GROUP	Total	year	years	years
	€	€	€	€
Financial liabilities	17,263,299	17,263,299	-	-
Finance lease	4,261,063	1,094,844	3,166,219	-
Research and development tax credit	7,191,370	915,917	4,079,577	2,195,876
Bank loan	<u>15,000,000</u>	-	<u>15,000,000</u>	-
	<u>43,715,732</u>	<u>19,274,260</u>	<u>22,245,796</u>	<u>2,195,876</u>
30 June 2017		Within 1	Between 1 - 5	Over 5
GROUP	Total	year	years	years
	€	€	€	€
Financial liabilities	10,948,142	10,948,142	-	-
Finance lease	3,498,627	522,292	2,976,335	-
Research and development tax credit	6,126,148	542,561	3,245,241	2,338,346
Bank loan	<u>15,000,000</u>	-	<u>15,000,000</u>	-
	<u>35,572,917</u>	<u>12,012,995</u>	<u>21,221,576</u>	<u>2,338,346</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

24. FINANCIAL INSTRUMENTS (continued)

30 June 2018 COMPANY	Total €	Within 1 year €	Between 1 - 5 years €	Over 5 years €
Financial liabilities	17,477,697	17,477,697	-	-
Finance lease	3,052,023	909,355	2,142,668	-
Research and development tax credit	7,191,370	915,917	4,079,577	2,195,876
Bank loan	<u>15,000,000</u>	-	<u>15,000,000</u>	-
	<u>42,721,090</u>	<u>19,302,969</u>	<u>21,222,245</u>	<u>2,196,876</u>
30 June 2017 COMPANY	Total €	Within 1 year €	Between 1 - 5 years €	Over 5 years €
Financial liabilities	10,827,306	10,827,306	-	-
Finance lease	3,498,627	522,292	2,976,335	-
Research and development tax credit	6,126,148	542,561	3,245,241	2,338,346
Bank loan	<u>15,000,000</u>	-	<u>15,000,000</u>	-
	<u>34,452,081</u>	<u>11,892,159</u>	<u>21,221,576</u>	<u>2,338,346</u>

Fair values

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables and trade and other payables reasonably approximate their fair values because these are mostly short-term in nature. The fair values of other classes of financial assets and liabilities are disclosed in their respective notes to these financial statements.

The analysis of the carrying amounts of the financial instruments of the group required under IFRS 9 Financial Instruments is as follows:

Financial assets that are debt instruments measured at amortised cost	Group 2018 €	Group 2017 €	Group 2016 €	Group 2015 €
Trade receivables	11,407,051	6,901,983	4,091,796	6,532,559
Cash and cash equivalents	<u>9,927,253</u>	<u>13,782,062</u>	<u>13,014,502</u>	<u>10,076,904</u>
Financial liabilities at amortised cost				
Trade payables	1,375,191	624,205	485,649	470,798
Long term loan	15,000,000	15,000,000	-	-
Lease liabilities	4,261,063	3,498,627	2,621,897	3,077,011
Amounts due to ultimate parent undertaking	<u>93,409</u>	<u>93,509</u>	<u>93,509</u>	<u>93,610</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS (continued)

The main risks arising from the Group's financial instruments are credit risk, market risk, foreign currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(ii) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group had established credit limits for each customer under which these customers are analysed for credit worthiness before the Group's standard payment, and delivery terms are offered. Most of the customers have been with the Group for many years and losses have occurred infrequently. In most cases, the Group does not require collateral in respect of trade and other receivables. The Group monitors their balances regularly.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group always recognises lifetime Expected Credit Losses ("ECL") for trade receivables. The ECL on these financial assets are estimated using a provision matrix as shown below, based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Expected credit losses analysis:

At 30 June 2018	Current	1 month	2 months	3 months	4+ months	Balance
Debtors as at 30 June 2018	9,285,343	1,692,083	196,912	85,913	240,072	11,500,323
Expected credit losses %	0%	0%	1%	5%	10%	
Loss allowance	-	-	1,969	4,296	24,007	30,272
At 30 June 2017	Current	1 month	2 months	3 months	4+ months	Balance
Debtors as at 30 June 2017	5,114,111	1,182,510	427,919	134,137	60,323	6,919,001
Expected credit losses %	0%	0%	1%	5%	10%	
Loss allowance	-	-	4,279	6,707	6,032	17,018
At 30 June 2016	Current	1 month	2 months	3 months	4+ months	Balance
Debtors as at 30 June 2016	2,242,103	1,573,558	267,265	8,566	3,783	4,095,275
Expected credit losses %	0%	0%	1%	5%	10%	
Loss allowance	-	-	2,673	428	378	3,479

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

24. FINANCIAL INSTRUMENTS (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) Foreign currency risk

The Group's foreign currency risk arises from sales and purchases denominated in foreign currencies, primarily the United States dollar and British pound sterling. The Group do not use any foreign currency forward exchange contracts to hedge its exposure however they do, from time to time, enter into foreign currency contracts to manage the day-to-day cash needs across the group. At the year-end the Group have a number of these contracts in place however no gain or loss arising on the fair value of these FX contracts was recognised at the financial year end as these amounts were not material to the Group. The Group has not recognised any derivatives in the financial statements.

Sensitivity analysis

At 30 June 2018, if the foreign currencies strengthen 5% against the functional currencies, with all variables held constant, the pre-tax profit/loss of the Group, respectively, for the financial year would have been €37,688 (2017: €10,717) lower. A 5% weakening against the foreign currencies would have equal but opposite effect. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate.

(b) Interest rate risk

There are no variable rate instruments. The long term debt in place is at a fixed interest rate. The Group does not account for any fixed rate financial liabilities at FVTPL, therefore a change in interest rates at the reporting date would not affect profit or loss.

