




Datalex

You get a better view of people from here.

ANNUAL REPORT 2016





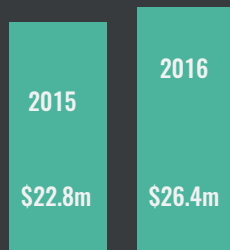
**DATALEX.
YOU GET A
BETTER VIEW
OF PEOPLE
FROM HERE.**

2016 HIGHLIGHTS

In 2016, we continued to successfully deliver on our strategy for growth and the creation of shareholder value, with double digit growth across all key metrics of revenue, Adjusted EBITDA and cash and short term investments, while undertaking significant investment to drive future growth.

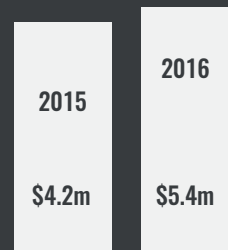
Platform Revenue Growth

↑ 15%



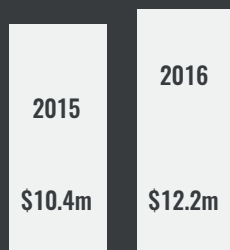
Profit after Tax

↑ 29%



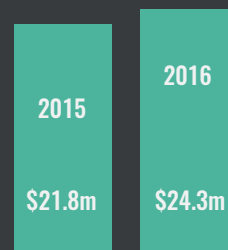
Adjusted EBITDA

↑ 18%



Cash and Short Term Investments

↑ 12%



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See all investor information online at www.datalex.com/investors

AT A GLANCE

**Our software enables
airlines to adapt
faster and better to
the ever changing
needs of customers.**

Datalex is a market leader in Digital Commerce for Travel Retail

Our platform is used by some of the world's most innovative airline retail brands to drive their revenue and customer experience. Headquartered in Dublin, Ireland with five office locations across Europe, USA and China. Datalex is a publicly listed company and trades on the Irish Stock Exchange (ISE:DLE).

Agility in Travel Commerce: Airline customers use the Datalex Digital Commerce Platform to dynamically control and optimise all air and ancillary offers to over one billion interactions on every device across every digital sales channel and at every touch point in the travel journey, covering every corner of the globe.



Thanks to the success of its customers, Datalex has become a leading Digital Commerce Platform in its chosen market.

>1 Billion

Shopping interactions on the Digital Commerce Platform annually.

>50 Global Brands

Established customer and partner brands with typical contract lengths of five years. Significant growth in fast growing Chinese market.

MARKET REVIEW

UNDERSTANDING OUR MARKETPLACE

Our customers demand an agile and flexible Digital Commerce Platform upon which they can effectively retail innovative new product and service offerings for optimised revenues and customer experience across all customer channels and touchpoints.

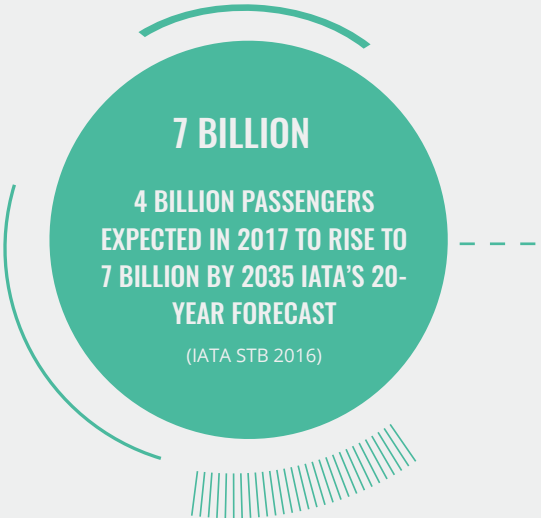


AIRLINES & THE DIGITAL ECONOMY

Airlines are forecast to earn a 4.1% net profit margin in 2017, well below other participants in the travel supply chain.

Digital technology, mobility, and data now drive customer expectation for new relevant and tailored products and services and the digital economy is dominated by digital platform businesses such as Amazon, Priceline and Airbnb.

The digital economy will continue to drive a monumental change in how airlines as retailers compete to offer quality products and services which differentiate and drive margin expansion.



THE RETAIL OPPORTUNITY

Travel demand remains strong, and the airline retail opportunity continues to expand, providing opportunity for better returns.

The airline can travel further with the customer than any other travel retailer as the 'first point in the travel journey', yet siloed customer engagement systems and a legacy supply chain limit the opportunity to engage and provide offers.

Airlines look to invest and innovate in new revenue generating products and services beyond the traditional fare and limited ancillary offer, and to actively retail with the same control and flexibility of competing online retailers.

Datalex is ideally positioned to meet the growing demand for flexible and dynamic digital commerce solutions which put the airline in control of retailing its products and services.

THE TECHNOLOGY CHALLENGE

Airlines are increasingly aware that their commercial future is reliant on a rapid shift from legacy systems to more flexible, dynamic and customer centric digital commerce platforms which they can control.

Legacy inventory, ticketing and reservation systems of today lack the flexibility required for a dynamic digital sales market. Airlines continue to invest in digital platforms that can help transform legacy and rigid distribution models which hinder brand competitiveness and much needed revenue and margin.



AN INDUSTRY IN TRANSITION

Airlines have signalled their intent through IATA to enhance distribution control of their products and services and to simplify fulfilment of orders across an increasing volume of customer channels. Datalex are active members of the IATA working groups and taskforces which are tasked to define future offer and order standards for the airline enterprise.



OUR DIGITAL COMMERCE PORTFOLIO

INNOVATION IN DIGITAL COMMERCE PRODUCT PORTFOLIO DRIVES CAPACITY FOR GROWTH

The airline retailer has access to more touchpoints than any other travel retailer. Airlines cannot realise the full retail opportunity until they work with one common system as the basis for every offer and for a consistent customer experience. Investment in digital commerce is therefore critical to the airline's commercial future. The Datalex Digital Commerce Platform meets the requirement for one common system, providing the latest in digital technology innovation coupled with unique travel domain expertise. In 2016, Datalex invested US\$9.2m (2015: US\$6.0m) in product development, accelerating our innovation in key areas such as offer and order management to take advantage of our growing market opportunity.



THE SALES CHANNEL

Our platform enables a consistent offer experience across web, mobile, call centre, airport and in-flight touchpoints. In 2016, we released new API toolsets against which airlines design and differentiate customer experiences. We also delivered a comprehensive call centre application as an integrated customer touchpoint which has greatly enhanced customer experience and revenue opportunity. Our investment in 'API First' ensures that the platform can scale to support a rapidly evolving digital ecosystem of channels and touchpoints.



THE PRICE

Our pricing engine is a key product differentiator, and we continue to innovate and lead the transformation of pricing as an integrated component of our offer capability. The industry relies on disparate legacy pricing engines built for the air fare only. These systems cannot dynamically price or revenue optimise the full range of airline offers. In 2017, this continues to be a key focus for our innovation team as we work with leading airlines and strategic partners such as IBM Watson to revolutionise dynamic pricing using advanced cognitive computing and machine learning technologies.



THE OFFER

Our customers continue to create and merchandise new innovative product and service offerings beyond the traditional fare and limited ancillary offers. Our offer management capability continues to extend and combine a greater range of offers which drive revenue and margin expansion for our installed customer base and which differentiate our platform for new customer acquisition. In 2016, we developed new product capabilities which permit personalised and dynamic offer optimisation of airline and partner products and services. New platform solutions for vacation packaging and loyalty were also developed, which open a new avenue of growth and allows us to broaden our offering.



THE ORDER

The airline industry is hindered by a legacy and complex order management model which involves rigid reservations, ticketing and accounting methods designed for one product (the airline ticket) and one channel (the agency). The airline offer has greatly expanded and airlines acknowledge that their commercial future must serve a rapidly increasing volume of customer channels. Industry initiatives (IATA One Order) are underway to simplify the order management process and our airline customers are leading the way by virtue of the Datalex Order Management capability which simplifies fulfillment, settlement and servicing of bookings.

Digital Payments Portfolio

Our platform allows the airline retailer to tailor the offer, based on the payment option selected, and to manage all forms of payments across global markets. Airline customers demand more flexible reward currencies and have a growing propensity to pre-pay for value. In 2017, we will launch a new virtual currency payment capability to drive loyalty redemption and a new pre-payment capability to support subscription and pre-pay offers. We will also further enhance the credit management for airline partners (e.g. agencies; airline alliance partners; intermediaries). We are confident that our payments portfolio represents a significant growth product and will extend our market and product reach.

INVESTMENT CASE

**“Digital is core
to our future and
Datalex is a key
partner enabling
Brussels Airlines to
deliver innovative
and tailored
solutions
to our guests.”**

Simon Lamkin, CIO,
Brussels Airlines, 2016

ADDRESSABLE MARKET

We have a large and growing addressable market

7 BILLION

passengers by 2035
IATA's 20-year forecast
(IATA STB 2016)

\$817 BILLION

by 2020, global digital
travel sales will top
US\$817 billion
(eMarketer 2016)

GROWTH AND VISIBILITY

Proven Track Record of Growth and Margin Expansion

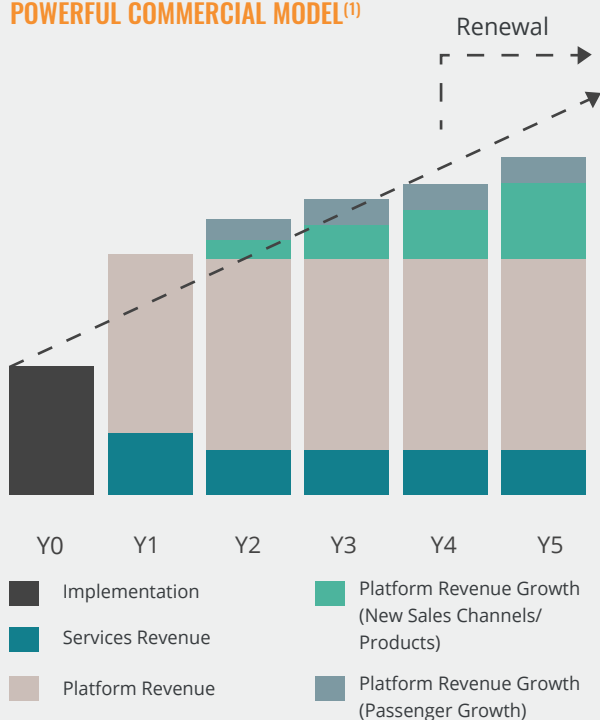
7 YEARS

of consecutive double
digit growth in Adjusted
EBITDA

80%

growth in platform
revenue (2012 - 2016)

POWERFUL COMMERCIAL MODEL⁽¹⁾



Our business consists of two revenue streams:

- Services revenue, which covers the initial implementation and deployment of our platform at new customers, and services to enhance the solution.
- Platform revenue, where we get paid for every product and service sold through the platform.

These two streams are mutually reinforcing, as our services engagement delivers more products and channels to the airline, which drives new transaction opportunities and supports revenue and passenger growth.

⁽¹⁾ The model represents a typical revenue pattern for a five year customer contract.

STRONG BALANCE SHEET

We maintain a strong balance sheet to enable operational flexibility while re-investing to sustain growth.



⁽¹⁾ This is cumulative and includes circa US\$3.8m of dividends which have been proposed after year end and are subject to AGM approval (see Note 29). This alternative performance measure was not included previously due to the relatively recent history of dividends paid.

BUSINESS MODEL

We have a sustainable and highly visible business model which delivers on our strategy for growth and shareholder return.

KEY RESOURCES FOR OUR BUSINESS MODEL

Our success depends on key strategic pillars to deliver on our growth strategy.

PEOPLE SUCCESS

- ✓ Expertise and thought leadership in digital commerce
- ✓ A proven and experienced leadership team
- ✓ The right organisational structure to deliver on our growth strategy across chosen business sector and markets
- ✓ People Success framework for development and retention of world class talent
- ✓ Using our values as principles for guiding performance

CUSTOMER SUCCESS

- ✓ A trusted brand for enterprise critical systems
- ✓ Strong customer relationships
- ✓ Global 24/7 customer support and PCI security compliance
- ✓ Investment in brand awareness
- ✓ Investment in high growth markets e.g. China
- ✓ Focus on customer retention

PRODUCT SUCCESS

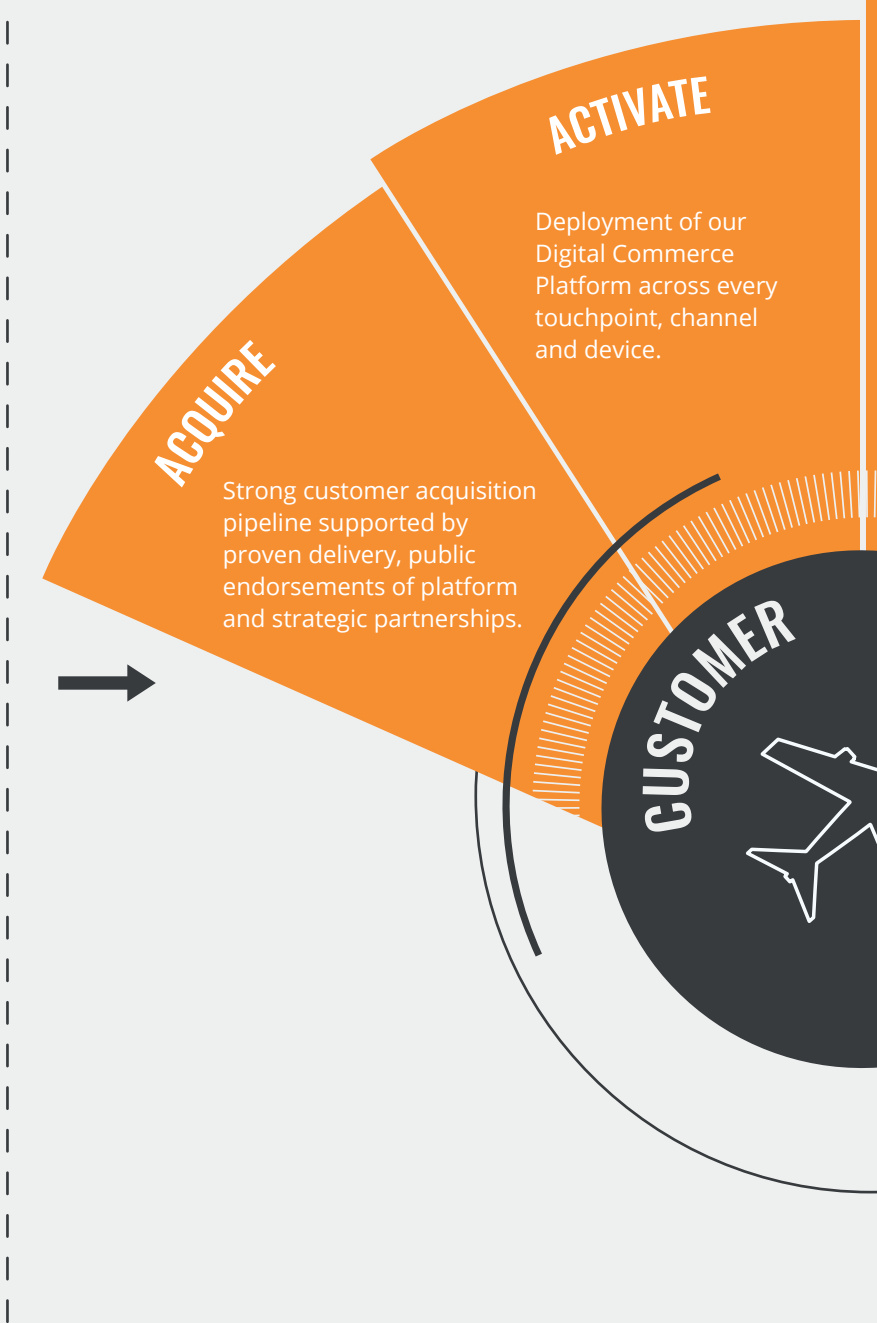
- ✓ Market leading commerce platform
- ✓ Market and technology thought leadership
- ✓ Research and development to drive innovation

PARTNER SUCCESS

- ✓ Partnerships and alliances which extend product and market reach
- ✓ Partners which accelerate scale and operational efficiencies

PERFORMANCE SUCCESS

- ✓ Financial discipline
- ✓ Continued focus on working capital management and cash generation
- ✓ A flexible resource model for operational and delivery efficiencies
- ✓ Continued growth in platform and services revenue
- ✓ Robust risk management processes



OUR VALUES



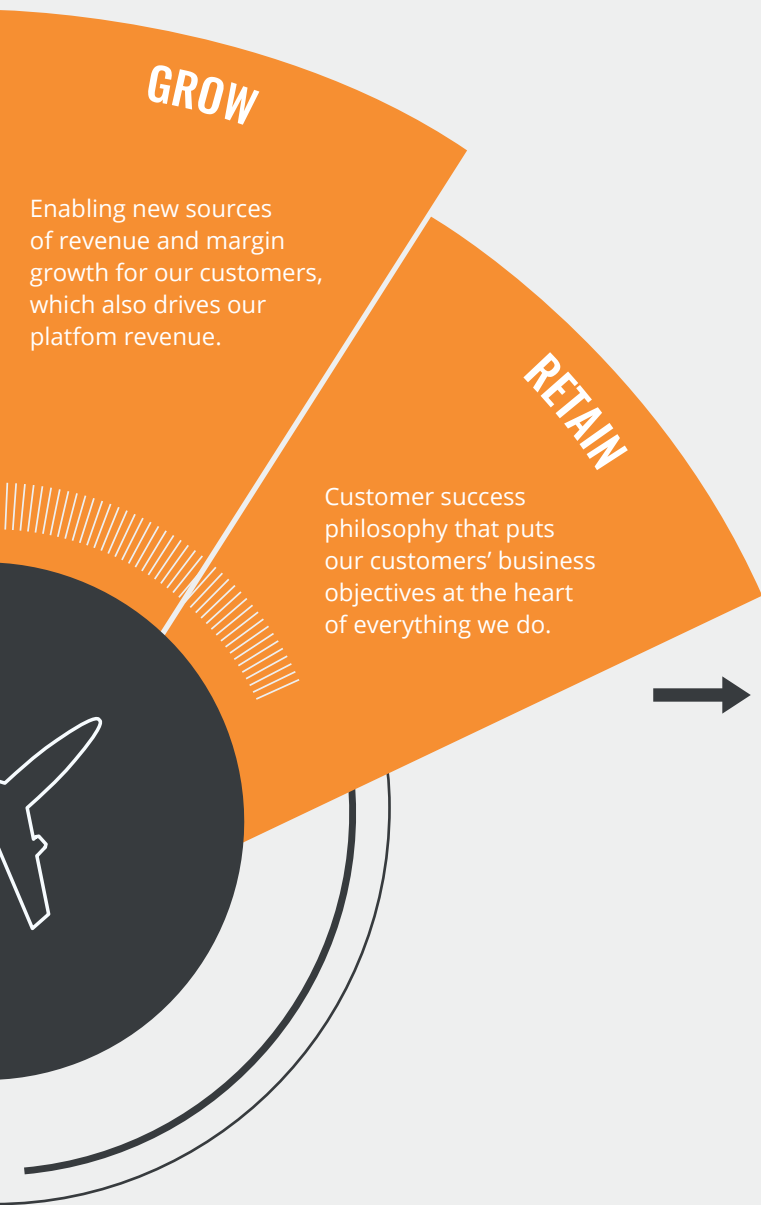
DELIVERY

We strive to deliver on commitments to customers and colleagues.



