FINEOS Corporation Holdings Plc

Appendix 4E

Preliminary Final Report

For the year ended

30 June 2019

FINEOS CORPORATION HOLDINGS PLC

PRELIMINARY FINAL REPORT
for the year ended 30 June 2019

1. COMPANY DETAILS

Name of Entity

FINEOS Corporation Holdings Plc

ABN or equivalent reference	Financial year ended (reporting period)	Financial year ended (previous corresponding period)
633 278 430	**30 June 2019**	**30 June 2018**

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (NOTE: ALL AMOUNTS IN EURO)

	Up/(down)	**% change**	**30 June 2019 €**	**30 June 2018 €**
Revenue from ordinary activities	9,045,915	16.8%	62,812,770	53,766,855
(Loss)/profit from ordinary activities after tax attributable to members	(3,136,519)	(229%)	(1,769,657)	1,366,862
Net (loss)/profit attributable to members	(2,976,567)	(248%)	(1,773,927)	1,202,640

3. DIVIDEND

The company has not declared, and does not propose to pay, any dividends for the year ended 30 June 2019 (30 June 2018: Nil). There are no dividend or dividend reinvestment plans in operation.

4. NET TANGIBLE ASSETS PER SECURITY

	30 June 2019 €	**30 June 2018 €**
Net tangible assets per security	(0.95)	(0.55)

Net tangible assets are defined as the net assets of FINEOS Corporation Holdings Plc less intangible assets.

5. PRINCIPAL ACTIVITIES

The principal activity of the group is the development and sale of enterprise claims and policy management software for the Life, Accident and Health Insurance Industry. On 16 August 2019 the entity listed on the ASX by means of issuing CHESS Depositary Interests.

6. COMMENTARY ON RESULTS

FINEOS Corporation Holdings Plc ("the company") and subsidiaries (collectively "FINEOS", or "the group") remains an innovator of enterprise claims and policy 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.

Business summary and key performance indicators

The key performance indicators of the financial results are as follows;

- An increase in revenue from €53.8 million for the year ended 30 June 2018 ("2018") to €62.8 million for the year ended 30 June 2019 ("2019") which is a 16.8 % improvement.
- The loss before tax for the year ended 30 June 2019 is €1.7 million compared to a profit of €2.7 million for year ended 30 June 2018.
- This revenue increase of €9 million reflects growth in new business and a transition to a subscription-based licence and billing model.

FINEOS has continued its strategy of investment in research and development during fiscal year 2019 in the FINEOS AdminSuite product suite, which includes the development and launch of Absence Management, Policy Administration and Billing to complement the existing FINEOS Claims solution. In addition, FINEOS also increased its investment in the FINEOS Cloud platform.

Euro based currency volatility continued during fiscal year 2019 in relation to the US Dollar, Sterling, Australian Dollar, New Zealand Dollar and Canadian Dollar, resulting in a foreign exchange loss of €34k for the group in the year. Foreign exchange continues to be a risk for FINEOS given the export profile of the group. 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 focus across for the business. This is important given the ongoing need for investment in sales, implementation and support services in the separate geographies such as the US, Canada, Australia, New Zealand, 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 respective locations.

6. COMMENTARY ON RESULTS (continued)

2019 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 reserves closed at €6.9 million at 30 June 2019 compared to €10.1 million at 30 June 2018.

The consolidated statement of comprehensive income for the year ended 30 June 2019 and the consolidated statement of financial position at that date are set out on pages 5 and 6. The consolidated loss on ordinary activities for the year, before tax, amounted to €1.7 million compared to a profit of €2.7 million in 2018. After deducting taxation of €0.1 million, a loss of €1.8 million has been debited to reserves.

7. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

There are no entities over which control has been gained or lost during the period.

8. ASSOCIATES AND JOINT VENTURE ENTITIES

There are no associate or joint venture entities.

9. AUDIT STATUS

This Appendix 4E and the included financial information are based on financial statements which are in the process of being audited.

10. FOREIGN ENTITY ACCOUNTING STANDARDS

The financial statements contained within the Preliminary Financial Report are measured and recognised in accordance with International Financial Reporting Standards, as adopted by the European Union.

11. FINANCIAL REPORT

The following financial report included in this Appendix 4E does not include all notes of the type normally included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating, financial and investing activities of the consolidated entity as the full financial report. The financial report should be read in conjunction with any public announcements made by FINEOS Corporation Holdings Plc in accordance with the continuous disclosure obligations of the ASX listing Rules.