Fixed rate instruments – nominal amount	2018	2017	2016	2015
	€	€	€	€
Financial liabilities	<u>15,000,000</u>	<u>15,000,000</u>	<u>-</u>	<u>-</u>

25. RELATED PARTY TRANSACTIONS

A 10 year lease was signed on 13 June 2014 between FINEOS Corporation U.C. and Jacquel Properties Limited for an annual rent of €400,000 net of vat to be paid quarterly in advance, with a 5 year rent review is due in June 2019 which will be line with prevailing market rates. The rental expense for the year was €400,000. The total rent due to Jacquel Properties Limited at 30 June 2018 was €Nil. Michael Kelly is the majority shareholder in Jacquel Properties Limited and FINEOS International Limited. There were no amounts written off during the period to or from related parties.

Consulting fees invoiced by non-executive directors during the year amounted to €55,000 (2017: €88,131).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

25. RELATED PARTY TRANSACTIONS (continued)

In common with other companies, which are members of a group of companies, the financial statements reflect the effect of such membership. The group is availing of the exemption contained in IAS 24 Related Party Disclosures and is not disclosing its transactions between wholly owned group companies.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is €840,894 (2017: €843,581).

26. TRANSITION TO IFRS

This is the first year that the group has presented its results under International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU ("IFRS"). The last financial statements under FRS 102 were for the year ended 30 June 2017. The group has adopted 1 July 2015 as the date of transition to IFRS.

An explanation of how the transition from FRS 102 to IFRS has affected the group is set out in the following tables and notes.

IFRS 9 was implemented using the modified retrospective approach under the simplified approach model, with certain practical expedients. The effect of initially applying IFRS 9 was first recognised for the year ended 30 June 2016.

IFRS 15 was implemented using the modified retrospective approach. The first period affected was the year ended 30 June 2017.

IFRS 16 was implemented using the modified retrospective approach, with the cumulative effect of initially applying IFRS 16 recognised in retained earnings at the date of the initial application, i.e. 1 July 2015.

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

26. TRANSITION TO IFRS (continued)

Reconciliation of retained earnings as at 1 July 2015	€
Retained earnings at 1 July 2015 under FRS 102	2,869,399
Restatement 1 – Early adoption of IFRS 16 Leases – recognition of Right of Use asset, lease liability and related depreciation and interest expenses	(53,316)
Restatement 2 – Early adoption of IFRS 15 Revenue - Capitalisation of costs to obtain or fulfil a contract with a customer	-
Restatement 3 – Early adoption of IFRS 9 Financial Instruments - Provision for receivables	-
Restatement 4 – Capitalisation of development costs previously expensed as incurred (including associated capitalisable borrowing costs)	10,768,285
Restatement 5 – Capitalisation of research and development tax credit in line with treatment of development costs	<u>(3,285,734)</u>
Retained earnings at 1 July 2015 under IFRS	<u>10,298,634</u>
 Reconciliation of retained earnings as at 1 July 2016	 €
Retained earnings at 1 July 2016 under FRS 102	2,118,309
Restatement 1 – Early adoption of IFRS 16 Leases – recognition of Right of Use asset, lease liability and related depreciation and interest expenses	(120,679)
Restatement 2 – Early adoption of IFRS 15 Revenue - Capitalisation of costs to obtain or fulfil a contract with a customer	-
Restatement 3 – Early adoption of IFRS 9 Financial Instruments - Provision for receivables	(3,479)
Restatement 4 – Capitalisation of development costs previously expensed as incurred (including associated capitalisable borrowing costs)	15,115,142
Restatement 5 – Capitalisation of research and development tax credit in line with treatment of development costs	<u>(4,628,260)</u>
Retained earnings at 1 July 2016 under IFRS	<u>12,481,033</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2018

26. TRANSITION TO IFRS (continued)

Reconciliation of retained earnings as at 30 June 2017	€
Retained earnings at 30 June 2017 under Irish GAAP	(8,319,607)
Restatement 1 – Early adoption of IFRS 16 Leases – recognition of Right of Use asset, lease liability and related depreciation and interest expenses	(185,821)
Restatement 2 – Early adoption of IFRS 15 Revenue - Capitalisation of costs to obtain or fulfil a contract with a customer	68,617
Restatement 3 – Early adoption of IFRS 9 Financial Instruments - Provision for receivables	(17,018)
Restatement 2 – Capitalisation of development costs previously expensed as incurred (including associated capitalisable borrowing costs)	24,528,666
Restatement 5 – Capitalisation of research and development tax credit in line with treatment of development costs	(6,126,148)
Retained earnings at 30 June 2017 under IFRS	<u>9,948,689</u>

27. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

Capital management

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of debts, which includes the borrowings and equity attributable to owners of the Company, comprising issued capital and reserves.

There were no changes in the Group's and Company's approach to capital management during the year. The Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including bank borrowings and excluding trade and other payables, provisions for income tax and deferred tax liabilities as shown in the statement of financial position) less cash. Total capital is calculated as total equity as shown in the statement of financial position, plus net debts.

The gearing ratios at 30 June 2018 were as follows:

	Group 2018 €	Group 2017 €
Total borrowings	15,000,000	15,000,000
Less: cash and cash equivalents	(9,927,253)	(13,782,062)
Net debt	5,072,747	1,217,938
Total equity	<u>23,326,316</u>	<u>21,886,791</u>
Total capital	<u>28,399,063</u>	<u>23,104,729</u>
Gearing ratio	<u>21.75%</u>	<u>5.56%</u>

FINEOS CORPORATION U.C. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

28. SUBSEQUENT EVENTS

There were no significant events subsequent to year end.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and company statement of financial position in respect of the year ended 30 June 2018 were approved and authorised for issue by the directors on 4 February 2019.