COLLABORATION

We make decisions collaboratively and everyone has a voice.



Customer Success is the foundation of our business model. Our products and services are increasingly critical to customer engagement and ultimately to both customers' performances and our own.

INVESTMENT AND RETURNS

Our business model generates value for all stakeholders including:

REVENUES

↑ **19%**
to US\$55.3m

GROWTH

↑ **27%**
Basic Earnings Per Share to 7.22 US cent

↑ **18%**
Increase Adjusted EBITDA to US\$12.2m

SHAREHOLDERS RETURNS

>US\$10M
Dividends 2014 - 2017

EMPLOYEES

>80
New employees hired in 2016

COURAGE
We believe in people with the courage to make a difference.

CREATIVITY
We continually seek innovative and creative solutions.

CHAIRMAN'S STATEMENT



Paschal Taggart
Chairman

FINANCIAL PERFORMANCE

I am pleased to report that 2016 was another year of strong performance and growth for the Datalex business. Adjusted EBITDA, our key performance metric, grew 18% to US\$12.2m (2015: US\$10.4m). Basic Earnings per share increased by 27% to 7.22 US cent per share.

Our balance sheet continues to strengthen, with cash reserves at 31 December 2016 increasing 12% to US\$24.3m (2015: US\$21.8m) driven by an increase in cash generated from operations of 32% to US\$17.1m (2015: US\$13.0m). Our balance sheet gives us the flexibility to pursue our ambitious growth strategy in the coming years, by leveraging a highly cash generative core business.

DIVIDEND

I am pleased to report that the Board of Directors will recommend to shareholders a 25% increase in our dividend to five US cents per share in 2017.

"In 2016, the Datalex business model and strategy continued to deliver on a growing market opportunity. We achieved another year of double digit growth in revenue, Adjusted EBITDA and cash and short term investments, while continuing to invest in our key growth drivers of product, people, partner and customer success."

STRATEGY

Our customers know that their commercial future requires a rapid shift from legacy systems to more flexible, dynamic and customer-centric technologies.

Datalex is ideally positioned as a market leader in digital commerce to meet the growing demand for flexible solutions that put the airline in control of retailing its products and services.

Demand for our platform continues to grow across global markets and our customers increasingly leverage the platform as their primary system for customer engagement.

This position was further validated in the second half of 2016, when the Lufthansa Group, Europe's largest airline group, selected our platform as part of their digital transformation programme.

Our market opportunity in China also continues to grow. IATA have forecast that by 2024, China will overtake the US as the world's largest passenger market. In 2016, we brought our fourth and fifth HNA Group Airline live on our platform bringing our total number of Chinese airlines live on our platform to six. During 2016 we also increased our resources working in China to 23.

We continue to see a strengthening new business pipeline and growing market opportunity across every region, particularly among major carriers.

INVESTMENT IN GROWTH

In 2016 we ramped up our investment in key areas to execute on our growth opportunity. In May 2016 we announced our intention to hire over 200 people by the end of 2017. At 31 December 2016 we had hired into over 80 of these positions.

We also strengthened our market position and reach through some significant strategic partnerships. These include an agreement with IBM, to bring joint commerce and artificial intelligence solutions to the travel market. We also agreed a partnership with Neusoft, the largest IT solutions and services business in China, which greatly strengthens our position in that market.

During 2016 we accelerated investment in our product and brand to further strengthen our market-leading position, and to pursue growth opportunities in areas like digital payments and dynamic pricing, which will help sustain our double-digit growth in the years ahead.

BOARD DEVELOPMENT

My colleagues on the Board and I are very aware of the need to ensure that our Board continues to have the skills, experience, knowledge and diversity to meet the demands of our growing business, particularly in this time of industry evolution and strong growth. During 2016 we began a search to identify a suitable candidate to enhance the skills and diversity of the Board, and we expect to make an appointment in 2017.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board is committed to maintaining best practices of corporate governance, including the provisions of the 2014 UK Corporate Governance Code, and the additional requirements of the Irish Annex. The Board is satisfied that the Group has effective processes in place for identifying and managing the risks faced by the business, and has an effective system of internal controls in place to safeguard the integrity of the business. A detailed statement, set out on pages 48 to 63, describes how we have complied with the principles of good corporate governance.

The Group continues to monitor the impact of the geopolitical uncertainty, for example, arising after the "Brexit" referendum results, particularly in Europe and Ireland. While we are of the view that our global penetration should ensure we are well placed to face any potential risk arising, we will continue to closely monitor these developments and their potential impact on the Group and our strategy.

2017 OUTLOOK

2016 has been another successful year for Datalex, with double digit growth and continued investment to maintain this trajectory in the years ahead. On behalf of the Board I would like to thank our CEO Aidan Brogan, and the whole Datalex team, for their focused leadership, commitment and contribution. I, and my colleagues on the Board, are more confident now than ever in the future prospects of the business, and we look forward to 2017 with great confidence. I would like to thank you, our shareholders, for your continued support.



Paschal Taggart
Chairman

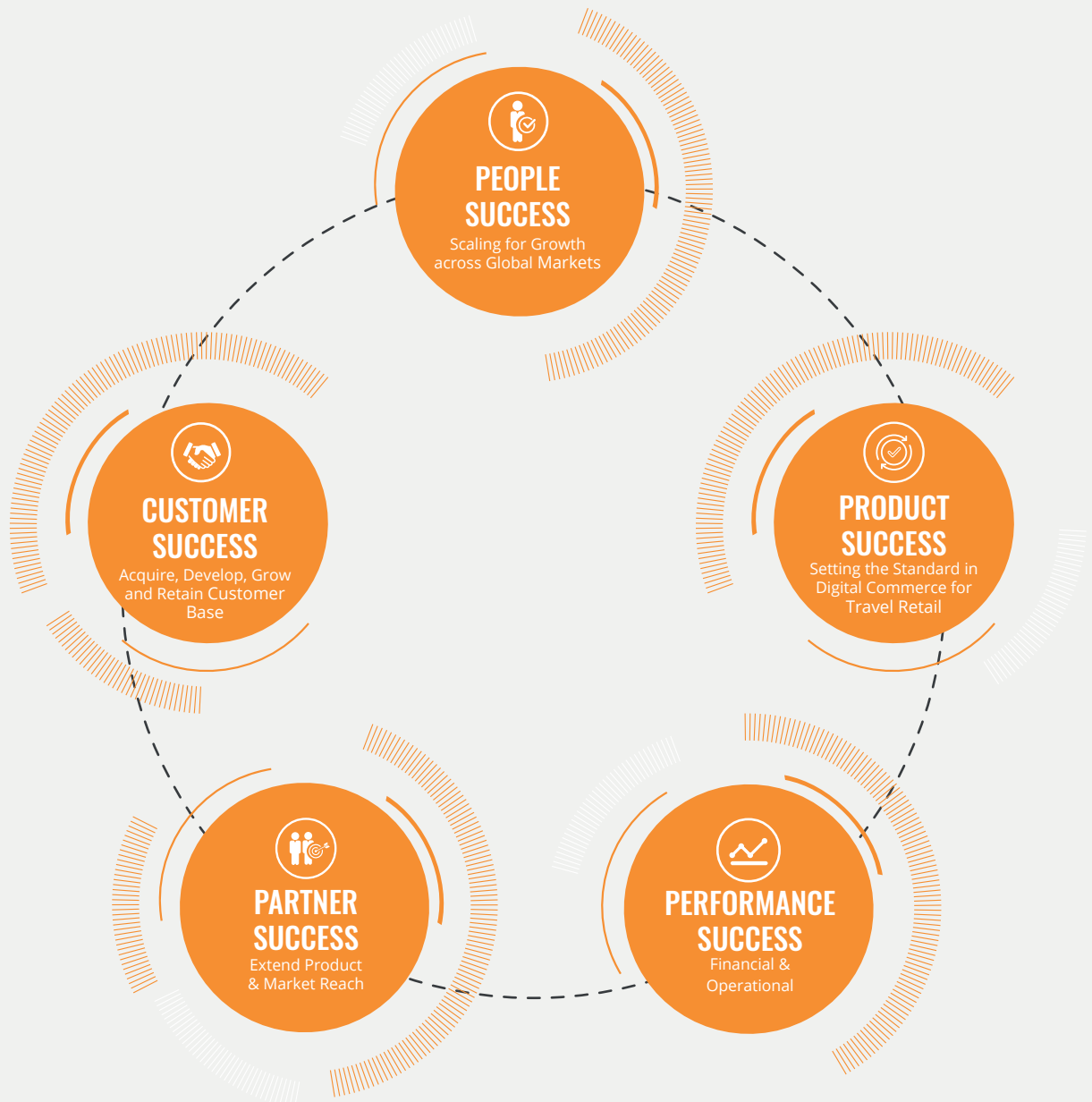
OUR STRATEGY

“Datalex’s market opportunity continues to expand. Demand for our Digital Commerce Platform continues to grow and our installed customer base remains an important growth asset. Our strategy is designed to scale the business to execute on this opportunity which will deliver sustainable value to our shareholders.”

**Aidan Brogan,
CEO, Datalex**

SCALING FOR GROWTH OPPORTUNITY ACROSS GLOBAL MARKETS

Datalex defines its strategy through its five strategic pillars, and we are confident that through this strategy we will continue to deliver sustainable growth and returns for shareholders.



OUR STRATEGY (CONTINUED)

SCALING FOR GROWTH OPPORTUNITY ACROSS GLOBAL MARKETS

Datalex's market opportunity continues to expand. Demand for our Digital Commerce Platform continues to grow and our installed customer base remains an important growth asset. Our strategy is designed to scale the business to execute on this opportunity which will deliver sustainable value to our shareholders.

SUCCESSFUL EXECUTION OF OUR STRATEGY WILL DELIVER:

- Recognition of Datalex as market leader in digital commerce for travel retail, outpacing competition.
- A flexible operating model that can scale to deliver more, faster, cheaper and to the highest quality.
- Increased customer satisfaction and retention.
- Partnerships which create value and business growth.
- Increased platform revenues as our key value driver.
- Growth in share price and shareholder returns.
- Increased employment and career development opportunities for our employees.
- Support for communities in which we operate and live.

Strategic Pillars

PEOPLE SUCCESS



- A proven and ambitious leadership team
- A global team of experts and thought leaders and the right organisational structure to deliver on our growth strategy across our chosen business sector and markets
- Performance management, retention and development of world class talent
- Using our values as guiding principles for performance

CUSTOMER SUCCESS



- Acquire new customers
- Invest in high growth markets e.g. China
- Grow and develop revenues through installed customer base
- Increase customer satisfaction
- Provide highest customer service and support levels
- Maintain PCI security compliance
- A trusted brand for enterprise critical systems

PRODUCT SUCCESS



- Improve agility in software development and delivery
- Scale platform for increased volumes of transactions
- Open platform to support growing ecosystem of users/channels
- Build new digital capabilities which differentiate and drive value
- Invest in innovation

PARTNER SUCCESS



- Partnerships which extend market reach
- Partnerships which accelerate scale and operational efficiencies
- Partnerships with 'best in class' technologies that extend product reach

PERFORMANCE SUCCESS



- Financial discipline
- Focus on working capital management and cash generation
- Flexible resourcing model for operational efficiencies
- Continued growth in platform and service revenues
- Robust risk management across the business

2016 Strategy in Action

- New leadership appointments: Chief Technology Officer.
- Recruited over 80 employees during 2016.
- Streamlined performance management systems across all functions.
- Increased investment in knowledge management.
- Defined corporate values that would be our guiding principles for success; *"To deliver through collaboration, courage and creativity"*.

- Acquire: Lufthansa Group, the largest European carrier group.
- Activate: New customers live on platform in 2016 e.g. Swiss International Air lines, Air Changan and Tianjin Airlines.
- Grow: 15% increase in platform revenue.
- Retain: Customer Success Management delivers improvement in customer satisfaction, advocacy, relations and renewal of contracts. In 2016, two merchandising-only customers concluded their contracts and a third did not renew. A fourth mid-sized customer, in dealing with challenges in their business concluded their contract to pursue a different direction.
- Brand: Executed a successful global brand and communications program which enabled customer success and a strong customer acquisition pipeline.

- A new cross functional product management structure with focus on agile software development methodologies.
- Advancement of our 'API First' product strategy to deliver tools and resources required for 3rd party development on our platform.
- Improved automation, security and support capabilities.
- New product capabilities in dynamic packaging, payments, pricing and revenue optimisation.
- Research and development investment with focus on machine learning and analytics.

In 2016, we agreed /extended strategic partnerships with:

- Neusoft - the largest IT solutions and services business in China to develop and deliver joint solutions to the Chinese market.
- IBM Travel & Transportation to develop and deliver joint cognitive commerce solutions using IBM Watson.
- EPAM to enhance our flexible development resource model.
- APIGEE to leverage leading API management tools.

- Successfully delivered double digit growth across all key metrics of revenue, Adjusted EBITDA and cash and short term investments, while undertaking significant investment to sustain growth.
- Established a more robust model for management reporting and business case reviews across all functions of business.
- During 2016, a new time management system was implemented which went live in November 2016.

2017 Priorities

- Benefit from an expanded leadership team across global markets.
- Continue to actively recruit highly skilled and expert talent in 2017 to deliver growth.
- Invest in our 'people proposition' to retain, develop and protect the well-being of our employees.
- Continue to enhance performance management of employees in line with our strategy for growth.

- Leverage a strong pipeline supported by recent go-lives and public endorsements of our platform to acquire new customers.
- Leverage the significant growth potential in the fast growing Chinese market supported by local sales/ Customer Success Management.
- Continue to focus on Customer Success Management to increase customer satisfaction and revenues across established customer base.
- Continue to invest in brand awareness and engagement.

- Continue to improve the velocity and cost effectiveness of our software development and API Platform Delivery.
- Deliver new product capabilities in offer management, order management and virtual payments.
- Invest in research and development with particular focus on machine learning and cognitive computing for dynamic pricing of offers.

- Deliver value through our partnership with Neusoft to extend our market reach in the fast growing Chinese market.
- Deliver value through our partnership with IBM to bring the first integrated cognitive and commerce capability to the travel industry.
- Partner with JetBlue Technology Ventures to establish an innovation lab in Silicon Valley to accelerate research and development of new digital technologies.

- We will continue to drive financial discipline across our organisation.
- Continued focus on working capital management and value creation.
- The new time management system implemented in 2016, will be leveraged to implement automated improvements in our professional services revenue process and refinement of the capitalised development models.

CHIEF EXECUTIVE REVIEW



Aidan Brogan
Chief Executive Officer

"2016 was another year of significant strategic achievement for Datalex. We again delivered double digit growth across all key metrics of revenue, Adjusted EBITDA and cash and short term investments, while undertaking significant investment as we scale to execute on the growing market opportunity."



PERFORMANCE SUCCESS

We are pleased to report that 2016 was another strong year of performance and growth for Datalex. We delivered double digit growth across all key metrics of revenue, Adjusted EBITDA and cash and short term investments, while in parallel investing in our capabilities to ensure we maintain this trajectory in the years ahead.

Our Adjusted EBITDA grew 18% to US\$12.2m (2015: US\$10.4m). This performance was achieved while investing US\$9.2m in our platform's capabilities and hiring over 80 new people across Europe, the US and China. I, and my colleagues on the Board, believe that this twin-track focus on balancing current year performance with investment in future growth, underpinned by a growing market opportunity, will deliver sustained double digit growth over the longer term, and consequently we are satisfied with the operating margins being delivered year-on-year.



CUSTOMER SUCCESS

Acquire - A very significant event for us in 2016 was the selection of the Datalex Digital Commerce Platform by the Lufthansa Group, Europe's largest group of airlines, after a long and detailed procurement process. Lufthansa is a prime example of the growing investment in digital transformation being undertaken by major global carriers - a transformation which our technology supports and enables - and it is a major validation of our product and market strategy. We are confident that further major signings will follow in 2017 and beyond.

Activate - During 2016 we brought a number of new airlines live on our platform, including Swiss International Air Lines, a member of the Lufthansa Group, and two additional HNA Group Airlines, namely, Air Changan and Tianjin Airlines. China represents a high growth market for Datalex and we now have a real market presence in China, with six airlines using our platform, and we expect to add to this number during 2017.

Grow - Our established customer base remains an important growth asset for our business, and one of the drivers behind the 15% growth in platform revenue in 2016. Success for Datalex is inextricably linked to the creation of value for our customers as it provides the retail flexibility that drives revenue and margin growth.

Retain - Our Customer Success Management structure ensures that every opportunity to drive satisfaction and add value to our customer is identified and pursued. This customer focus is essential to not only growing our revenue, but also in securing customer retentions and renewal of contracts. In 2016, two merchandising-only customers concluded their contracts and a third did not renew due to a change in business direction. Another mid-sized customer, in dealing with significant challenges in their own business, concluded their contract and chose to pursue a different direction.

Brand - We continue to invest to build awareness and engagement with the Datalex brand as a thought leader setting the standard in digital commerce for airline retailers. In 2016, we executed a very successful global brand and communications program which enabled customer success and a strong customer acquisition pipeline.



PARTNER SUCCESS

A key strand of our scaling strategy is to work with market leading partners that can enhance our product and market reach. In 2016 we agreed a partnership with IBM, bringing together the Datalex Digital Commerce Platform and IBM Watson's cognitive computing and artificial intelligence capabilities to develop a next generation cognitive travel retail product.

We also agreed a partnership with Neusoft, the largest IT solutions and services business in China. This partnership will enhance our market presence and service delivery capability in what has become a very strategic market for us.