The accounting policies are the same as those applied in the most recent interim financial report and the previous annual report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Note	2019 €	2018 €
Revenue	4	62,812,770	53,766,855
Cost of sales		(21,091,941)	(14,305,304)
Gross profit		41,720,829	39,461,551
Product development and delivery		(30,214,784)	(24,722,244)
Sales and marketing		(2,440,814)	(2,206,425)
General and administration		(9,371,589)	(9,392,898)
Initial public offering costs		(1,068,273)	-
Other income		1,053,172	594,119
Operating (loss) / profit		(321,459)	3,734,103
Finance income		6,467	8,103
Finance costs		(1,358,629)	(1,051,810)
(Loss) / profit on ordinary activities before taxation		(1,673,621)	2,690,396
Income tax		(96,036)	(1,323,534)
(Loss) / profit for the financial year		(1,769,657)	1,366,862
Other comprehensive income for the year:			
Foreign exchange differences on translation of operations of foreign subsidiaries and branches		(4,270)	(164,222)
Total comprehensive (loss) / profit for the year attributable to the equity holders of the parent		(1,773,927)	1,202,640

All results relate to continuing operations.

The notes on pages 10 to 41 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note	30 June 2019 €	30 June 2018 €
ASSETS			
Non-current assets			
Intangible assets	6	44,027,266	35,872,977
Property, plant and equipment	7	7,295,724	3,721,579
		51,322,990	39,594,556
Current assets			
Trade and other receivables	8	16,037,285	17,879,832
Cash and cash equivalents		6,903,010	10,093,382
		22,940,295	27,973,214
Total Assets		74,263,285	67,567,770
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	9	23,646,628	19,180,651
Non-current liabilities			
Long term liabilities	9	27,813,499	24,441,672
Provisions		193,870	359,593
Total liabilities		51,653,997	43,981,916
Capital and reserves			
Called up share capital presented as equity	10	224,402	224,402
Foreign exchange reserve		(213,069)	(208,799)
Other undenominated capital		1	1
Share option reserve		1,762,026	964,665
Reorganisation reserve	11	11,123,985	11,123,985
Retained earnings		9,711,943	11,481,600
Total equity		22,609,288	23,585,854
TOTAL LIABILITIES AND EQUITY		74,263,285	67,567,770

The notes on pages 10 to 41 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Called up share capital presented as equity €	Foreign exchange reserves arising on translation €	Other undenominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 1 July 2017	224,402	(44,577)	1	727,900	11,123,985	10,114,738	22,146,449
Profit for the year	-	-	-	-	-	1,366,862	1,366,862
Other comprehensive income for the year	-	(164,222)	-	-	-	-	(164,222)
Total comprehensive income for the year	-	(164,222)	-	-	-	1,366,862	1,202,640
Share-based payment charge	-	-	-	236,765	-	-	236,765
At 30 June 2018	224,402	(208,799)	1	964,665	11,123,985	11,481,600	23,585,854

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

The notes on pages 10 to 41 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Called up share capital presented as equity €	Foreign exchange reserves arising on translation €	Other undenominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 1 July 2018	224,402	(208,799)	1	964,665	11,123,985	11,481,600	23,585,854
Loss for the year	-	-	-	-	-	(1,769,657)	(1,769,657)
Other comprehensive income for the year	-	(4,270)	-	-	-	-	(4,270)
Total comprehensive income for the year	-	(4,270)	-	-	-	(1,769,657)	(1,773,927)
Share-based payment charge	-	-	-	797,361	-	-	797,361
At 30 June 2019	224,402	(213,069)	1	1,762,026	11,123,985	9,711,943	22,609,288

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

The notes on pages 10 to 41 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2019