PRODUCT SUCCESS

During 2016 we stepped-up significant investments in our platform to accelerate the development of new product capabilities, system performance and cloud-based solutions. These investments will help us take advantage of some emerging market opportunities particularly with the large global carriers which seek to transform their digital platform capabilities.

We made significant investment to accelerate the development of new offer and order management capabilities for agile and dynamic configuration of pricing and merchandising of airline products and services.

We are extending our payments capability to include new virtual payments and credit management facilities for customer loyalty and airline agency partners.

We further enhanced the omni-channel capability of our platform to support omni-channel retail with new business user tools, call centre and vacation packaging applications.

We continue to invest in our API First ('Application Program Interface') product and strategy, which is key to scaling the platform and business for growth.

We continued to deliver feature-rich business user tools to support a growing ecosystem of mobile application developers, distribution partners and system providers.

We will have a similar scale of product investment in 2017 as we complete a number of these initiatives. This investment drives the technology leadership position we hold in the marketplace, and is a key driver of our growth strategy. This investment will also enable us to pursue a number of new revenue opportunities, in areas such as digital payments, dynamic pricing and next generation loyalty.



PEOPLE SUCCESS

In May 2016 we announced a two-year plan to add 200 new positions to the organisation to execute on our growth strategy. During 2016, over 80 travel and technology experts joined the team, in areas such as product management, software development and customer success.

In November 2016 we announced new leadership positions including the appointment of Blair Koch as Chief Technology Officer and President of Datalex Americas. A respected global industry thought leader, Blair was previously head of IT at both JetBlue Airways and United Airlines, and brings a wealth of experience and expertise to our Company.

We have expanded our leadership team across global markets and we continue to invest in organisation development for the performance management, retention and development of world class talent.

We are very confident that these new developments, in conjunction with our own market strategy, will provide real growth opportunities for the business in the coming years.

OUTLOOK FOR 2017 – CAPACITY FOR GROWTH

2016 was a very successful year for Datalex, with our seventh consecutive year of double digit growth in Adjusted EBITDA, and a number of significant business developments that will help sustain this growth.

Datalex's market opportunity continues to expand. Demand for our Digital Commerce Platform continues to grow and our installed customer base remains an important growth asset. Our strategy is designed to scale the business to execute on this opportunity.

This year we have made considerable investments in our business. We have further strengthened our market leader position and continued to invest in our product and people. This will enable us to deliver growth and drive value to our shareholders in the years to come.

I thank my colleagues in the business for their continued commitment to the success of the Group, each year as we set the bar higher, they rise to the challenge and beyond.

I would like to thank our customers and business partners for their continuing support and trust. I would also like to acknowledge the Board for their support in 2016, in particular our Chairman Paschal Taggart.

Finally, I would like to thank our shareholders for their continued support as we look forward to continued growth.



Aidan Brogan
Chief Executive Officer

“We continue to extend our Datalex partnership; actively collaborating on our digital retail strategy, driving improved channel differentiation and merchandised product revenues.”

Keith Butler, CIO,
Aer Lingus, June 2016



“Our partnership with Datalex has been a significant contributor to RASM* improvement and margin expansion.”

JetBlue Investor Day, December, 2016

* Revenue per Available Seat Mile

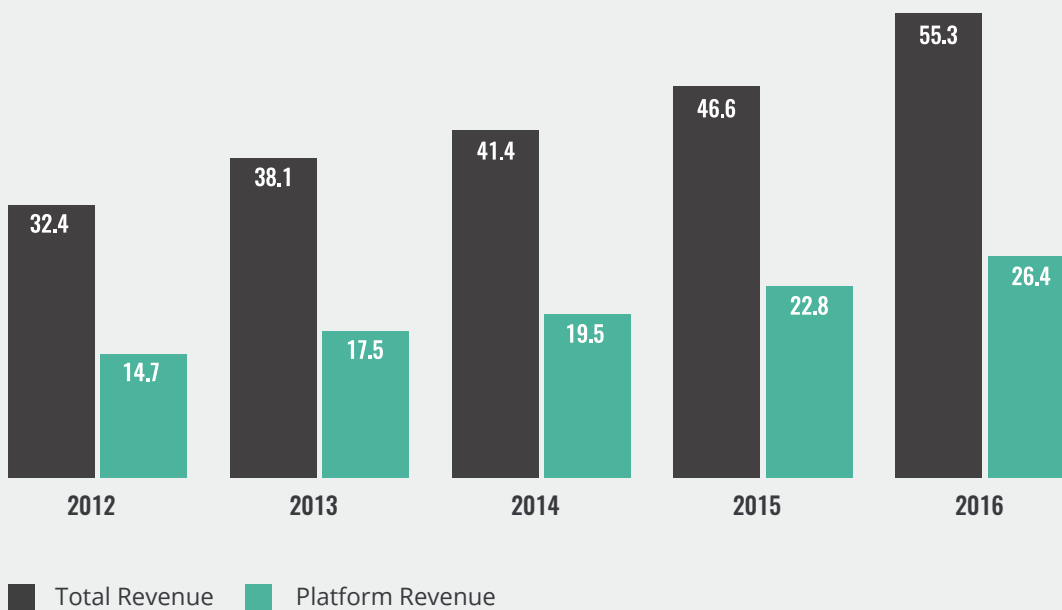


KEY PERFORMANCE INDICATORS

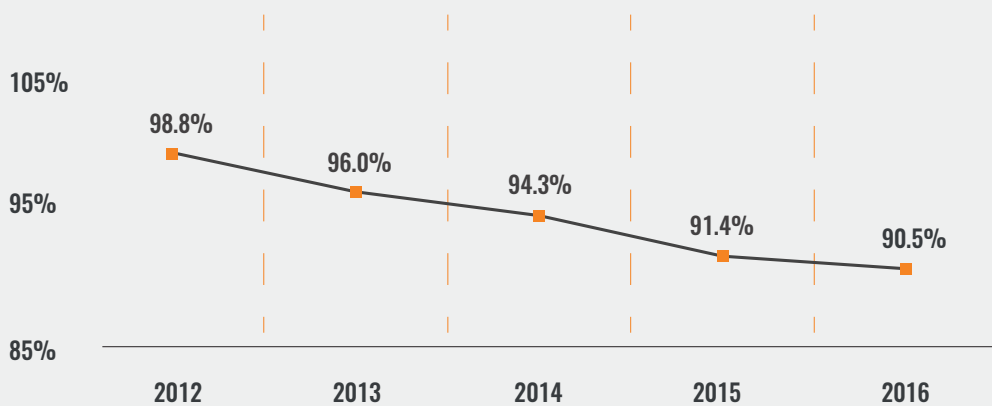
BUSINESS DEVELOPMENT

Datalex uses a set of key performance indicators to measure the performance of its operations and to track the development of its business model. These metrics demonstrate how well we are extracting operating leverage from our product investment and infrastructure as we grow our market presence and increase our cash conversion.

REVENUE (US\$M)

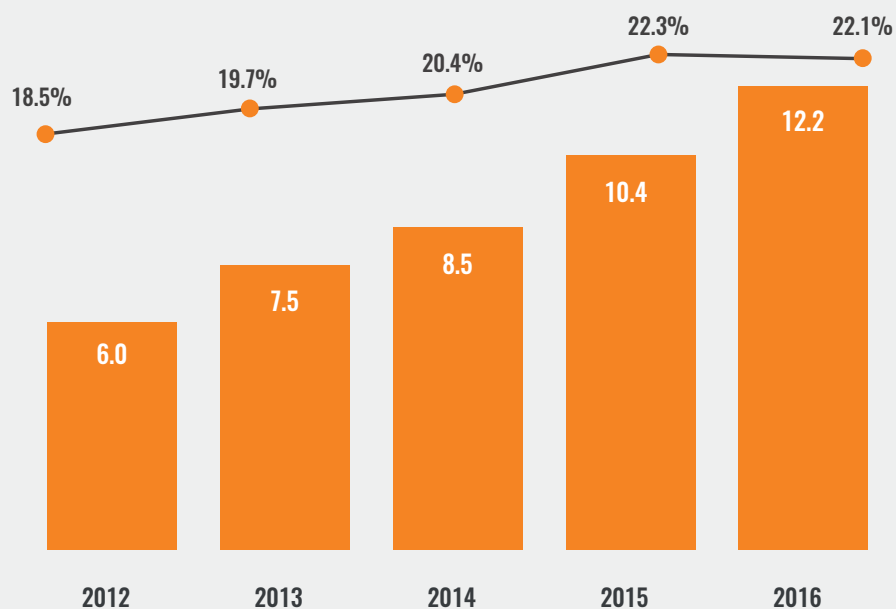


OPERATING COSTS/REVENUE ⁽¹⁾



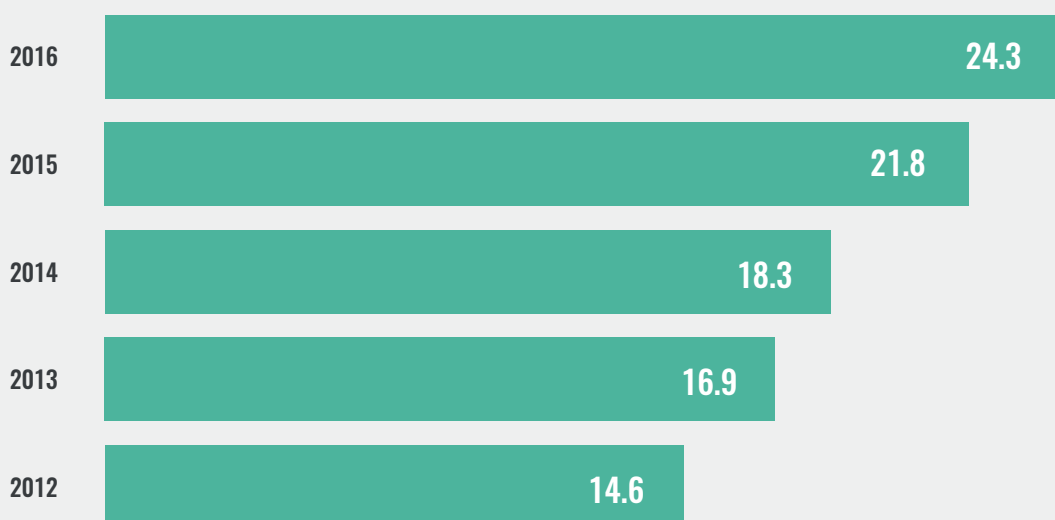
⁽¹⁾ Operating costs include cost of sales, selling and marketing costs, administrative expenses and other (gains)/losses.

ADJUSTED EBITDA (US\$M) ADJUSTED EBITDA MARGIN (%) ⁽²⁾



⁽²⁾ Adjusted EBITDA margin is a measure of a company's profitability, calculated as Adjusted EBITDA divided by total revenue.

CASH AND SHORT TERM INVESTMENTS (US\$M)



FINANCIAL AND OPERATIONAL REVIEW



David Kennedy
Finance Director

"We recognise the balance required between driving current-year performance while investing for future growth, and we believe that the current approach represents the best way to grow shareholder value in the long term."



	2016 US\$M	2015 US\$M	GROWTH %
Total revenue	55.3	46.6	19%
Platform revenue ⁽¹⁾	26.4	22.8	15%
Operating costs ⁽²⁾	50.1	42.6	18%
Adjusted EBITDA ⁽³⁾	12.2	10.4	18%
Profit after tax ⁽⁴⁾	5.4	4.2	29%
Cash and short term investments	24.3	21.8	12%
Cash generated from operations	17.1	13.0	32%
Net working capital ⁽⁵⁾	19.9	21.1	-6%
EPS - Basic (cent)	7.22	5.67	27%
EPS - Diluted (cent)	6.84	5.37	27%

⁽¹⁾ Platform revenue is defined in Note 2.3 revenue recognition. See also Note 16.

⁽²⁾ Operating costs include cost of sales, selling and marketing costs, administrative expenses and other gains/losses (see Note 17 and Note 18).

⁽³⁾ Adjusted EBITDA is defined as earnings from continuing operations before (i) interest income and interest expense, (ii) tax expense, (iii) depreciation and amortisation expense and (iv) share based compensation expense (see Note 16).

⁽⁴⁾ The 2016 profit after tax includes recognition of previously unrecognised net deferred tax assets of US\$0.3m (2015: US\$0.3m).

⁽⁵⁾ Net working capital is calculated as current assets minus current liabilities.

BUSINESS DEVELOPMENT

2016 was another year of double-digit growth for Datalex across our key metrics of Adjusted EBITDA, revenue and cash generated from operations. We also continued to invest in our key growth drivers - people, product and partners - to ensure that we capitalise on our growing market opportunity and sustain our growth trajectory in the long term.

2016 also saw a number of significant business developments, including go lives in Europe and China, and our selection by the Lufthansa Group, all of which will drive our growth in the coming years.

REVENUE

Total revenue increased by 19% in the period to US\$55.3m (2015: US\$46.6m), which included a 15% increase in platform revenue to US\$26.4m (2015: US\$22.8m) driven by new go-lives at Swiss International Air Lines, Air Changan and Tianjin Airlines and the full year impact of the customers we brought live during 2015 including, JetBlue Airways and Lufthansa Group airline Edelweiss Air. The rise in platform revenue was also driven by organic growth across our customer base. Year-on-year growth in 2016 is also after one contract concluded at the end of 2015.

Our professional services revenue grew by 30% to US\$26.7m in 2016 (2015: US\$20.5m) driven by deployments at new customers such as the Lufthansa Group and the new Chinese customers, and an increasing demand for new product enhancements at current customers.

Our services revenue stream is strategically very important for Datalex in terms of bringing new customers live on our commerce platform and enhancing the solution post go-live, which drives platform revenue growth and customer retention.

As in 2015, the growth in platform revenue of US\$3.5m (2015: US\$3.4m) was the main driver of the increase in gross margin of US\$0.7m (2015: US\$3.1m) and Adjusted EBITDA of US\$1.8m (2015: US\$1.9m).

OPERATING COSTS

Our operating costs grew by 18% to US\$50.1m (2015: US\$42.6m). The main cost increases were payroll, contractor and consultant's costs (net of capitalisation), which rose by 25% or US\$7.0m to US\$34.6m (2015: US\$27.6m). These increases delivered both the US\$6.2m increase in services revenue and also the scaling capabilities across the organisation. During 2016 Datalex recruited over 80 new employees in areas such as product management, software development, sales and customer success, with plans to grow headcount further in 2017. Of total resource costs in 2016, 43% relates to outsource partners, an approach which provides us with a flexible and scalable operating model. These new capabilities will enable Datalex to execute on the growing market opportunity and to develop new revenue streams in areas including digital payments and dynamic pricing.

ADJUSTED EBITDA, PROFIT AFTER TAX, EARNINGS PER SHARE

Adjusted EBITDA grew 18% to US\$12.2m (2015: US\$10.4m), again driven mainly by our growth in platform revenue. Our Adjusted EBITDA margin was consistent year on year at 22%, even after a 30% growth in services revenue and continued investment in scaling the organisation. As a board, we recognise the balance required between driving current year performance while investing in future growth, and we believe that the current approach represents the best way to grow shareholder value in the long term.

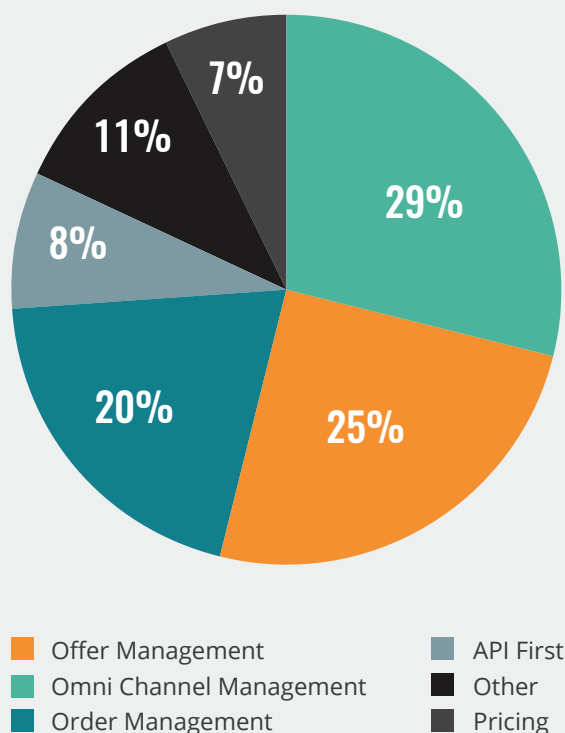
Diluted earnings per share in 2016 was 6.84 US cent (2015: 5.37 US cent), an increase of 27% on the previous year. Profit after tax increased by 29% to US\$5.4m (2015: US\$4.2m).

The profit after tax includes recognition of deferred income tax assets of US\$0.3m (2015: US\$0.3m). Our basic earnings per share in 2016 was 7.22 US cent (2015: 5.67 US cent).

The profit after tax for the year is also after charging amortisation of product development of US\$5.0m (2015: US\$4.3m) and crediting capitalised product development of US\$9.2m (2015: US\$6.0m).

As outlined in the Chief Executive Review, during 2016 and 2017 we are accelerating our product investment in a number of key areas, in response to the market opportunity with the larger global carriers, as evidenced by the signing of the Lufthansa Group in 2016. Our investment of US\$9.2m (2015: US\$6.0m) was across areas such as Offer Management, Order Management, Omni-Channel Management, Pricing and API First strategy and also investment driven by specific customer and market developments which are considered to enhance the overall platform. In 2016 capitalised product development amounted to 35% of platform revenue (2015: 26%). We anticipate a similar trajectory in 2017, as we complete a number of new product capabilities, particularly in Offer and Order Management, and from 2018 onwards this will decline on the back of the planned go-lives and resulting increase in platform revenues.

Product Investment 2016



BALANCE SHEET AND FINANCIAL POSITION AT 31 DECEMBER 2016

Our cash and short term investments at 31 December 2016 were US\$24.3m (2015: US\$21.8m), an increase of 12% year-on-year, which was after an increase of 33% in dividends paid and an increase of \$3.2m in product investment, partially offset by a net decrease in our working capital of US\$4.2m (see Note 23). Cash generated from operations, which is a key operating leverage metric, grew 32% year-on-year to US\$17.1m (2015: US\$13.0m). Our current liabilities increased by US\$7.3m mainly due to increases in trade payables of US\$4.8m, reflecting an increase in contractors activity, and a customer advance of US\$2.5m (see Note 12).

Trade receivables and accrued income at 31 December 2016 were US\$13.3m (2015: US\$10.3m), of which US\$10.0m relates to accrued income (2015: US\$4.3m) reflecting work completed on current deployments in advance of billing milestones. US\$1.6m of unbilled receivables included in accrued income at 31 December 2016 was invoiced in early January 2017 in line with reaching the applicable payment milestones. The net cash impact from changes in receivables and payables in 2016 was an increase in cash generated from operations of US\$4.2m (2015: US\$2.3m) as shown in Note 23 to the financial statements.

Year-end net working capital was US\$19.9m (2015: US\$21.1m) reflecting the scale of new customers and deployments. Financial discipline is a core element of our overall business risk management framework, with a specific focus on areas like working capital management and product investment decision-making.

Our track record of strong cash generation has allowed us to invest significantly in the business while continuing to pursue a progressive dividend policy. In 2017 the Board will recommend to shareholders an increase of 25% in the 2016 dividend, to five US cents per share, bringing the total amount paid since the commencement of our dividend policy in 2014 to over US\$10.0m.

The effective rate of tax in the Group remains at zero, as the Group takes advantage of historic tax losses. At 31 December 2016 the Group had recognised deferred income tax assets of US\$2.1m (2015: US\$1.7m) as a result of the projected increase in profitability of the business in the coming years, underpinned by the customer contracts in the years ahead. At the balance sheet date the Group also has unrecognised deferred tax assets amounting to US\$28.6m (2015: US\$29.9m).



David Kennedy
Finance Director



RISK REPORT

MANAGING RISK

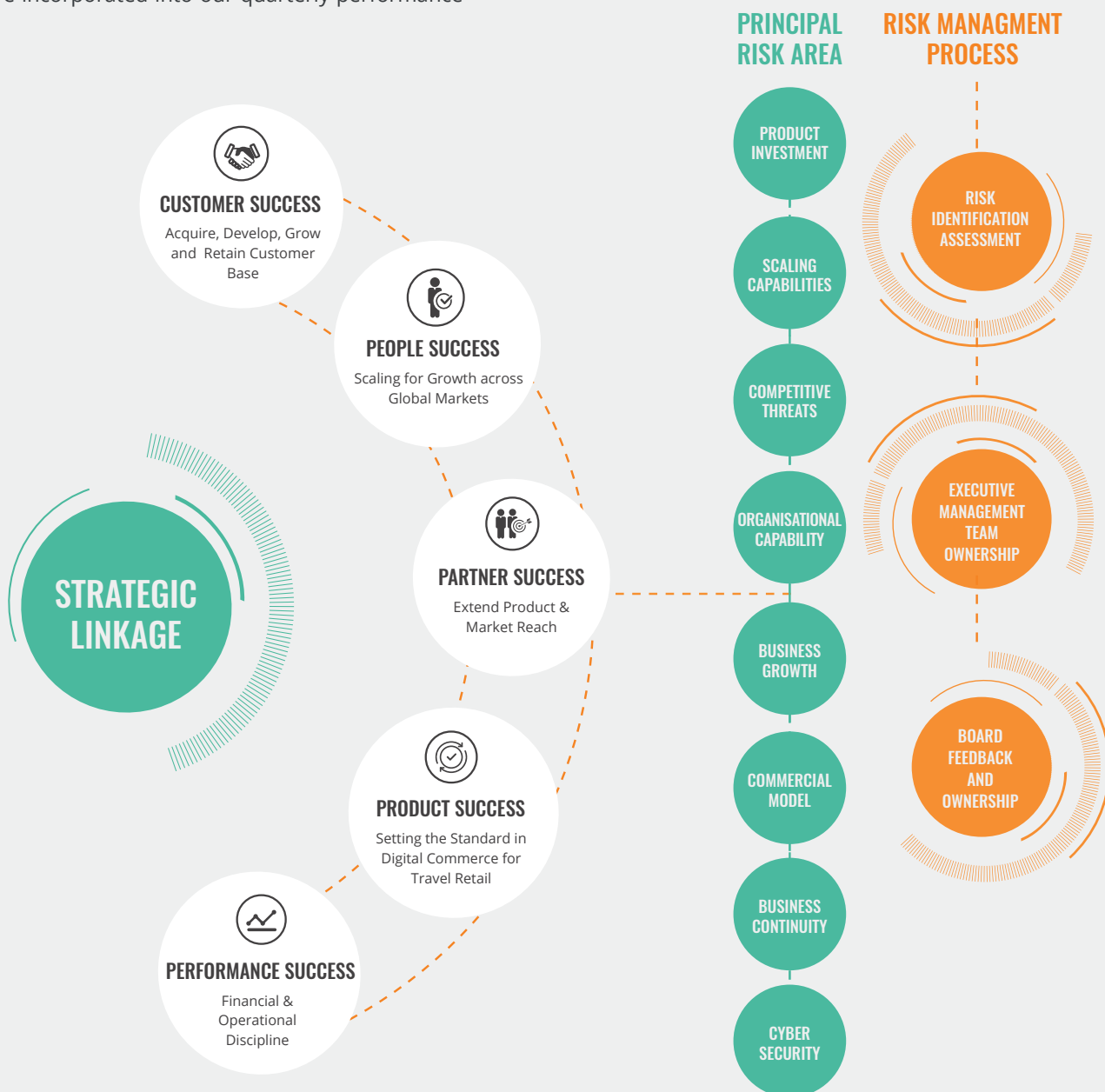
The Datalex Board of Directors and the Executive Leadership Team have developed a comprehensive and integrated business risk management process, which ensures that business risks – whether it is risks to the integrity of key processes, systems and data, or risks to the successful execution of our growth strategy - are incorporated into decision making and performance reporting on an ongoing basis.

To reinforce accountability, the principal risks are formally reported on, and proposed actions are incorporated into our quarterly performance

management framework for all risk owners and executive sponsors.

The risk environment is reviewed periodically by the wider management team, to ensure that all operating and market considerations are consistently monitored and considered.

A summary of the Group’s principal risks aligned to our strategic pillars and the mitigating actions in place are detailed below.



PRINCIPAL RISK AREA	POTENTIAL IMPACT	MITIGATION
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PRODUCT INVESTMENT



Increased competition

Inability to win new business or retain existing customers

In 2016, we implemented a revised product and innovation organisation structure, aligned with Finance, to oversee product investment decisions which will positively impact competitive positioning and revenue opportunity.

We actively partner with customers to accelerate digital product innovation and prioritise product investment. In 2016, we developed new product capabilities in payments, pricing and vacation packaging which will drive new revenue streams.

We have invested in our API First product strategy to differentiate on usability, configurability and integration for 3rd party developers and business users.

In 2016, we established a strategic partnership with IBM to jointly develop new cognitive travel retail solutions.

SCALING CAPABILITIES



Inability to service growing customer base

We have a rolling programme of continuous improvement in place across the organisation. Some of the key 2016/2017 initiatives focus on:

- Scaling product delivery through partner enablement to develop/deploy against our platform using our API First methodology.
- Agile software development methodology – accelerating the pace, quality and cost effectiveness of product delivery.
- Delivery Process – More efficient demand management, automation and support tools and processes.
- Performance Management Process.
- Strategic Partnerships: EPAM and Neusoft to allow for flexible scaling of resources and to enhance customer support.

COMPETITIVE THREATS



Customer attrition and/or failure to win new business

A customer success methodology has been implemented across the organisation, which aligns performance management goals with customer growth objectives. Customer satisfaction is periodically measured and reported upon, with specific action plans.

Non-renewal of customer contracts, impacting on financial performance and our brand

We continue to invest in digital commerce innovation to maintain our market-leading position. We maintain a focus on brand positioning and investment to differentiate, drive awareness and engagement of Datalex as a thought leader in digital travel retail.

DEVELOPING THE FINANCIAL VIABILITY STATEMENT

The principal risks are those which are considered to be the main threats to the successful delivery of the Datalex growth strategy. Consequently, they are also a main input into consideration of the business’ financial viability.

In developing the viability statement, the Board of Directors determined that a three-year time horizon should be used, in line with our strategic planning cycle.

PRINCIPAL RISK AREA	POTENTIAL IMPACT	MITIGATION
<p>ORGANISATION DEVELOPMENT AND PERFORMANCE MANAGEMENT</p> 	<p>Failure to attract, develop and retain key resources and to effectively manage performance needed to deliver on opportunity</p>	<p>We have implemented a company-wide personal development and quarterly performance management system.</p> <p>We work hard to ensure company goals are relevant each quarter for every person in their own role.</p> <p>We drive employer brand investment and maintain a comprehensive employee engagement model, which includes quarterly employee surveys, annual (World Café) and monthly (All Hands) global employee meetings.</p> <p>Our scaling plan covers succession planning, organisation structure and partner management to proactively manage growth needs.</p> <p>In 2016 we implemented a new 'Knowledge Academy' to facilitate more effective knowledge transfer and exploitation.</p>
<p>BUSINESS GROWTH</p> 	<p>Lack of new customer acquisition</p> <p>Failure to fully execute on our growing market opportunity</p>	<p>In 2016, we extended our sales management team and pre sales resources to drive new customer acquisition opportunity.</p> <p>We have identified and prioritised investment in new vertical product lines in payments, pricing and loyalty which will extend sales opportunities in 2017.</p> <p>We launched our 'Agility Partner Framework' in 2016 to provide the tools and governance structure which support partnerships that will extend our product and market reach.</p>
<p>COMMERCIAL MODEL</p> 	<p>Sub-optimum pricing, cost structure and working capital, credit risk management, impacting on financial performance</p>	<p>Flexible resource model in place with key outsource partners to support business growth.</p> <p>Appropriate contract payment terms in place for larger engagements.</p> <p>The Group maintains a credit policy and closely monitors trade debt on an ongoing basis.</p> <p>New commercial models being developed in areas including digital payments and dynamic pricing.</p>
<p>BUSINESS CONTINUITY</p> 	<p>Risk to integrity and availability of key business processes and systems</p>	<p>As part of the group-wide Business Continuity Plan, we maintain a process / system gap analysis and action plan across all departments and locations, to ensure any potential single points of failure are adequately mitigated.</p>
<p>CYBER SECURITY</p> 	<p>Security breaches to key systems</p>	<p>Our hosting facility has a high level of security and monitoring in place, and undergoes periodic external security and penetration testing by independent assessors.</p>

Management reviewed the principal risks and considered which might threaten the Group's viability. It was determined that none of the individual risks would in isolation compromise the Group's viability, particularly in the light of the Business Continuity Plan and process/system gap analysis which has been carried out.

As set out in the Audit Committee's report, on page 53, the Directors reviewed and discussed the process undertaken by management to assess the business' financial viability. The Directors' Viability Statement is contained in the Directors' Report on page 44.



DIRECTORS AND OTHER INFORMATION

DIRECTORS	<p>Paschal Taggart (Chairman) Aidan Brogan (Chief Executive Officer) David Kennedy (Finance Director) John Bateson Peter Lennon Roger Conan Garry Lyons</p>
SECRETARY	David Kennedy
REGISTERED OFFICE	<p>Block U EastPoint Clontarf Dublin D03 H704</p>
BANKERS	<p>Bank of Ireland Sutton Cross Dublin 13</p>
SOLICITORS	<p>McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2</p> <p>Maples and Calder 75 St. Stephens Green Dublin 2</p>
AUDITORS	<p>PricewaterhouseCoopers One Spencer Dock North Wall Quay Dublin 1</p>
REGISTERED NUMBER	329175

BOARD OF DIRECTORS



PASCHAL TAGGART

CHAIRMAN

Paschal Taggart was appointed as a Non-Executive Director in 2001, and was appointed Chairman of the Board in December 2009. A very experienced finance professional with significant commercial expertise, he was formerly Chairman of Orbiscom plc and has been chairman of a number of major Irish and international businesses including ITG plc, Ireland on Sunday (1998-2001) and Jervis St. Shopping Centre (1995-1999). He is a former director of Rosslough Holdings Ltd. (1995-1999) and a former partner in Bastow Charleton (1975-1985), Gilmore Taggart (1985-1991), and Cooney Taggart (1991-2012).



JOHN BATESON

NON-EXECUTIVE DIRECTOR

John Bateson was appointed as a Non-Executive Director of Datalex in November 2006. He is a graduate of Trinity College Dublin and, having qualified with KPMG, is a Fellow of the Institute of Chartered Accountants in Ireland. John is the Managing Director of International Investment and Underwriting (IIU) and, in representing IIU on the Boards of various companies, both private and publicly quoted, has developed significant experience in international technology businesses. Prior to IIU, John was with the corporate finance department of NCB.



ROGER CONAN

NON-EXECUTIVE DIRECTOR

Roger Conan is a private investor and company director. He qualified as a Chartered Accountant with KPMG, where he spent four years in General Practice and four years in Corporate Finance. In 1984 he joined National City Brokers, the forerunner of the NCB Group. He then transferred to Dedeir, an investment company, where he was responsible for the finance and monitoring of a number of investments. In 1990 he was appointed general manager of IFSC South Block Ltd which developed IFSC House. In 2000 he became self-employed. He has since advised on finance, strategy and development.



PETER LENNON

NON-EXECUTIVE DIRECTOR

Peter Lennon has been a Non-Executive Director of Datalex since 1993, and brings to the Group a wealth of specialised legal and industry expertise. A practicing lawyer and partner in the law firm Maples and Calder, he specialises in litigation and advises many Irish and English underwriters on liability claims matters. He also specialises in aviation law. Peter acts for most of the major carriers operating out of the Republic of Ireland, both in their general aviation matters and also in their aviation claims. A graduate of Trinity College Dublin, Peter holds a BA Mod. (legal science) and an LLB.

BOARD OF DIRECTORS (CONTINUED)



GARRY LYONS

NON-EXECUTIVE DIRECTOR

Garry Lyons was appointed to the Board in June 2013. Garry is Chief Innovation Officer and Head of MasterCard Labs for MasterCard Worldwide, where he also runs the company's global R&D arm. Prior to his appointment at MasterCard, Garry was the Chief Executive Officer of Orbiscom, a leading provider of innovative payment solutions to the global financial services industry. Garry is a technologist by training, with a B.Sc. in Computer Applications from Dublin City University, and he has nearly 20 years' experience in the software and financial services industries, primarily focused on innovation and on the technology and business development aspects of deploying complex, large scale payment systems to some of the largest financial institutions in the world. Prior to joining Orbiscom, Garry held various senior technology positions in Cognotec, Credo and ICL.



AIDAN BROGAN

CHIEF EXECUTIVE OFFICER

Aidan Brogan joined Datalex in 1994. Aidan was appointed to the Board in June 2012, and took up the role of CEO in September 2012. Prior to taking up the CEO position Aidan was SVP of Sales, and was instrumental in building the leading product and market position for Datalex. With over 20 years' experience in the airline and travel industry, Aidan's background includes project management, system design, product development, marketing, business planning and international sales. Previous to this Aidan served a variety of roles for Westinghouse in Dubai, UAE, in its airline and travel business in the Middle East such as Regional Sales Manager and a range of support and development roles.



DAVID KENNEDY

FINANCE DIRECTOR AND COMPANY SECRETARY

David Kennedy joined Datalex as Chief Financial Officer and Company Secretary in October 2007 and was appointed to the Board as Finance Director in December 2008. Prior to joining Datalex he was Financial Controller at ESB International, the international engineering and consultancy Group based in Dublin, with operations in over 20 countries. Before this he held a number of senior finance and strategy roles within ESB Group, the Irish electricity utility. David qualified as a Chartered Accountant with Grant Thornton and later joined Arthur Andersen's tax consulting division. David holds an MBA from the Smurfit School of Business at University College Dublin and has completed the CFO 'Leadership for Growth' programme at Stanford Graduate school of Business. He is a Fellow of the Institute of Chartered Accountants in Ireland and is a member of the Institute of Directors.

BOARD OF DIRECTORS (CONTINUED)

Date of Appointment (and length of service) to the Board and Committees of Datalex plc

	DATALEX PLC BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
JOHN BATESON	20 November 2006 (10 years 1 month)	5 February 2007 (9 years 11 months)	21 April 2010 (6 years 8 months)	21 April 2010 (6 years 8 months)
ROGER CONAN	30 May 2011 (5 years 7 months)	15 December 2011 (5 years 1 month)	6 February 2012 (4 year 11 months)	6 September 2012 (4 year 4 months)
DAVID KENNEDY	15 December 2008 (8 years 1 month)	-	-	-
PETER LENNON	4 August 2000* (16 years 5 months)	3 December 2009 (7 years 1 month)	4 August 2000 (16 years 5 months)	-
PASCHAL TAGGART	24 September 2001 (15 years 3 months)	-	24 September 2001 (15 years 3 months)	24 September 2001 (15 years 3 months)
AIDAN BROGAN	25 June 2012 (4 years 6 months)	-	-	-
GARRY LYONS	21 June 2013 (3 years 6 months)	-	-	-

*Peter Lennon has been a director of the Datalex Group since 1993 prior to the incorporation of Datalex plc on 4 August 2000.



DIRECTORS' REPORT

The directors present their Annual Report together with the audited Consolidated Financial Statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Group is the development and sale of a variety of direct distribution software products and solutions to the travel industry.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

The directors consider that the development in the Group's business and its financial position at the year-end was satisfactory. In 2016 the Group brought its platform live at Swiss International Air Lines, Air Changan and Tianjin Airlines, members of the Hainan group of airlines.

As a result, the Group has delivered double digit growth in its Adjusted EBITDA for the seventh consecutive year. In addition, cash and short term investments increased by 12% on the previous year.

The Financial and Operational Review on pages 26 to 29 include a discussion on key performance indicators and a review of the changes in respect to the key financial indicators and figures including our product investment and operational indicators.

The Chief Executive Review and the Chairman's Statement both include an "Outlook for 2017" section which summarises the future developments of the Group with a focus on the next financial year. The business model and strategy sections includes future developments and the related strategy beyond 2017.

CORPORATE GOVERNANCE

The Directors' Statement on Corporate Governance on pages 48 to 63 sets out the Group's application of the principles and compliance with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 and forms part of this Directors' Report.

The Irish Corporate Governance Annex ('the Annex'), published by the Irish Stock Exchange, is applicable for companies with a listing on the Main Securities Market of the Irish Stock Exchange for financial periods commencing on or after 18 December 2010. The Annex includes additional recommendations to the Code. The Group has applied these recommendations this year, details of which are also set out in the Directors' Statement on Corporate Governance.

PRINCIPAL RISKS AND UNCERTAINTIES

Under Irish Company Law (Regulation 5(4)(c) (ii) of the Transparency Directive (2004/109/EO) Regulations 2007, the Company is required to give a description of the principal risks and uncertainties which it faces. The principal risks and uncertainties reflect our competitive environment and the operating characteristics of our industry, and a summary of these risks, together with details of how they are managed, are set out on pages 31 to 33.