	2019 €	2018 €
Cash flows from operating activities		
Group (loss) / profit after tax	(1,769,657)	1,366,862
Adjusted for:		
Income tax expense	96,036	1,323,534
Finance costs	1,358,629	1,051,690
Finance income	(6,467)	(8,103)
Other income	(1,053,172)	(594,119)
Depreciation	1,357,376	1,745,677
Amortisation	7,115,224	4,395,112
Lease expense	(1,610,017)	(1,609,317)
Movement in trade and other receivables	2,451,511	(5,040,941)
Movement in trade and other payables	3,560,517	5,343,152
Net tax paid	(726,129)	(489,764)
R&D refund received	1,763,353	2,688,262
Effect of movement in exchange rates	32,647	(149,094)
Share-based payment expense	797,361	236,765
Net cash flows generated from operating activities	13,367,212	10,259,716
Cash flows from investing activities		
Interest received	6,467	8,103
Grant income	62,388	-
Payment for property, plant and equipment	(861,575)	(361,785)
Payment for intangible assets	(15,269,513)	(13,276,388)
Net cash used in investing activities	(16,062,233)	(13,630,070)
Cash flow from financing activities		
Interest paid	(495,351)	(484,480)
Net cash used in financing activities	(495,351)	(484,480)
Net decrease in cash and cash equivalents	(3,190,372)	(3,854,834)
Cash and cash equivalents at the beginning of the year	10,093,382	13,948,216
Cash and cash equivalents at the end of the year	6,903,010	10,093,382

1. GENERAL INFORMATION

FINEOS Corporation Holdings Plc (the company) is a public limited 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 and policy management software for Life, Accident and Health insurers. 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

FINEOS Corporation Holdings plc ('FINEOS') was incorporated on 12 December 2018. Prior to becoming the holding company of the FINEOS group of companies on 24 June 2019 it did not undertake any trading activities. The FINEOS group contains FINEOS Corporation Limited (formally FINEOS Corporation U.C.) ('FINEOS U.C.'), which is the main operating entity of the FINEOS group and which, itself, holds various subsidiaries that together operate the business for the group. FINEOS U.C. is the entity that has historically prepared consolidated financial statements for the FINEOS group.

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination as in the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to operate as a listed entity and most appropriately reflects the substance of the internal restructure. As such, the consolidated financial statements of FINEOS Corporation Holdings plc have been presented as a continuation of the pre-existing accounting values of assets and liabilities in FINEOS Corporation Limited's financial statements, and those of its intermediate holding companies FINEOS Europe Limited and FINEOS International Limited. Therefore, although FINEOS was only incorporated on 12 December 2018 the results, assets and liabilities of the entire group are accounted for as if these entities had been combined throughout the years ended 30 June 2019 and 30 June 2018. The reorganisation reserve represents the difference between the fair value of the shares issued to effect the reorganisation and the nominal value of the shares acquired. Commentary on performance and financial position has also been made as if the current legal structure has been in place from 1 July 2017.

This report is not a set of statutory financial statements and does not include all the information required for a complete set of financial statements, prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since 30 June 2018. They should be read in conjunction with the statutory consolidated financial statements of the FINEOS Corporation Limited group, which were prepared in accordance with IFRS as adopted by the European Union, as at and for the year ended 30 June 2018 and also in conjunction with any public announcements made by FINEOS Corporation Holdings plc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of financial statements (continued)

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.

Transition to IFRS

For financial reporting periods up to and including 30 June 2017, the FINEOS Corporation Limited 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 FINEOS Corporation Limited group adopted IFRS as adopted by the EU in the year ended 30 June 2018 with a transition date of 1 July 2015. IFRS amendments issued and adopted by the group are set out below and have been applied consistently by the group to all periods presented in these financial statements.

New standards and interpretation

There are no changes to IFRS which became effective for the group during the financial year ended 30 June 2019 which resulted in material changes to the financial statements. A number of new standards were effective for annual reporting periods beginning from 1 January 2018 and were applied early in the preparation of the financial statements for the year ended 30 June 2018 as outlined below.

Early adoption of new standards amendments and interpretation

The IASB and IFRIC have issued the following standards and interpretations that were issued but not yet effective but were available for early adoption at the date of transition are disclosed below. The FINEOS Corporation Limited group applied early adoption of these standards in the transition to IFRS for the year ended 30 June 2018.

- 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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of financial statements (continued)

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.

b) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition

The group recognises revenue from the following major sources:

- Initial product licence 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 licenced 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 (k).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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 licences is presented under ‘intangible assets’. The movement of right-of-use of the assets of the group during the years is disclosed in Notes 6 and 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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 licences 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.

e) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) 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.

i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income tax (continued)

Deferred tax (continued)

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.

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.

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.

k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Intangible assets (continued)

<u>Internally-generated intangible assets</u>

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.