We are satisfied that we have the systems, processes and expertise in place to effectively manage our business risk environment. The mechanisms through which the principal risks and uncertainties are managed are addressed in the Risk Management and Internal Control section of the Corporate Governance Statement on pages 59 and 60.

Details of the financial risks which the Group's operations are exposed to and an understanding of how these risks are managed are set out in Note 28 to the financial statements, including the Group's hedging policy to manage foreign exchange risk.

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

The Group's employees continue to be its most valuable asset and the health and safety of its employees are of particular importance to the Board. The Group provides its employees with a safe and healthy work environment. Please see Note 19 to these financial statements for details of our average number of employees.

RESULTS AND TOTAL ASSETS

The consolidated balance sheet at 31 December 2016 and the consolidated income statement for the year are set out on pages 80 and 81 respectively.

DIVIDENDS

The Board of Directors is recommending payment of a dividend of five US cents per share, up from four US cents per share paid in 2016.

SUBSIDIARY COMPANIES

The information required by the Companies Act, 2014 in relation to subsidiary undertakings is given in Note 6 to these financial statements.

SUBSTANTIAL SHAREHOLDINGS

The Company had been notified of the following interests in its issued share capital at 31 December 2016 and 24 March 2017 respectively:

NAME OF HOLDER	31 DECEMBER 2016		24 MARCH 2017	
	Number of US\$0.10 ORDINARY SHARES	% of Issued SHARE CAPITAL	Number of US\$0.10 ORDINARY SHARES	% of Issued SHARE CAPITAL
IIU NOMINEES LIMITED	20,644,981	27.18%	20,644,981	27.13%
PAGEANT HOLDINGS LIMITED	9,002,918	11.85%	9,102,918	11.96%
KABOUTER MANAGEMENT LLC	4,620,631	6.08%	4,637,471	6.09%
MR. PASCHAL TAGGART	2,528,329	3.33%	2,528,329	3.32%

Apart from these holdings, the Company has not been notified of any other interest of 3% or more in its issued ordinary share capital.

ACCOUNTING RECORDS

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at the Company's registered office in Block U, EastPoint, Clontarf, Dublin D03 H704.

INFORMATION TO AUDITORS

The directors in office at the date of this report have each confirmed that:

- As far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL AND CONTROL

As at 31 December 2016, the Company's authorised share capital comprised US\$10,488,000, divided into 100,000,000 ordinary shares of US\$0.10 each, representing 95.3% of the total share capital, 4,500,000 'A' and 'B' convertible redeemable shares of US\$0.10 each, representing 4.3% of the total share capital and 30,000 deferred shares of €1.269738 each, representing 0.4% of the total share capital. The ordinary shares are listed on the Irish Stock Exchange.

The rights attaching to these shares are set out in the notes to these financial statements.

There are no restrictions on transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company. The only restrictions on voting rights are those that apply to the convertible redeemable shares and deferred shares as described in the notes to these financial statements. There are no known arrangements on restrictions on share transfers or on voting rights. Ordinary shares acquired through share option schemes rank *pari passu* with the shares in issue and have no special rights.

As far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company, apart from those as disclosed in the substantial shareholdings above.

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force.

The powers of the directors are determined by the Irish legislation and the Constitution of the Company.

The Company is not party to any significant agreements that would take effect, alter or

terminate upon a change of control following a takeover bid. The Company does not have any agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share option schemes may cause options granted to employees under such schemes to vest on a takeover.

TREASURY SHARES

Datalex Employee Benefit Trust, which is an entity wholly owned by the Group, holds 940,000 shares (2015: 1,040,000 shares) in relation to certain share based payment schemes described in Note 9 to the financial statements. The relevant movements in respect of these interests which are treated as treasury shares are disclosed in Note 10 to the financial statements.

DIRECTORS AND SECRETARY

The names of the persons who were directors at any time during the year ended 31 December 2016 are set out below. Unless indicated otherwise, they served as directors for the entire year.

John Bateson*
Roger Conan*
David Kennedy
Peter Lennon*
Paschal Taggart*
Aidan Brogan
Garry Lyons*

(*denotes Non-Executive Director).

REAPPOINTMENT OF DIRECTORS

In accordance with the Company's policy, all directors will retire, and will offer themselves for re-election in 2017. Resolutions will be proposed at the Annual General Meeting to reappoint them. Biographical detail of all directors can be found on the Company's website and on pages 36 and 37.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary (including the interests of spouses and minor children), who were in office at 31 December 2016, and their families, had the following beneficial interests in the share capital of Datalex plc at 31 December 2016 and 31 December 2015.

DIRECTOR	2016 ORDINARY SHARES of US\$ 0.10 each	2016 OPTIONS OVER ORDINARY SHARES of US\$ 0.10 each	2015 ORDINARY SHARES of US\$ 0.10 each	2015 OPTIONS OVER ORDINARY SHARES of US\$ 0.10 each
JOHN BATESON	-	-	-	-
AIDAN BROGAN ^{(1) (2)}	223,644	1,200,000	223,644	1,200,000
ROGER CONAN	266,900	-	266,900	-
DAVID KENNEDY ⁽³⁾	41,246	1,007,000	41,246	1,057,000
PETER LENNON	325,935	-	325,935	-
GARRY LYONS	328,044	-	328,044	-
PASCHAL TAGGART	2,528,329	-	2,594,329	-

⁽¹⁾ Aidan Brogan also holds an interest in 260,000 ordinary shares under the Company's Joint Share Ownership Plan, implemented in January 2012 (see Note 9) which is fully vested and have not yet been exercised.

⁽²⁾ The share options for Aidan Brogan are fully vested at 31 December 2016.

⁽³⁾ The share options for David Kennedy are fully vested at 31 December 2015 and 2016.

There have been no changes to the directors' interests outlined above between the year-end date and the date of approval of the financial statements.

DIRECTORS' COMPLIANCE STATEMENT

The directors, in accordance with Section 225(2) (a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations". "Relevant obligations", in the context of the Company, are the Company's obligations under:

- (a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;
- (b) the Act, where a breach of the obligation would be a serious market abuse or prospectus offence; and
- (c) tax law.

Pursuant to Section 225(2)(b) of the Act, the directors confirm that:

- (i) a compliance policy statement has been drawn up by the Company in accordance with Section 225(3)(a) of the Act setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
- (ii) appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and
- (iii) a review has been conducted, during the financial year, of the arrangements and structures referred to in paragraph (ii).

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN STATEMENT

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis.

The Group's business model and strategy is set out on pages 10 to 11 and 14 to 17 respectively. Principal risks are detailed on pages 31 to 33. The financial position of the Group, including information on cash flow, can be found in the Financial and Operational Review on pages 26 to 29. In addition, the financial statements include, amongst other things, notes on how the group manages its financial risk (including interest rate, liquidity, currency and credit risk) as set out in Note 28. After making due enquiry, the directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

FINANCIAL VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three working years. A period of three years has been chosen for the purpose of this viability statement, in line with the period considered for the Group's strategic plan and the Board approved three year plan.

The directors' assessment has been made with reference to the Group's current position which includes a significant cash balance, liquid net assets, the Group strategy and prospects as sourced from the Board approved projections for 2017 to 2019, which have been prepared by reference to customer contracts currently in place and contracts with new customers which are under negotiation at the date of this Annual Report and are expected to be finalised in 2017 and early 2018. In considering the Groups financial viability, the directors have also assessed, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed on pages 31 to 33.

The strategy and associated principal risks, which the directors review at least annually, are a foundation of the Group's strategic plan and scenario testing. The plan makes certain assumptions about customer growth, the ability to meet liabilities as they fall due and the acceptable performance of the core E-business segment and, in particular, of the platform revenue stream and airline market growth and online penetration.

The plan is stress tested using sensitivity analysis which reflects plausible but severe combinations of the principal risks of the business, primarily through reducing revenues and contract losses.

AUDIT COMMITTEE

Details in relation to the Audit Committee of Datalex plc have been included on pages 52 to 53.

DIRECTORS' REPORT (CONTINUED)

INFORMATION REQUIRED TO BE DISCLOSED BY LR 6.8.1. ISE LISTING RULE

For the purposes of LR.6.8.1, the information required to be disclosed by LR 6.8.1 can be found at the following locations:

SECTION	TOPIC	LOCATION
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
3	Small related party transactions	Not applicable
4	Details of long-term incentive schemes	Remuneration Report and Note 14
5	Waive of emoluments by directors	Remuneration Report
6	Waive of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listing subsidiary	Not applicable
10	Contract of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waiver of dividends	Not applicable
13	Shareholder waiver of future dividends	Not applicable
14	Agreement with controlling shareholders	Not applicable

All information cross-referenced above is hereby incorporated by reference into this Directors' Report.

SUBSEQUENT EVENTS

There have been no subsequent events that impact on the 2016 financial statements up to the date of this report other than the dividends disclosed in Note 29.

POLITICAL DONATIONS

The Group and the Company did not make any political donations during the year.

DEVELOPMENT ACTIVITIES

The Group actively engages in research and development activities relevant to its business. Details of development expenditure are set out in Note 5 to the financial statements and are also discussed in the Chief Executive Review and the Financial and Operational Review.

AUDITOR

In accordance with the requirements of the EU Audit Regulation 2014, the Audit Committee undertook an audit tender process during 2016. Following this process, the Board approved a recommendation from the Audit Committee to appoint Ernst & Young ("EY") as the Company's new Auditor. This appointment will take effect for the year ending 31 December 2017.

On Behalf of the Board


Aidan Brogan


Paschal Taggart

27 March 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

Irish law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Irish law the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Company for the financial year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also required by applicable law and the Listings Rules issued by the Irish Stock Exchange, to prepare a Directors' Report and reports relating to directors' remuneration and corporate governance. In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Group;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company and the Group to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and 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.

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

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

DIRECTORS' STATEMENT PURSUANT TO TRANSPARENCY REGULATIONS

Each of the directors, whose names and functions are listed on pages 36 and 37 of the Annual Report confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement forms part of the Directors' Report set out on pages 40 to 45. The Group has adopted the provisions of the 2014 UK Corporate Governance Code ('the Code') and the additional requirements of the Irish Annex, which are in effect since 1 January 2011 and is committed to high standards of corporate governance as set out in the Code. The 2014 Code can be accessed from the following website address: frc.org.uk/our-work/publications/corporate-governance/uk-corporate-governance-code-2014.pdf.

The Irish Stock Exchange requires Irish listed companies to make a statement on how they have applied the principles and a statement of how they complied throughout the accounting period with the provisions set out in the Code and the Irish Annex. Unless otherwise stated, where these requirements are of a continuing nature, compliance has been achieved throughout the year. These statements are set out below.

Under the interpretative provisions of the Irish Annex, Datalex plc is not regarded as being an equivalent size to a company included in the FTSE 350 Index on the basis of its market capitalisation.

On page 47 of the Annual Report, as required by the Code provision C.1.1. the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy.

The Board acknowledges and welcomes the recent corporate governance developments including the updated UK Corporate Governance Code (2016), which applies to the Group in the year ending 31 December 2017.

DIRECTORS

The Board of Directors is responsible for the overall leadership and strategic direction of the Group. The names of all directors, together with

their dates of appointment to the Board and its Committees, can be found on pages 36 to 38.

In 2007 the Group established a Corporate Advisory Board, consisting of a number of senior global industry experts, including former airline CEOs, to advise it on market and product strategy. The members of this Board provide a valuable insight into our market development and help guide both management and the Board in their execution of the strategic plan.

Our Digital Commerce Platform offers market-leading digital capabilities to its airline customers. The Digital Commerce Platform is the primary enterprise system for customer engagement, and the Group has seen continued growth in its business in 2016. The Board believes that the key value driver of the business is growth in platform revenue. This is enabled in the longer term through the enhancement of our product's leading edge, particularly in new product capabilities in offer management, order management, virtual payments and the API (Application Program Interface) framework, which allows ease of integration with customers, partner providers and merchants. Together with the significant body of expertise and thought leadership that our employees possess, the Board believes that the Group is well positioned to deliver continued growth in financial performance.

At 31 December 2016, the Board comprised seven directors, five Non-Executive Directors and two Executive Directors. Collectively, the Non-Executive Directors possess a wide range of financial, commercial and general management experience, investment expertise and software industry expertise. The Nominations Committee will continue to periodically review the composition of the Board and the Board's collective skill set to ensure it continues to meet the needs of the Group and its ambitious growth plans.

Neither of the Executive Directors hold any directorships in public companies outside of the Datalex Group.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

There is a formal schedule of matters reserved for the Board for consideration and decision. These include approving annual operating and capital budgets, and decisions on strategic investments and direction. It also monitors Group performance against agreed objectives. The Non-Executive Directors meet without the Executive Directors present at the beginning of each Board meeting. The roles of Chairman and Chief Executive Officer are separate, and there is a clear division of responsibilities between them.

The Board met eleven times during the year and in advance of each Board meeting, the directors are provided with information to enable them to discharge their duties. Any additional information requested by the directors is readily provided. Details of directors attendance at Board and Committee meetings is set out on page 58. Directors are provided with extensive briefing papers on the Group and on an ongoing basis, the directors meet with key executives of the Group. Individual directors may seek independent professional advice at the Group's expense, where they judge it necessary to discharge their responsibility as a director. The Group maintains insurance cover in respect of the liability of its directors and officers to third parties.

The directors have varied backgrounds and experience. All directors bring independent judgement and constructive challenge to bear on issues of strategy, performance, resources and standards of conduct. There were no changes in the Chairman's significant commitments during the year. The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as Non-Executive Directors of the Company.

CHAIRMAN

Mr. Paschal Taggart has been Chairman of the Group since December 2009. While Mr. Taggart was a shareholder in the Company at the date of his appointment as Chairman and has served on

the Board since 2001, the Board is satisfied that he meets all other independence criteria set out in the 2014 Code, and that he continues to demonstrate his independence in the manner in which he carries out his role as Chairman. Consequently the Board is of the view that the Chairman is independent.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Roger Conan has been Senior Independent Non-Executive Director since February 2013. The Senior Independent Non-Executive Director is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Finance Director, and he is also available to meet major shareholders on request.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

TERMS OF APPOINTMENT

Non-Executive Directors are engaged under a letter of appointment. A copy of the standard letter of appointment is available on request from the Company Secretary. On appointment, directors are provided with briefing materials on the Group and its operations. Visits to the business and meetings with management are arranged, and ongoing briefings are provided as appropriate.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board has evaluated the independence of each Non-Executive Director by considering a number of factors, including:

- Has any director been an employee of the Company within the last five years?

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Has any director had a material business relationship with the Company, directly or indirectly, in the last three years?
- Does any director receive additional remuneration from the Company, apart from directors' fees?
- Does any director have links to other directors, or family ties with the Company's senior managers or advisors?
- Does any director hold cross-directorships or have significant links with other directors through involvement in other companies or bodies?
- Does any director represent a significant shareholder?
- Has any director served on the Board for more than nine years from the date of their first election?

Using these criteria, the Board has determined that each of the Non-Executive Directors is independent. The Board is aware that some shareholders might question the independence of certain Non-Executive Directors for the following reasons:

- Peter Lennon, has served on the Board since 1993, and also through the firm Maples and Calder of which he is a partner, is a legal advisor to the Group.
- John Bateson, as representative of the largest shareholder in the Group, IIU Nominees Ltd.

The Board also recognises that these two Non-Executive Directors, Peter Lennon and John Bateson have served on the Board for more than ten years from the date of their first election. The Board recognises however, that the Group has grown considerably over the last number of years and the Board believes that the Group benefits from the continuity of tenure and considerable experience that Mr. Lennon and Mr. Bateson bring to bear on the Group's governance. The Board is also satisfied that each of these two directors continue to demonstrate independence in the

execution of their roles and their contribution to the overall performance of the Board.

RETIREMENT AND RE-ELECTION

In accordance with the Company's policy, each of the directors is required to submit himself for re-election each year. All directors are submitting themselves for re-election this year.

PERFORMANCE EVALUATION

The Board conducts an annual review of its own performance and any development needs and that of its committees and of each individual member, including any training and development needs, to ensure that the performance and skills of each director is appropriate to the needs of the Group as the business develops. During 2016, this was primarily achieved through:

- Discussions held by the Chairman with directors on an individual and Group basis. The Chairman used a comprehensive questionnaire as a guideline to lead the discussions.
- A review by the Chairman of the effectiveness of each Board meeting and the contribution of individual Board members throughout the year. The review of individual Board members included an evaluation of their skills, independence and knowledge of the Group. In addition, the Chairman also met separately with the Non-Executive Directors.

The Senior Independent Non-Executive Director also met with the other Non-Executive Directors without the Chairman present, to review the performance of the Chairman.

The Chairman is satisfied that, following the performance evaluation, each director's performance continues to be effective and that they are demonstrating the necessary commitment to the role.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION AND SHARE OWNERSHIP

Details of directors' remuneration and interests in share options and share awards are set out in the report of the Remuneration Committee on directors' remuneration on pages 64 to 67. Details on directors' beneficial interests in the share capital of the Company are set out in the Directors' Report on page 43.

It is a requirement of the Irish Annex that any share awards to directors must have a minimum vesting period of three years from the date of grant. The Board notes that in January 2012 Aidan Brogan was granted 260,000 shares under the Company's Joint Share Ownership Plan, as described on pages 66 and 67, and that this grant was subject to a two year vesting period and the awards have vested. The Board acknowledges that this award was made before Aidan Brogan was appointed as a director of the Company.

MEETINGS

The Board routinely meets at least ten times a year and additionally as required. During the year, the Board met eleven times. Details of directors' attendance at these meetings are set out on page 58.

The Chairman sets the agenda for each meeting in consultation with the Chief Executive Officer and the Company Secretary. The agenda and Board papers are circulated prior to each meeting to provide the directors with relevant information and to enable them to fully consider the agenda items in advance of the meeting. In the event a director is unavailable to attend a Board meeting, he will receive the Board papers in advance of the meeting and can communicate their views on any items, to be raised through the Chairman at the meeting.

The matters considered by the Board at each meeting include a review of actual performance against approved budget and forecast performance through to the end of the period, the Group's operational performance and customer satisfaction,

the current status of the sales pipeline and any market and/or product developments since the previous meeting, and any changes to the business risk environment, including any credit risk events. The Board also periodically reviews the strategic development of the business against its three year plan. In 2016 this strategic review was carried out in December.

GENERAL MEETINGS

The Company's Annual General Meeting affords shareholders the opportunity to question the Chairman and the Board. The notice of the Annual General Meeting, the Form of Proxy and the Annual Report are issued to shareholders at least 21 working days before the meeting. At the meeting, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. After each resolution has been dealt with, details are given of the level of proxy votes cast on each resolution and the number of votes for, against and withheld. If validly requested, resolutions can be voted by way of a poll whereby the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance of the meeting and the total number of votes for, against and withheld for each resolution are announced. Details of proxy votes received are made available on the company's website following the meeting. All other general meetings are called Extraordinary General Meetings (EGMs). An EGM called for the passing of a special resolution must be called by providing at least 21 clear days notice. Provided shareholders have passed a special resolution at the immediately preceding Annual General Meeting and the Company allows shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the directors deem it appropriate, be called by providing at least 14 clear days notice. A quorum for a general meeting of the Company is constituted by three or more shareholders present in person or by proxy and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Shareholders have the right to attend, speak, and ask questions and vote at general meetings. In accordance with Irish Company Law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notice of Annual General Meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notice of Annual General Meeting. A shareholder, or a Group of shareholders, holding at least 5% of the issued share capital of the company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda or to table a draft resolution for inclusion on the agenda of a general meeting, subject to any contrary provision in Irish Company Law.

CONSTITUTION

The Company's Constitution sets out the objects and powers of the Company and may be amended by a special resolution passed by the shareholders at a general meeting of the Company.

BOARD COMMITTEES

The Board has an effective Committee structure to assist in the discharge of its responsibilities. Each Committee has formal terms of reference approved by the Board and is governed by a statement of general principles and rules of procedure adopted by the Board. These are available on request from the Company Secretary.

AUDIT COMMITTEE

The Audit Committee has been charged by the Board with the task of overseeing the accounting, financial reporting, internal control and risk

management processes of the Group, and the audit of the financial statements. The Committee has written terms of reference which set out its role, responsibilities and duties. These can be obtained on request from the Company Secretary.

The Audit Committee met eight times during the year, and at 31 December 2016 comprised John Bateson (Chairman) – who has recent and relevant financial experience, Peter Lennon and Roger Conan. The Committee members attended all the meetings during 2016. The Finance Director and external auditors are invited, where relevant, to attend meetings of the Audit Committee, and Committee members regularly meet employees from a variety of departments to aid their understanding of the business, and to assist in discharging their duties.

In addition to having Terms of Reference, the Audit Committee also agrees a committee calendar of items which it considers to be of significance in order to ensure that all items are discussed appropriately and on a timely basis.

The Audit Committee assists the Board in discharging its responsibilities with regard to:

- Financial reporting: The Committee reviews the annual financial statements and any formal market announcements relating to the Group's financial performance, and reviews significant financial reporting judgements contained therein. In particular, the Committee's review incorporates a review of the consistency of, or, any changes to significant accounting policies; significant judgemental areas; and disclosure and compliance requirements. In advance of the year-end, the Committee reviewed the external auditor's 2016 year-end audit plan. Through the final audit process, the Chairman of the Audit Committee held a number of meetings with the external audit partner to discuss the status of the field work and areas of focus arising. During

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

March 2017, the Committee reviewed in detail the 2016 Post-Audit Report to the Audit Committee prepared by the external auditors.

- External Audit: The Committee monitors and reviews the independence and objectivity of the external auditors by receiving confirmation from the external auditors that they are independent from the Group, including details of the external auditor's internal policies and procedures for maintaining independence and monitoring independence compliance. The Committee also reviews and monitors the Group's policy on the provision of non-audit services by the external auditors. The nature, extent and scope of non-audit services provided to the Group by the external auditors and the economic importance of the Group to the external auditors were also monitored to ensure that independence and objectivity was not impaired. Details of amounts paid to the external auditors during the year are set out in Note 17 to the financial statements. The Group has also monitored the effectiveness of the audit process, advising on the appointment, re-appointment and removal of the external auditors. At the conclusion of each year's audit, the committee evaluates the performance of the external auditors.
- External Audit tendering process: The Audit Committee has the primary responsibility for initiating the external audit tendering process, influencing the appointment of the engagement partner and making formal recommendations to the Board on the appointment of the external auditor.
- Reviewing arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- Reviewing the effectiveness of the Group's internal control system through delegated authority from the Board. In particular, the Audit Committee is mindful of the requirements in relation to the risk management and internal control arising from provision C.2.3 of the 2014 UK Corporate Governance Code and the continuing growth of the business over the last number of years and the ever changing competitive market. The Committee closely monitors the potential impact of this on the effectiveness of key business processes, internal control systems and the overall risk environment of the Group, for example critical resource levels, pricing of new contracts, and controls around service and quality levels.
- Reviewing the communications with regulators.
- Reviewing and monitoring the implementation of process improvements identified both by management and the external auditors during the year and in prior years.
- Reviewing the effectiveness of key accounting processes, such as the capitalisation of development expenditure and the revenue billing process.
- Advising the Board to ensure the integrity of the Annual Report and financial statements and to ensure that the Annual Report and financial statements taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.
- Reviewing the analysis underpinning the viability and going concern statements arising from the requirements included in the UK Corporate Governance Code.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

SIGNIFICANT AREAS

The Audit Committee's reporting remit requires specific discussion in respect of the work the Audit Committee undertook during the year in discharging its responsibilities, and the significant issues it dealt with, and how such issues were addressed. Most importantly perhaps, it is expected that such matters would at least include those items communicated to the Board by the external auditors during the year.

The significant areas considered by the Committee were:

Revenue Recognition and Accrued Income:

In relation to the accrued income for professional services/projects that are work in progress at year-end and accounted for under the percentage of completion method, the Committee reviewed the status of all major projects at year-end and the related accrued income by customer, based on the project information reports as submitted to the Board of Directors and discussed the status of key projects with the relevant operational staff. The Committee has given consideration to the fact that for fixed fee large deployment projects, which extend over long periods, the determination of stage of completion can be complex. The Group's management team has exercised their judgement on the stage of completion of certain large projects based on the time incurred, the work performed and project stages achieved at year-end, as well as the estimate of effort and hours to completion. The Committee has discussed the underlying significant judgements and estimates supporting the accrued income calculation with management and concur with management's assessment thereof.

The Audit Committee has also discussed the increase in the balance of accrued income at year-end with a focus on two large balances which account for 69% of the total unbilled balance at year-end and developed an understanding of the underlying reasons and projects underpinning this increase in accrued income.

In respect of platform revenue, the Committee has reviewed the level of recognised platform revenue per customer by reference to the underlying applicable number of transactions as sourced by the Group's internal systems (hosted customers) or transactions reported by customers (non-hosted customers) and the applicable key contractual provisions applicable to each customer. In 2016, this included platform revenue recognised on three customer terminations and revenue recognised on delivery of a beta software platform to a new customer. The Committee has analysed the trends and discussed significant movements with management. The Committee was satisfied that the revenue recognised and accrued at year-end is appropriate.

The Committee has also considered the appropriateness of the relevant revenue recognition policy and its consistency with the disclosure in the financial statements and concluded that it is appropriate.

At different times during the year, including at year-end, the Audit Committee reviewed the status of the individual customer balances in trade receivables, its ageing profile, the reasons underpinning certain delays in payments and the sufficiency of the related provision for impairment.

Capitalised Product Development:

The Committee reviewed the process and value of capitalised product development during 2016. Their review included meetings with management and members of the finance team involved in the capitalisation process and a review of the key elements of capitalised development spend in 2016. The Committee also reviewed a detailed working paper prepared by management outlining the process and areas capitalised in 2016. The Committee has also considered the nature of the capitalised development expenditure within the framework of the Group's business strategy and the development roadmap or, as applicable, the increased value and functionalities added

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

to the platform from investment carried out arising from customer driven requirements. In the current year, the Committee noted the investment in the platform's API capabilities (which is a key enabler of scaling the business), Offer and Order Management and vacation packaging. The Committee was satisfied that the approach is in line with the relevant IFRS requirements. The Committee has also met with members of the Product Development team to discuss the nature of the investment in the platform and the future road map and the plans and level of investment required to complete the work in progress at year-end. The Committee has also reviewed the key assumptions underpinning the recoverable amount determined in the impairment calculations as disclosed in Note 5 to the financial statements and concluded that the assumptions are appropriate and consistent with the Board approved budgets, three-year plans and knowledge of the business. The Committee has also given consideration to the inclusion of new prospective customers which are at different stages of negotiation and concluded that this is appropriate and consistent with their understanding of the business and the commercial pipeline. The Committee has also reviewed a sensitivity analysis prepared by management and they have concluded that any reasonable possible change in assumptions would not cause an impairment.

Deferred Tax:

The Committee reviewed the assumptions underlying the amount of the deferred income tax assets recognised at 31 December 2016. The external auditors reported and discussed their findings with the Committee. After reviewing papers prepared by management, reviewing future projections of taxable income at each taxable entity level, obtaining information as to the current and prior years' levels of taxable profit in each taxable entity and discussions with the external auditors, the Committee was satisfied that the quantum of deferred income tax assets as recognised and the relevant disclosures in the financial statements are appropriate.

INDEPENDENCE OF EXTERNAL AUDITORS

The Committee's policy on the provision of non-audit services by the external auditors is that, whilst it is appropriate and cost effective for the external auditors to provide tax compliance services to the Group, other services should only be provided where alternative providers do not exist or where it is cost effective or in the Group's interest for the external auditors to provide such services. In all cases the provision of non-audit services is carefully monitored by, and subject to the prior approval of the Committee.

The external auditors would not be invited to provide any non-audit services where it was felt that this could conflict with their independence or objectivity. Such services would include the provision of internal audit and management consulting services. The policy exists to ensure that the external auditors do not audit their own work, participate in activities that would normally be undertaken by management, have a mutuality of financial interests with the Group or act in an advocacy role to the Group. The external auditors also provide some tax advisory services to the Group. The Audit Committee believes that given the nature and scale of these services, they do not result in any impact on the auditors' objectivity and independence. In particular, the Committee is satisfied that the external auditors have not participated in management activities, placed themselves in a situation where they have a mutuality of interest with the Group, review their own work or act in an advocacy role.

EFFECTIVENESS OF EXTERNAL AUDIT

The Committee has reviewed the effectiveness of the external audit. The Committee monitored the conduct and effectiveness of external audit during the year through a review of:

- Experience and expertise of the audit firm and its key audit team members;
- The Audit Plan including judgments about

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

materiality; selection of areas of focus and related audit approach including the applicable key audit evidence tailored to the Company's operations and systems;

- The fulfilment of the agreed external audit plan and any variations from this plan;
- The auditor's understanding of the Company's business and industry, the environment in which the Group operates and of the applicable legal and regulatory framework;
- The auditors' assessment of key areas of focus throughout the audit and their robustness and perceptiveness to handle key accounting and audit judgements;
- Interaction between management and the auditor, including ensuring that management dedicates sufficient time to the audit process;
- The mind-set and strength of character of the key audit members to provide effective challenge to management in performing the audit;
- Communication with, and support to, the Committee including their assessment of new accounting and corporate governance developments;
- The content of external audit reports and their ability to raise potential issues as they become aware;
- Independence, objectivity and scepticism; and
- The auditors' recommendations on internal controls.

Private discussions are held with the external auditor at the Audit Committee meeting when the Audit Findings are presented to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. In addition to these private meetings the Chairman met on a regular basis with the external audit partner to facilitate effective and timely communication.

MANDATORY ROTATION OF THE EXTERNAL AUDITOR EFFECTIVE 2017 FINANCIAL YEAR

PwC have been the Group Auditors since 2004. In accordance with the mandatory rotation requirements of the EU Audit Regulation 2014, 2016 is the last year in which PwC could act as external auditors of the Group.

In view of these regulations, an invitation to tender document was issued to audit firms which the Audit Committee believed have the appropriate international expertise, experience and network to perform the audit of the Group. As a result of the EU mandatory rotation rules, PwC could not take part in the tendering process.

Each of the firms was given access to a data room and meetings were arranged with group and business unit management prior to the firms submitting their audit tender documents. The Audit Committee evaluated the audit tender documents using prescribed criteria and oral presentations were made by each of the firms invited to tender. The Committee subsequently recommended that EY be appointed as external auditors in succession to PwC. The appointment will take effect for the financial year ending 31 December 2017. The Board would like to thank PwC for their service as auditor to the Group.

PwC have confirmed that there are no matters in connection with their resignation as auditors which need to be brought to the attention of shareholders.

NOMINATIONS COMMITTEE

The Nominations Committee met once during the year and, at 31 December 2016, comprised Paschal Taggart (Chairman), John Bateson and Roger Conan. All Committee members attended the meetings.

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nominations

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Committee is responsible for reviewing, identifying and recommending suitable candidates for appointment as directors. The Terms of Reference of the Nominations Committee, including its role and the authority delegated to it by the Board, and the standard letter of terms and conditions of appointment to the Board, are available on demand from the Company Secretary. The Committee ensures that prior to the appointment of any new director the candidate has sufficient available time to discharge their duties as a director. Prior to the appointment of directors, the Committee evaluates the balance of skill, knowledge, experience and diversity of the Board, and in light of this evaluation, prepares a description of the roles and capabilities required for the appointments. To facilitate the search for suitable candidates, the Committee may use the services of external consultants.

On an annual basis the Nominations Committee reviews the size, structure and composition of the Board, and makes recommendations to the Board with regard to any changes required, within the context of the ongoing development and evolution of the business.

The Group recognises the importance and benefit of ensuring diversity throughout the organisation. 26 nationalities are represented within our workforce, and we strive to ensure that our culture promotes and respects everyone, irrespective of nationality or gender.

The Board also acknowledges the importance of promoting female participation at all levels in the Group. At 31 December 2016, women made up 23% of total employees and 28% of senior management (top two levels) in the Group, however there has not yet been a female appointment to the Board. In that light, and in the context of the evolving business environment of the Group, the Nomination Committee is undertaking a review of Board composition and structure, and anticipates the appointment of an additional Non-Executive Director in 2017.

REMUNERATION COMMITTEE

The Remuneration Committee met three times during the year and, at 31 December 2016, comprised Peter Lennon (Chairman), John Bateson, Paschal Taggart and Roger Conan. All Committee members attended the meetings.

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining the remuneration and benefits of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. As evidenced by the Board member biographies on pages 36 and 37, the Committee, both individually and collectively, possess significant experience and expertise in remuneration matters across a range of companies and industries. The Terms of Reference of the Remuneration Committee, including its role and the authority delegated to it by the Board, are available on demand from the Company Secretary.

The Company's remuneration policy is designed to perform in the long term interests of shareholders. The Committee has followed the provisions of the UK Corporate Governance Code and the Irish Annex relating to the design of performance related remuneration. The Chairman of the Board is a member of the Committee, as he met the independence criteria on his appointment. The Chairman absents himself from discussion around his own remuneration. The Committee meets all other criteria outlined in the Code.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance at Board and Committee meetings during the year ended 31 December 2016 is set out below:

NAME	APPOINTED	BOARD		AUDIT COMMITTEE		RENUMERATION COMMITTEE		NOMINATION COMMITTEE	
		A	B	A	B	A	B	A	B
JOHN BATESON	2006	11	11	8	8	3	3	1	1
ROGER CONAN	2011	11	11	8	8	3	3	1	1
DAVID KENNEDY	2008	11	11	-	-	-	-	-	-
PETER LENNON	1993	11	11	8	8	3	3	-	-
PASCHAL TAGGART	2001	11	11	-	-	3	3	1	1
AIDAN BROGAN	2012	11	11	-	-	-	-	-	-
GARRY LYONS	2013	11	10	-	-	-	-	-	-

Column A details the number of Board/Committee meetings held during the year in the period that the director was a member of the Board and/or Committee.

Column B details the number of meetings attended during the year in the period that the director was a member of the Board and/or Committee.

EXECUTIVE MANAGEMENT TEAM

The Chief Executive Officer, the Finance Director and other senior management make up the Executive Management Team, which has responsibility for assisting the Board in discharging its responsibilities, including the implementation of strategy, allocation of resources and the control of expenditure.

ACCOUNTABILITY AND AUDIT

The directors' responsibility for preparing the financial statements is explained in the Statement of Directors' Responsibilities and the auditors' responsibilities are set out in the Independent Auditors' Report. The Board is responsible by law for keeping proper accounting records, which disclose at any time the financial position of the Company and the Group. The Board is also responsible for overall management of the Company and the Group including strategy, policy and reporting. In discharging these mandates the Board pays particular attention to economic issues, strategy, investment programmes, financial performance and personnel matters.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS STATEMENT

In accordance with section C.2.3 of the UK Corporate Governance Code, the Board is responsible for reviewing the effectiveness of the risk management and the internal control systems. In relation to these responsibilities, the Board confirms that:

- there is an on-going process for identifying, evaluating, and managing the principal risks faced by the Company;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and financial statements;
- they are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

During 2016 the Board has directly, and through delegated authority to the Audit Committee, overseen and reviewed the performance and evolution of risk management activities and practices and internal control systems within the Group. These systems include financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records, operational controls in each functional area of the Group, and an assessment of general business risks.

Through both its on-going involvement and overview in risk management and internal control activities, the Board is satisfied that the risk management and internal controls systems in place remain effective. The Audit Committee meets on a regular basis and satisfies itself as to the adequacy of the Group's internal control and risk systems.

The Board continues to support the on-going development of risk management and internal controls to ensure that they remain effective as the business continues to evolve under the Groups' business model and strategy as detailed on pages 10 to 11 and 14 to 17 respectively.

The main features of the Group's systems of internal controls and risk management are as follows:

- Key risks, with reference to achievement of the Group's business objectives, are assessed and revised on a bi-annual basis. The Audit Committee periodically reviews the Group's overall risk environment, with respect to both risks to the achievement of the Group's business objectives, and risks to the integrity and effectiveness of the Group's key systems and processes. In particular, the Committee recognises the challenges that the current levels of growth in the customer base can bring, and pays particular attention to areas such as the availability of key domain resources and skills, the performance and integrity of critical infrastructure in our hosting facility, and control over the Group's cost base. The Committee also recognises the competitive dynamics of our market, and closely monitors any changes in pricing or product offerings that may impact on our ability to continue to win new business and retain existing customers. Any mitigating actions required are monitored and reported to the Audit Committee on a periodic basis. A summary of key risks, together with mitigating actions, is set out on pages 31 to 33;
- There is a comprehensive annual planning and budgeting system in place, cascading from the Group's three year strategic plan, which was comprehensively updated and revised in Q4 2016. Progress against the annual plan is assessed on a monthly basis by management and the Board through

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- detailed financial performance reporting, and short/medium term forecasts are prepared through which the three year strategic plan is continuously updated;
- A detailed assessment of the operation of the Group's internal financial control environment is carried out each year;
- The Group has written procedures and authority limits for all operating and capital expenditure;
- There is a comprehensive control process in place in relation to management of the integrity of the Group's software development process;
- The Group has a clearly defined policy and procedure for the evaluation, negotiation and sign-off of new business proposals and contracts.