- 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(g) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Intangible assets (continued)

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.
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.

l) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property, plant and equipment (continued)

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.

m) 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.

n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment of tangible and intangible assets (continued)

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.

o) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

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 Fair Value Through the Statement of Other Comprehensive Income, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

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.

p) 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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.

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.

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

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

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 licences, 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 (c) for details on the group's revenue recognition policies adopted. The amount of the group's revenue recognised as at 30 June 2019 was €62,812,770 (2018: €53,766,855) (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 2019 was €44,027,266 (2018: €35,872,977) (note 6).

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.

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

Critical judgements made in applying the group accounting policies (continued)

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 has adopted the simplified approach of measuring expected credit losses for trade receivables which reflects management's estimate of the loss allowance. 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 2019 was €8,476 (2018: €30,272) (note 8).

4. REVENUE

	2019	2018
	€	€
Amount of revenue by class of activity:		
Initial product licence fees	3,699,694	7,072,923
Annual subscriptions	19,588,954	14,974,798
Professional services	39,524,122	31,719,134
	62,812,770	53,766,855

	2019	2018
	€	€
Amount of revenue by market:		
APAC	28,368,929	28,903,342
North America	28,248,723	18,808,513
EMEA	6,195,118	6,055,000
	62,812,770	53,766,855

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 licenced 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 licenced IP or any collection uncertainties over the term of the contract.

4. REVENUE (continued)

Licences 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 licenced 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 licence 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 licence 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.

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 licence 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 licenced 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.

4. REVENUE (continued)

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 assets
Contract assets are disclosed separately as unbilled receivables in Trade and other receivables amounting to €1,405,217 (2018: €1,135,781) (note 8).

Contract liabilities
Contract liabilities are disclosed separately as deferred income in Trade and other payables amounting to €10,397,118 (2018: €10,447,737) (note 9). 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 have been completed to date and to which the group has a right to invoice.

5. EARNINGS PER SHARE

	2019 €	2018 €
Basic earnings per share		
(Loss) / profit attributed to ordinary shareholders	(1,773,927)	1,202,640
Weighted average number of ordinary shares outstanding	219,990,350	219,990,350
Basic (loss) / profit per share	(0.01)	0.01

Basic (loss) / profit per share is calculated by dividing the loss for the year after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

5. EARNINGS PER SHARE (continued)

	2019	2018
	€	€
Diluted earnings per share		
(Loss) / profit attributable to ordinary shareholders	(1,773,927)	1,202,640
Weighted average number of ordinary shares Outstanding	219,990,350	224,401,590
Diluted loss / profit per share	(0.01)	0.01

The calculation of diluted earnings per share has been based on the loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease EPS or increase the loss per share from continuing operations.

Subsequent to the year end, a resolution was passed to subdivide all issued and unissued ordinary shares of €0.01 each in the capital of the company by 10. The calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively.

6. INTANGIBLE ASSETS

GROUP 2019	**Right of use assets**	**Development expenditure**	**Contract costs**	**Computer software**	**Total**
	€	€	€	€	€
Cost					
At 30 June 2018	2,743,877	50,986,528	316,585	341,736	54,388,726
Additions	-	13,925,681	1,343,832	-	15,269,513
At 30 June 2019	2,743,877	64,912,209	1,660,417	341,736	69,658,239
Amortisation					
At 30 June 2018	1,688,038	16,603,105	49,884	174,722	18,515,749
Charged in year	683,094	6,141,730	221,949	68,451	7,115,224
At 30 June 2019	2,371,132	22,744,835	271,833	243,173	25,630,973
Net book amounts					
At 30 June 2019	372,745	42,167,374	1,388,584	98,563	44,027,266
At 30 June 2018	1,055,839	34,383,423	266,701	167,014	35,872,977

6. INTANGIBLE ASSETS (continued)

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	462,752	13,450,786	245,602	-	14,159,140
At 30 June 2018	2,743,877	50,986,528	316,585	341,736	54,388,726
Amortisation					
At 30 June 2017	1,004,944	13,007,076	2,366	106,251	14,120,637
Charged in year	683,094	3,596,029	47,518	68,471	4,395,112
At 30 June 2018	1,688,038	16,603,105	49,884	174,722	18,515,749
Net book amounts					
At 30 June 2018	1,055,839	34,383,423	266,701	167,014	35,872,977
At 30 June 2017	1,276,181	24,528,666	68,617	235,485	26,108,949

Development expenditure

In total, research and development costs for the group amounted to €22,845,611 (2018: €21,538,446) in the reporting period, out of which €13,925,681 (2018: €13,030,786) 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 €6,036,730 in 2019 (2018: €3,553,123) is included within administrative expenses in the consolidated statement of comprehensive income.