FINANCIAL REPORTING PROCESS

In addition to the general internal control and risk management framework set out above, the following controls exist in relation to the financial reporting process:

- the Group's financial reporting system has been designed and implemented to ensure consistency and visibility of management information, which provides a sound basis for management and Board reviews of performance;
- the Consolidated Financial Statements are prepared by the central finance team in Dublin;
- uniform Group accounting policies are applied in the Company and each subsidiary;
- standard software is used to carry out the accounting processes for the preparation of the individual financial statements as well as for the Consolidated Financial Statements;
- an annual self-certification process requiring confirmation that the system of internal control is operating effectively is in place;
- the consolidated financial information is reconciled to the underlying financial systems;

- a review of the consolidated financial information is undertaken by management to ensure that the true position and results of the Group are reflected;
- the Group prepares detailed monthly financial and operational performance reports, together with rolling quarterly revenue and cash forecasts;
- the Board reviews actual performance against budget on a monthly basis;
- the Chief Executive Officer and Finance Director carry out periodic business performance reviews;
- the Finance Director regularly reviews the expertise and resource levels of the finance function; and
- the Audit Committee also meets with, and receives reports from the external auditors.

The Group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives and therefore provide reasonable, though not absolute, assurance that assets are safeguarded, transactions are authorised and recorded properly, and that material errors or irregularities are either prevented or detected within a timely period.

The directors have performed an annual review of the effectiveness of the Group's systems of internal control for the year ended 31 December 2016, and up to and including the date of approval of the financial statements. There were no significant failings identified by the review of the effectiveness of the systems of internal control.

The Audit Committee recognises that Datalex has been growing and that the complexity of customer contracts and of its product development has increased. Additional finance resources were hired in the year to handle the increased volumes. We recognise that there are process improvements that we would like to put in place, both identified by ourselves and by the external auditors. These primarily are around further

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

automation of our professional services revenue process and refinement of the capitalised development models, as currently both areas have a level of dependence on manual data input. The Audit Committee is satisfied that the deficiencies are mitigated by manual review procedures. These improvements are being actioned by management. For example, during 2016, a new time management system was implemented which went live in November 2016. In 2017, this will be leveraged to implement automated improvements of our professional services revenue process and refinement of the capitalised development models as currently both have a dependence on manual data inputs.

The Group has in place procedures to identify, evaluate and manage significant risks in accordance with the Code. These procedures were in place for the full year under review, and up to and including the date of approval of the financial statements. The process is subject to review by the Board.

The key procedures established by the directors, with a view to reviewing the effectiveness of the internal control environment, include the following:

- the organisation structure has clearly defined lines of authority;
- there is a formal schedule of matters reserved for the Board, as outlined in the Company's Board Control Manual;
- a comprehensive system of financial reporting involving periodic reporting, budgeting, variance analysis and forecasting, of all business units;
- an Audit Committee, made up of independent Non-Executive Directors which reviews key control matters;
- there are policies and procedures in relation to key financial controls, capital expenditure, operational risk and treasury and credit risk management;

- all investment decisions are subject to formal levels of authorisation and approval; and
- where professional expertise is necessary, professional advisors are engaged.

The Group has also put in place a system of identifying and reporting on risks and associated controls. The Board has reviewed the outputs from this process during the year and adopted the risks and controls as appropriate for monitoring and reporting. The Board has also reviewed the risks identified to ensure they are still relevant for monitoring.

The Group does not have an internal audit function. The Board has considered the need for one as required by the UK Corporate Governance Code but has decided that it is not warranted given the size and complexity of the Group at this time. The Board will continue to re-evaluate this position on an annual basis.

As outlined on page 53, members of the Audit Committee periodically examine the operation of key accounting processes in the business and report back to the Committee.

COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority and there is regular dialogue with individual shareholders, as well as general presentations at the time of the release of the annual and interim results. In addition, an interim management statement and a trading update have been issued to the market during the year. The interim financial statements have been issued in accordance with the requirements under the EU Directive 2004/109/EC (the 'Transparency Directive'). The company's website www.datalex.com provides the full text of the Annual Report, interim management statements, trading update and any stock exchange announcements.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company's AGM affords shareholders the opportunity to question the Chairman and the Board. A description of the rights of shareholders is set out in Note 9 to these financial statements. Periodically, the Chief Executive Officer and Finance Director meet with shareholders and any feedback from these meetings is circulated to the Board to ensure the Non-Executive Directors have a full understanding of the views of shareholders. The Senior Independent Non-Executive Director is available to shareholders if contact through normal channels is inappropriate, or has failed to resolve concerns.

SHAREHOLDERS' RIGHTS AT SHAREHOLDER MEETINGS AND THE EXERCISE OF SUCH RIGHTS

Only those shareholders registered on the Company's register of members at the prescribed record date, being a date not more than 48 hours before the general meeting to which it relates, are entitled to attend and vote at a general meeting. The Irish Companies Act 2014 requires that resolutions of the general meeting be passed by the majority of votes cast (ordinary resolution) unless the Acts or the Company's Articles of Association provide for 75% majority of votes cast (special resolution). The Company's Articles of Association provide that the Chairman has a casting vote in the event of a tie. A member entitled to attend, speak and vote at a general meeting is entitled to appoint a proxy to attend, speak and vote on his or her behalf. A proxy need not be a member of the Company.

Under the Acts, the Company must answer any question a member asks relating to the business being dealt with at the general meeting unless: (i) answering the question would interfere unduly with the preparation for the general meeting or the confidentiality and business interests of the Company; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it appears to the Chairman of the meeting that it is undesirable in the interests of good order of the meeting that the question be answered.

THE POWERS OF THE SHAREHOLDER MEETING

The business of the Company is managed by the directors who may exercise all the powers of the Company as are not by the Acts or by the Articles required to be exercised by the Company in the general meeting. Matters reserved by the Acts to the shareholders in the general meeting include:

- election of directors;
- payment of dividends;
- appointment of external auditors;
- amendments of the Constitution;
- measures to increase or reduce the share capital; and
- authority to issue shares.

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The Group has applied the principles and provisions of the UK Code and the Irish Annex throughout the year ended 31 December 2016, with the following exceptions:

- The Group does not have an internal audit function. The Board has considered the need for one as required by the Code but has decided that it is not warranted at this time, given the size and complexity of the Group. The Board will continue to periodically review this position;
- The Chairman, Paschal Taggart, is a member of the Remuneration Committee. The Code states that all members of this Committee be independent but the code does not consider the position of the Chairman to be independent. The Board has considered this and wants to take advantage of the Chairman's skills and experience in this area; and
- As at 31 December 2016, the Chief Executive Officer and the Finance Director had 1,200,000 and 1,007,000 exercisable share

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

options remaining respectively. The Finance Director exercised 50,000 share options in the current year. These share options, were granted under the 2000 and the 2012 Share Options schemes. The Chief Executive Officer has 260,000 Joint Share Ownership awards which, have vested in prior years, and that are exercisable at year-end. In addition, Aidan Brogan and David Kennedy earned €160,000 and €60,679, respectively of variable performance (short term cash) bonuses in 2016. The benefits have not been subject to clawback and malus provisions as they were granted under schemes which were set up before the approval of the Code. The Board acknowledges the requirement and intends to implement these provisions in any new awards granted which are applicable to Mr. Brogan and Mr. Kennedy.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

REMUNERATION REPORT

INTRODUCTION

This report deals with directors' remuneration for the year ended 31 December 2016. This report is divided into two parts. Part I of this report contains unaudited information and Part II contains audited information.

PART I – THIS PART OF THE REMUNERATION REPORT IS UNAUDITED.

REMUNERATION POLICY

The Group's policy in respect of the remuneration of Executive Directors is to provide remuneration packages, including variable elements such as performance related bonuses which attract, retain, motivate and reward the executives concerned and, by ensuring strong links between performance and reward, which encourage them to enhance the Group's performance.

In considering such packages, cognisance is taken of: the levels of remuneration for comparable positions; the responsibilities of the individual concerned; their individual performances against specific and challenging objectives; and overall Group performance. Share options are granted to employees on the basis of their responsibilities and, where relevant, their past performance. Share options granted under the 2012 plan, which was approved by shareholders on 6 February 2012, provide for a minimum vesting period of three years from the date of grant, and vesting is subject to the achievement of Board-approved performance targets (see Note 9).

REMUNERATION COMMITTEE

The Remuneration Committee comprises Peter Lennon as Chairman, John Bateson, Paschal Taggart and Roger Conan. As evidenced by the Board member biographies on pages 36 and 37, the Committee, both individually and collectively, possess significant experience and expertise in remuneration matters across a range of companies and industries. None of the Committee members have any financial interest other than as shareholders, in the matters to be decided by the Committee and no potential conflicts of interests arising from cross-directorship. The

Committee has responsibility for determining, within agreed terms of reference, the Group's policy on compensation of directors and senior executives, and making recommendations to the Board on the remuneration of directors and senior executives.

EXECUTIVE DIRECTORS

Aidan Brogan and David Kennedy are the only Executive Directors and both are subject to a service contract. These contracts have no fixed term and may be terminated by either party giving six months' notice. The current basic annual salary payable under these contracts is €285,000 (2015: €285,000) and €175,000 (2015: €175,000) respectively. Annual performance related bonuses may also be determined by the Remuneration Committee. These contracts also allow for a 7.5% contribution of basic salary into a pension, permanent health and life assurance schemes. These arrangements are subject to continuous review by the Remuneration Committee. During the year both of the Executive Directors agreed to waive their directors' fees of €48,000.

NON-EXECUTIVE DIRECTORS

The Group agreed with its Non-Executive Directors to pay each Non-Executive Director €48,000 per annum (2015: €48,000) in respect of their services as directors. The Chairman is paid an annual fee of €96,000 per annum (2015: €96,000). Non-Executive Directors' fees of US\$134,924 (2015: US\$87,096) were accrued at the year-end.

SHARE PERFORMANCE

The price range during the period from 1 January 2016 to 31 December 2016 was €2.44 to €3.75.

REMUNERATION REPORT (CONTINUED)

PART II – THIS PART OF THE REMUNERATION REPORT IS AUDITED. THE INFORMATION BELOW FORMS PART OF THE AUDITED FINANCIAL STATEMENTS AS DESCRIBED IN THE BASIS OF PREPARATION IN NOTE 2.1.

REMUNERATION OF DIRECTORS

The following table sets out the remuneration of the directors during their period on the Board in 2016:

DIRECTORS	BASIC SALARY & FEES INC PERFORMANCE BONUS US\$'000	OTHER BENEFITS US\$'000	DEFINED PENSION CONTRIBUTION SCHEME US\$'000	SHARE AWARDS GAIN ON EXERCISE US\$'000 ⁽²⁾	2016 TOTAL US\$'000	2015 TOTAL US\$'000 ⁽³⁾
JOHN BATESON	53	-	-	-	53	54
DAVID KENNEDY ⁽¹⁾	261	15	14	156	446	287
ROGER CONAN	53	-	-	-	53	54
PETER LENNON	53	-	-	-	53	54
PASCHAL TAGGART	106	-	-	-	106	107
AIDAN BROGAN	492	16	24	-	532	519
GARRY LYONS	53	-	-	-	53	54
TOTAL	1,071	31	38	156	1,296	1,129

⁽¹⁾ The market price at the date of exercise of David Kennedy's shares during the year was €3.65. The exercise price was €0.54.

⁽²⁾ In addition, there was an IFRS 2 share awards charge of US\$60,891 in 2016 (2015: US\$355,449).

⁽³⁾ The 2015 total includes basic salary and fees including performance bonus (US\$1,058,949), other benefits (US\$30,929) and pension contributions in respect of a defined contribution scheme for the two Executive Directors (US\$39,044).

BONUS

Executive Directors participate in an annual performance incentive scheme based on a combination of individual objectives and Group performance targets for Adjusted EBITDA and cash and short term investments. For the year ended 31 December 2016, Aidan Brogan earned a bonus of €160,000 (2015: €145,000) and David Kennedy earned a bonus of €60,679 (2015: €55,833).

PENSIONS

Pensions for Executive Directors are provided under a defined contribution pension scheme. The total contributions payable for the Executive Directors under the scheme for the year ended 31 December 2016 were US\$38,152 (2015: US\$39,044).

The total contributions accrued for Aidan Brogan and David Kennedy under the scheme at the year ended 31 December 2016 were US\$3,755 (2015: US\$1,984) and US\$2,306 (2015: US\$1,218).

REMUNERATION REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARE OPTIONS

The following table sets out the total share options held by each director during the year. Further details regarding the terms of the share option scheme are set out in Note 9 to these financial statements.

DIRECTORS	AT 1 JANUARY 2016	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	AT 31 DECEMBER 2016	EXERCISE PRICE RANGE	DATE FROM WHICH EXERCISABLE	EXPIRY DATE
DAVID KENNEDY	1,057,000	-	50,000	-	1,007,000	€0.48- €0.54	2011/2015	2018/2022
AIDAN BROGAN ⁽¹⁾	1,200,000	-	-	-	1,200,000	€0.13 - €0.84	2013/2016	2020/2023

⁽¹⁾ In January 2012, Aidan Brogan (in the role of SVP of Sales at the time) was granted 260,000 shares under the Joint Share Ownership Plan, which provides for a vesting period over two years. The Board acknowledges that this award was made before Aidan Brogan was appointed as Chief Executive Officer and as a director of the Company. These awards fully vested before 1 January 2015.

2012 SHARE PLAN OPTION

The Datalex Share Option Plan 2012 was approved by shareholders on 6 February 2012. Under the rules of the 2012 Plan, options will not normally be exercisable until three years after the date of grant and vesting is subject to the achievement of challenging annual performance targets as determined by the Remuneration Committee. Options granted under the 2012 plan have an exercise price equal to the then prevailing market price for a Datalex ordinary share. Under the rules of the 2012 plan, if performance conditions are not met, the options will not vest and will lapse.

Each option award currently outstanding under the 2012 Plan has been granted subject to performance conditions relating to the achievement by the Group of Adjusted EBITDA, and cash performance targets, as established by the Remuneration Committee, in the three year period commencing on grant date, with each condition applicable to one third, respectively, of the number of options subject to the award. The performance conditions applicable to FY 2016 were adjusted by the Remuneration Committee to reflect the Group's investment in securing a long-

term contractual arrangement. The performance conditions in respect of revised targets of Adjusted EBITDA and cash performance were achieved and have vested for FY 2016.

JOINT SHARE OWNERSHIP PLAN

The Board approved the establishment of the Datalex Joint Share Ownership Plan in January 2012. The Plan is intended to incentivise senior management in the Group (excluding Executive Directors) towards the achievement of challenging Adjusted EBITDA and cash performance targets, as established by the Remuneration Committee.

Participants' interests acquired under the Plan take the form of restricted interests in ordinary shares of the Company ("Plan Shares"), with interests acquired under the Plan being subject to time-based (continuous service) and performance-based conditions to vesting. Key members of the Group's senior management (excluding the Executive Directors) acquired interests under the

REMUNERATION REPORT (CONTINUED)

plan in January 2012. Under the Plan, these participants and an Employee Benefit Trust administered by independent professional trustees jointly acquired 1.56 million existing shares at the open market price (then €0.36 per share).

In accordance with the Rules of the Plan, vesting of the participants' interests was conditional on achievement of performance conditions relating to Adjusted EBITDA and cash targets for the Group, as established by the Remuneration Committee, in the financial years ended 31 December 2013 (as to one half of the interests) and 31 December 2014 (as to the other half) and on the first and second anniversary of the acquisition date, respectively. The performance conditions for both halves were achieved and have vested.

Where an interest vests, the trustees of the Employee Benefit Trust may, at the request of the participant, transfer Ordinary Shares to the participant of equal value to the participant's interest or the Plan Shares may be sold by the trustees who will account to the participant for the difference between the sale proceeds less expenses and the Employee Benefit Trust's interest in the Plan Shares.

DEFERRED SHARE AWARD

In December 2015, the Company granted to one of the senior management a conditional award over 130,000 existing ordinary shares subject to conditions equivalent to those prescribed by the Group's existing share option plan, with vesting of the award no earlier than the third anniversary of the grant, subject to the achievement of the same performance conditions as established by the Remuneration Committee for the share option plan. On vesting, the award would be satisfied by the transfer from the Trust, established by the Company in connection with its establishment of the JSOP in 2011, of 130,000 shares which are held by the trust following the forfeit, on the resignation

from the Group of the senior management's predecessor, of a JSOP award. As noted on page 66, vesting has been achieved for FY 2016.

LONG TERM INCENTIVE PLAN

A new Long Term Incentive Plan ("LTIP") for key employees was approved by shareholders at the 2015 AGM. The LTIP is intended to enable the retention and reward of key employees who are central to the achievement of the Group's growth strategy in the coming years. The Plan will operate under similar terms as the Company's Share Option Plan, with vesting of cash bonuses based on the achievement of non-market performance conditions over a three year period. The Company started making awards under the Plan during 2016. To date 25 key employees have received grants under the scheme, to a total value of \$1.78m - see Note 14 and Note 2.11 (f). As noted on page 66, vesting has been achieved for FY 2016.

On Behalf of the Remuneration Committee



Peter Lennon

27 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- Datalex plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

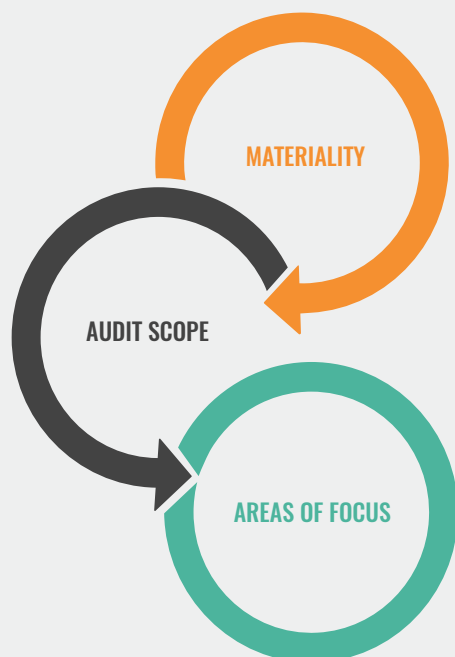
Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

OUR AUDIT APPROACH

Overview



Materiality

- Overall Group materiality: US\$292,000 which represents 2.5% of earnings before net finance costs, income tax expense, depreciation and amortisation ("EBITDA").