Included within group development expenditure additions is capitalised borrowing costs of €Nil (2018: €420,000) during the year. The amortisation expense relating to capitalised borrowing costs is €105,000 (2018: €42,906).

7. PROPERTY, PLANT AND EQUIPMENT

GROUP 2019	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2018	4,818,466	726,557	1,871,394	2,720,325	10,136,742
Additions	190,016	28,879	832,091	605	1,051,591
Lease modification	3,916,847	-	-	-	3,916,847
Disposals	-	-	-	(719,253)	(719,253)
Translation adjustment	(31,260)	(69,985)	293,058	(299,865)	(108,052)
At 30 June 2019	8,894,069	685,451	2,996,543	1,701,812	14,277,875
Depreciation					
At 30 June 2018	1,908,471	638,158	1,394,273	2,474,261	6,415,163
Charged in year	709,255	42,213	440,637	165,271	1,357,376
Disposals	-	-	-	(719,253)	(719,253)
Translation adjustment	(3,786)	(56,923)	285,533	(295,959)	(71,135)
At 30 June 2019	2,613,940	623,448	2,120,443	1,624,320	6,982,151
Net book amounts					
At 30 June 2019	6,280,129	62,003	876,100	77,492	7,295,724
At 30 June 2018	2,909,995	88,399	477,121	246,064	3,721,579

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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	4,818,466	726,557	1,871,394	2,720,325	10,136,742
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	1,908,471	638,158	1,394,273	2,474,261	6,415,163
Net book amounts					
At 30 June 2018	2,909,995	88,399	477,121	246,064	3,721,579
At 30 June 2017	2,036,624	68,568	480,668	612,933	3,198,793

8. TRADE AND OTHER RECEIVABLES

	2019 €	2018 €
GROUP		
Trade receivables	7,400,917	11,470,051
Unbilled receivables	1,405,217	1,135,781
Other receivables	192,830	42,485
Prepayments	2,344,511	1,326,382
Research and development tax credits	3,771,908	3,516,117
Value added tax recoverable	439,399	259,687
Corporation tax recoverable	170,935	129,329
Deferred tax asset	311,568	-
	16,037,285	17,879,832

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 a provision for expected credit losses.

8. TRADE AND RECEIVABLES (continued)

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.

9. TRADE AND OTHER PAYABLES

Current	**2019 €**	**2018 €**
Trade payables	1,868,820	1,375,191
Corporation tax	145,605	260,038
Value added tax	57,420	161,845
PAYE and PRSI	1,119,744	916,220
Accruals	7,630,504	4,008,859
Deferred revenue	10,397,118	10,447,737
Research & development tax credit	1,344,922	915,917
Lease liabilities (Note 13)	1,082,495	1,094,844
	23,646,628	19,180,651
Non-current	**€**	**€**
Long term loan (Note 12)	15,000,000	15,000,000
Lease liability (Note 13)	5,938,691	3,166,219
Research and development tax credit	6,874,808	6,275,453
	27,813,499	24,441,672

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.

Accruals
The terms of the accruals are based on underlying invoices.

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.

10. ORDINARY SHARE CAPITAL

	2019 €	2018 €
Authorised share capital		
431,217,456 A Ordinary shares of €0.01 each	4,312,175	4,312,175
7,978,180 Preferred A shares of €0.01 each	79,782	79,782
2,462,944 B Ordinary Redeemable shares of €0.01 each	24,629	24,629
8,341,420 C Ordinary Redeemable shares of €0.01 each	83,414	83,414
	4,500,000	4,500,000
Issued share capital presented as equity		
15,297,109 A Ordinary shares of €0.01 each	152,971	152,971
441,124 Preferred A shares of €0.01 each	4,411	4,411
36,440 B Ordinary Redeemable shares of €0.01 each	365	365
6,665,486 C Ordinary Redeemable shares of €0.01 each	66,655	66,655
	224,402	224,402

Dividends
The A Ordinary shares, the B Ordinary Redeemable shares, the C Ordinary Redeemable shares and the Preferred A shares rank pari passu with each other in relation to all dividends which may be declared or paid by the company.

Voting rights
The holders of the A Ordinary shares, the B Ordinary Redeemable shares, the C Ordinary Redeemable shares and the Preferred A 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.

Redemption
Upon written application to the company by a holder of B Ordinary Redeemable shares or C Ordinary Redeemable shares, the Board may redeem some or all of that holder's B Ordinary Redeemable shares or C Ordinary Redeemable shares on such terms as may be agreed between the Board and the holder of the shares, provided always that the redemption price per B Ordinary Redeemable share or C Ordinary Redeemable share shall not be less than €0.169.

Ordinary share capital
100 Ordinary shares of €0.0127 each were issued for the initial capitalisation of the company, in the name of Michael Kelly.

On 20 June 2019, 1 A Ordinary share of €0.01 each was issued in the company, in the name of Michael Kelly.

On 21 June 2019 the 100 A Ordinary shares of €0.0127 each in issue were transferred by Michael Kelly to the company for no consideration and were thereupon cancelled.

10. ORDINARY SHARE CAPITAL (continued)

On 24 June 2019 to facilitate a corporate re-organisation of the FINEOS group, a share exchange agreement was entered into, whereby the entire issued share capital of FINEOS International Limited (“FIL”) was transferred by the shareholders of FIL to the company, in consideration of the issue and allotment of shares in the company to the shareholders of FIL on a one for one basis; the following shares were issued in the share capital of the company:

- 15,297,109 A Ordinary shares of €0.01 each
- 441,124 Preferred A shares of €0.01 each
- 36,440 B Ordinary Redeemable shares of €0.01 each
- 6,665,486 C Ordinary Redeemable shares of €0.01 each

A connected person with Michael Kelly, Jacquel Investments Limited, is the holder of 11,851,673 A Ordinary shares of €0.01 each and 6,381,670 C Ordinary Redeemable shares of €0.01 each, following the share exchange agreement.

The 1 A Ordinary share in issue prior to completion of the share exchange agreement in the name of Michael Kelly was surrendered to the company for no consideration following completion of the share exchange agreement, and was thereupon cancelled.

Subsequent to the year end, a resolution was passed on 9 July 2019 to subdivide all issued and unissued ordinary shares of €0.01 each in the capital of the company by 10 so that the nominal value of each share in the company shall be €0.001 rather than €0.01 and to redesignate all the issued and unissued “A Ordinary Shares” as “Ordinary Shares” but with no change to the rights attached to the shares.

On 15 August 2019, in preparation for the company’s admission to the official list of the Australian Stock Exchange (ASX) and its initial public offering, the company issued and allotted 40,016,000 new ordinary shares at a price of A$2.50 per Ordinary Share. In addition, the Preferred A Shares, B Ordinary Redeemable Shares and C Ordinary Redeemable Shares were converted into Ordinary Shares.

11. RESERVES

Other undenominated capital
This reserve represents the nominal value of shares acquired by the company for no consideration.

Re-organisation reserve
This reserve represents the difference between the nominal value of the shares issued in the company and the book value of the investment acquired arising from the capital reorganisation as outlined in the basis of financial statements note on page 10.

12. BANK LOANS

	2019 €	2018 €
Due after one year	15,000,000	15,000,000

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 €Nil (2018: €420,000) are capitalised in the current year using the effective interest rate method at a rate of 7%. Interest amortised in the period amounted to €105,000 (2018: €42,906).

13. LEASE LIABILITIES

	2019 €	2018 €
Group		
Current lease liabilities	1,082,495	1,094,844
Non-current lease liabilities	5,938,691	3,166,219
	7,021,186	4,261,063

The group's total lease liability is as follows:

	30 June 2019 €	30 June 2018 €
Opening liability	(4,261,063)	(3,498,626)
Additions for the year	(4,106,863)	(2,371,754)
Interest for the year	(263,277)	(387,211)
Operating lease expense for the year	1,610,017	1,996,528
Closing lease liability	(7,021,186)	(4,261,063)
Short term lease expenses through income statement	-	-

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 6 and 7.

14. EVENTS SUBSEQUENT TO THE YEAR END

During August 2019 the company completed an initial public offering in Australia, resulting in raising of AUD $100 million. In preparation for this the company's share capital was restructured as noted in Note 10. The group has initiated the process to repay the Bank Loan set out in Note 12.