Audit scope

- An audit of the full financial information was performed for all components (reporting units in Ireland, United Kingdom, Netherlands, the United States of America and central functions performed by the Group Finance department based in Dublin). Taken together these components represented 98% of Group profit before tax and 98% of Group total assets. In addition, specified procedures have been performed in relation to the Chinese entity.

Areas of focus

- Revenue recognition and accrued income.
- Capitalisation of development costs and impairment testing.
- Measurement of deferred tax assets.

THE SCOPE OF OUR AUDIT AND OUR AREAS OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

AREA OF FOCUS

Revenue recognition and accrued income

Note 2.3 to the financial statements sets out the accounting policy for revenue recognition and includes a description of the types of revenue that the Group has.

The timing of the recognition of revenue in respect of fixed fee professional services is calculated using the percentage of completion method. This requires the exercise of significant judgement in the assessment of the extent of progress towards completion which is estimated by reference to labour hours incurred to date as a % of the total estimated labour hours. As referenced on pages 60 and 61, this continues to be an area where we and the Group have identified the need for improvements in the processes and internal control system, in particular in relation to the level of reliance on manually entered inputs, with consequent risks of manual input errors, which the Group has undertaken to address.

Platform revenue is earned from the use of the Group's commerce platform by its customers. Revenue is principally recognised based on the contractual rate applied to bookings or other underlying transactions which are sourced from IT systems and also on a fixed fee basis for some customers. Platform revenue also includes termination fees paid by customers where they decide to terminate the contract before the end of the applicable contract term.

Accrued revenue arises on fixed fee professional services revenue billed in arrears and in situations where platform revenue is billed in arrears. As set out in Note 7 to the financial statements, the balance sheet includes accrued revenue of US\$10.0m at the year end.

We also focused on the presentation of revenue in the financial statements as the Company has identified that platform revenue (a component of revenue) is a key indicator of the Group's performance.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

We identified key professional services projects for testing based on size, complexity, risk, balance sheet amount (accrued revenue and outstanding debtors) and the ageing of these balances.

We tested the quantum and timing of professional services revenue recognition, and in particular considered whether the Group appropriately recorded professional services revenue by reference to the percentage of completion in respect of projects which were in progress at year-end and were subject to fixed fee arrangements. We tested the Group's revenue entitlement by reference to the agreed written arrangements (contracts, work orders and other correspondence) and the status of the projects by reference to the Group's time recording system and operational budgets for these projects.

We challenged management's assumptions in respect of estimated professional services revenues and costs by considering the reliability of previous estimates compared to actuals and relevant correspondence with the selected customers.

For platform revenue recognised based on actual variable periodic transactions, we tested these transactions against information provided by the Group's own systems or data provided from customers systems depending on whether they related to hosted or non-hosted customers. Where the information in respect of transactions was sourced from the Group's internal IT systems, we have used our IT specialists in order to test the accuracy and completeness of the transaction information supporting the recognised platform revenue. We agreed the contractual rates used in the calculation of this revenue to the underlying customer contracts.

We also tested the Group's revenue entitlement in respect of other revenue amounts included in platform revenue by reference to the written arrangements applicable to each of the relevant Group's customers, including entitlements to termination fees.

Where accrued revenue balances were still unbilled at the time of our audit we sought explanations as to why the balances remained unbilled and considered the reasonableness of these explanations and the expected timing of billing and collection.

We considered the appropriateness of the presentation of revenue by considering each type of revenue earned by the Group and ensuring it was disclosed in accordance with the Group's accounting policy set out in Note 2.3.

We also tested manual revenue journal entries focusing on unusual or irregular items.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

AREA OF FOCUS

Capitalisation of development costs and impairment testing

As set out in the accounting policy for intangible assets in Note 2.5 to the financial statements, development expenditure is capitalised where the relevant criteria are met. Considerable judgement is exercised in determining what type of expenditure meets the criteria for capitalisation and in determining the appropriate amount of directly attributable management time, bug fixing (rebasings and republishing) and the portion of the relevant overheads to capitalise. The Company has a time recording system which is used to identify the time inputs by staff and contractors on development projects. A % allocation of the salary costs of certain members of the senior management team based on an estimate of the time spent on specific projects is also included in the development costs capitalised. The Company has an in house developed detailed model that is used to calculate an overall hourly rate, using inputs from the payroll records and the financial management information systems.

We focused on this area due to:

- the significance of the amount capitalised and the increase in the amount capitalised compared to the prior year (US\$9.2m in the current year as set out in Note 5);
- the complexity of the model used;
- the judgements required in relation to the criteria for capitalisation and certain estimates used in determining the amount of costs to capitalise; and
- the judgments required in relation to the impairment test, as set out in Note 5.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

We independently met with the Research and Development department staff and separately with other members of the management team to develop an understanding of the projects, the relevant status and phases, and their technical feasibility. We also considered the accounting paper prepared by the Company setting out the considerations and judgements made by management in relation to costs capitalised in the year.

We identified key development projects for testing based on these discussions and balance sheet amount. We tested the hours charged to individual capital projects by the qualifying personnel against the Group's time recording system.

We tested the Company's cost calculations against payroll and other financial records.

We considered whether the roles of those management members for whom a proportion of their time is capitalised met the criteria for capitalisation and met with them to confirm that the amount capitalised represented a fair allocation of their time spent on the various development projects.

We also challenged the judgements applied by management underpinning certain elements of the calculations by checking consistency with historic data in relation to the level of bug fixing (rebasings and republishing) and the level of overheads capitalised.

We evaluated the commercial feasibility of capitalised development projects by reference to expected future benefits underpinned by current and prospective customer contracts.

In relation to the impairment review, we have evaluated the Directors' future cash flows forecasts including comparing them with the latest approved budgets and against historical results. We have also assessed past management performance in relation to forecasts. We also performed sensitivity analysis and considered the likelihood of those changes arising. We have also considered the disclosures in Note 5 in relation to the impairment assessment.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

AREA OF FOCUS

Measurement of deferred tax assets

The Group has recognised net deferred tax assets of US\$2.1m and has unrecognised deferred tax assets of US\$28.6m. We focused on this area because partial recognition requires a significant level of judgement by the Directors in determining the quantum of carried forward tax losses and other tax credits which will be utilised, by legal entity and jurisdiction, in future periods, and therefore should be recognised as deferred tax assets.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

We evaluated the Group's profit forecasts underlying the recognition of tax losses and other tax credits included in the deferred tax asset balance, including comparing them to Board approved annual budgets and three year plans. We challenged the assumptions underpinning the recognised asset by reference to the current and prior year levels of taxable profits.

We have also challenged the judgement involved in relation to the lookout period utilised for the purpose of determining the available future taxable profit.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into two business segments being "E-business" and "TPF Consulting". The Group financial statements are a consolidation of six individual reporting units, comprising four reporting units for the E-business segment, Ireland, the United States of America, the United Kingdom and China, the TPF Consulting segment which is centralised in the Netherlands and the centralised Group head office function in Ireland. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each reporting unit by us.

An audit of the full financial information was performed for Ireland, the United States of America, the United Kingdom, and the Netherlands. Taken together, the components and functions where we performed our audit work accounted for 98% of Group revenues and 98% of Group profit before tax. In addition, specified procedures were performed in relation to revenue, payroll costs, cash and trade and other receivables for the Chinese entity.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US\$292,000 (2015: US\$260,000).
How we determined it	2.5% of earnings before net finance costs, income tax expense, depreciation and amortisation ("EBITDA").
Rationale for benchmark applied	We considered the reporting by the Company to its shareholders. We have determined that EBITDA is the most appropriate measure of recurring performance for the Group. This is also a key performance indicator reported internally by the Company to its Board of Directors. We have also considered the other items of income and expense included within statutory profit before tax to ensure the materiality determined was reasonable.
Component Materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was US\$50,000 to US\$270,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$15,000 (2015: US\$13,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules we are required to review the Directors' statement, set out on page 44, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company has adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION

Companies Act 2014 opinion

In our opinion the information given in the Directors' Report is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
<ul style="list-style-type: none"> • information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the statement given by the Directors on pages 46 and 47, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the section of the Annual Report on pages 52 to 55, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
<ul style="list-style-type: none"> the Directors' confirmation on page 40 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the Directors' explanation on page 44 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	We have nothing material to add or to draw attention to.
Under the Listing Rules, we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

DIRECTORS' REMUNERATION AND TRANSACTIONS

Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made, and under the Listing Rules we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

CORPORATE GOVERNANCE STATEMENT

- In our opinion, based on the work undertaken in the course of our audit of the financial statements:
 - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
 - the information required by Section 1373(2)(d) of the Companies Act 2014; included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.
- Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY 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 Company financial statements to be readily and properly audited.
- The Company Balance Sheet is in agreement with the accounting records.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DATALEX PLC (CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on pages 46 and 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Damian Byrne

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

27 March 2017

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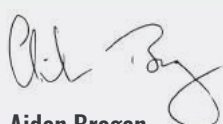
CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	4	2,275	1,461
Intangible assets	5	19,178	15,437
Deferred income tax assets	21	2,076	1,731
Trade and other receivables	7	329	-
TOTAL NON-CURRENT ASSETS		23,858	18,629
<i>Current assets</i>			
Trade and other receivables	7	15,153	11,602
Short term investments	8	-	4,577
Cash and cash equivalents	8	24,320	17,231
TOTAL CURRENT ASSETS		39,473	33,410
TOTAL ASSETS		63,331	52,039
EQUITY			
<i>Capital and reserves attributable to the equity holders of the Company</i>			
Ordinary share capital	9	7,596	7,535
Other equity share capital	9	262	262
Other reserves	10	5,888	5,107
Retained earnings		29,093	26,662
TOTAL EQUITY		42,839	39,566
LIABILITIES			
<i>Non-current liabilities</i>			
Borrowings	13	458	177
Provision	14	326	-
Trade and other payables	12	113	-
TOTAL NON-CURRENT LIABILITIES		897	177
<i>Current liabilities</i>			
Trade and other payables	12	19,142	11,446
Borrowings	13	336	751
Current income tax liabilities		117	99
TOTAL CURRENT LIABILITIES		19,595	12,296
TOTAL EQUITY AND LIABILITIES		63,331	52,039

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan
27 March 2017



Paschal Taggart

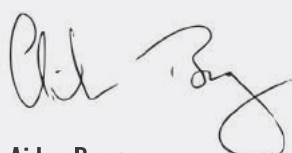
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
Revenue	16	55,321	46,618
Cost of sales	17	(41,374)	(33,392)
GROSS PROFIT		13,947	13,226
Selling and marketing costs	17	(4,826)	(3,890)
Administrative expenses	17	(3,579)	(3,470)
Other losses	18	(291)	(1,860)
OPERATING PROFIT		5,251	4,006
Finance income	20	26	23
Finance costs	20	(56)	(117)
PROFIT BEFORE INCOME TAX		5,221	3,912
Income tax credit	21	172	278
PROFIT FOR THE YEAR		5,393	4,190
PROFIT PER SHARE (in US\$ cent per share)			
Basic	22	7.22	5.67
Diluted	22	6.84	5.37

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

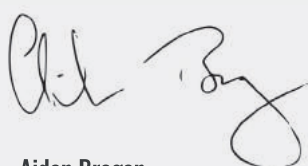
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
PROFIT FOR THE FINANCIAL YEAR		5,393	4,190
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS			
Foreign currency translation adjustments:			
- Arising in the year	10	(65)	(19)
Cash flow hedges			
Increase in cash flow hedges losses in the year		-	(1,009)
Losses on cash-flow hedges transferred to profit or loss		-	1,496
Losses on cash flow hedges transferred to intangible assets		-	241
TOTAL MOVEMENT IN ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	15	-	728
		(65)	709
COMPREHENSIVE INCOME FOR THE YEAR		5,328	4,899

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	EQUITY SHARE CAPITAL	OTHER EQUITY SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
BALANCE AT 1 JANUARY 2015	7,460	262	3,121	24,697	35,540
Profit for the year	-	-	-	4,190	4,190
Other comprehensive income	-	-	709	-	709
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	709	4,190	4,899
Share based schemes charge (Note 10)	-	-	844	-	844
Issue of ordinary shares on exercise of options (Note 10)	75	-	276	-	351
Decrease in treasury shares due to exercise of JSOP awards (Note 10)	-	-	157	-	157
Dividends paid (Note 11)	-	-	-	(2,225)	(2,225)
BALANCE AT 31 DECEMBER 2015	7,535	262	5,107	26,662	39,566
BALANCE AT 1 JANUARY 2016	7,535	262	5,107	26,662	39,566
Profit for the year	-	-	-	5,393	5,393
Other comprehensive expense	-	-	(65)	-	(65)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(65)	5,393	5,328
Share based schemes charge (Note 10)	-	-	524	-	524
Issue of ordinary shares on exercise of options (Note 10)	61	-	281	-	342
Decrease in treasury shares due to exercise of JSOP awards (Note 10)	-	-	41	-	41
Dividends paid (Note 11)	-	-	-	(2,962)	(2,962)
BALANCE AT 31 DECEMBER 2016	7,596	262	5,888	29,093	42,839

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	17,105	13,003
Income tax paid		(149)	(11)
NET CASH GENERATED FROM OPERATING ACTIVITIES		16,956	12,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,408)	(493)
Additions to intangible assets	5	(9,429)	(6,057)
Short term investments decrease/(increase)	8	4,577	(4,577)
Interest received		26	23
NET CASH USED IN INVESTING ACTIVITIES		(6,234)	(11,104)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (including share premium)		342	351
Proceeds from exercise of JSOP awards	10	41	157
Dividends paid to shareholders	11	(2,962)	(2,225)
Decrease in finance lease liabilities		(701)	(994)
Interest paid	20	(56)	(117)
NET CASH USED IN FINANCING ACTIVITIES		(3,336)	(2,828)
Net increase/(decrease) in cash and cash equivalents		7,386	(940)
Foreign exchange loss on cash and cash equivalents		(297)	(170)
Cash and cash equivalents at beginning of year		17,231	18,341
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	24,320	17,231

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan
27 March 2017



Paschal Taggart

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
ASSETS			
<i>Non-current assets</i>			
Investments in subsidiaries	6	48,269	47,745
<i>Current assets</i>			
Trade and other receivables	7	5,276	4,856
Short term investments	8	-	1,271
Cash and cash equivalents	8	252	34
TOTAL CURRENT ASSETS		5,528	6,161
TOTAL ASSETS		53,797	53,906
EQUITY			
<i>Capital and reserves attributable to equity holders of the Company</i>			
Ordinary share capital	9	7,596	7,535
Other equity share capital	9	262	262
Other reserves	10	44,922	44,117
Retained earnings		1,017	1,992
TOTAL EQUITY		53,797	53,906

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	EQUITY SHARE CAPITAL US\$'000	OTHER EQUITY SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL EQUITY US\$'000
BALANCE AT 1 JANUARY 2015	7,460	262	42,997	713	51,432
Profit for the year	-	-	-	3,504	3,504
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	3,504	3,504
Share based schemes charge (Note 10)	-	-	844	-	844
Issue of ordinary shares on exercise of options (Note 10)	75	-	276	-	351
Dividends paid (Note 11)	-	-	-	(2,225)	(2,225)
BALANCE AT 31 DECEMBER 2015	7,535	262	44,117	1,992	53,906
BALANCE AT 1 JANUARY 2016	7,535	262	44,117	1,992	53,906
Profit for the year	-	-	-	1,987	1,987
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	1,987	1,987
Share based schemes charge (Note 10)	-	-	524	-	524
Issue of ordinary shares on exercise of options (Note 10)	61	-	281	-	342
Dividends paid (Note 11)	-	-	-	(2,962)	(2,962)
BALANCE AT 31 DECEMBER 2016	7,596	262	44,922	1,017	53,797

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 US\$'000	2015 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	1,588	2,155
Adjustment for:			
Dividends received		(2,000)	(3,500)
CASH USED IN OPERATIONS			
		(412)	(1,345)
Dividends received		2,000	3,500
NET CASH GENERATED FROM OPERATING ACTIVITIES			
		1,588	2,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investments decrease/(increase)		1,271	(1,271)
Interest received		-	3
NET CASH GENERATED FROM/(USED) IN INVESTING ACTIVITIES			
		1,271	(1,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (including share premium)		342	351
Dividends paid to shareholders		(2,962)	(2,225)
NET CASH USED IN FINANCING ACTIVITIES			
		(2,620)	(1,874)
Net increase/(decrease) in cash and cash equivalents		239	(987)
Foreign exchange (loss)/gain on cash and cash equivalents		(21)	1
Cash and cash equivalents at beginning of year		34	1,020
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	8	252	34

The accompanying notes form an integral part of these financial statements.

On Behalf of the Board



Aidan Brogan

27 March 2017



Paschal Taggart

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

The principal activity of the Group is the development and sale of a variety of direct distribution software products and solutions to the travel industry.

The Company is a public limited company incorporated and domiciled in Ireland and is listed on the Irish Stock Exchange.

These Group and Company financial statements were authorised for issue by the Board of Directors on 27 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied.

2.1 BASIS OF PREPARATION

The entity and Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis of accounting and under the historical cost convention, as modified by the measurement at the fair value of share options and derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's and Group's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the entity and group financial statements are disclosed in Note 3.

The notes to the financial statements include the information in the Remuneration Report that is described as being an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN

The Group meets its day-to-day working capital requirements through its cash reserves. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance and the Group's management of its principal risks and uncertainties, show that the Group should be able to operate within the level of its current facilities and resources. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its Consolidated Financial Statements.

2.2 BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings made up to the relevant year end. The subsidiary undertakings' financial periods are all coterminous with those of the Company. The Group has availed of the exemption under IFRS and has not applied IFRS 3 retrospectively to business combinations prior to the date of transition to IFRS.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.3 REVENUE RECOGNITION

The Group's revenue consists primarily of revenues from the use of software products by the Group's customers and delivery of services. Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added-tax and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(I) PLATFORM REVENUE

Platform revenue is earned from the use of the Group's Digital Commerce Platform by our customers.

Revenue is earned by charging a fixed or a variable fee as stated within the relevant contractual arrangements.

The use of the platform by our customers can include i) air fare bookings, ii) non-air ancillary bookings such as car, hotel and insurance, iii) air ancillary items such as seat fees or bag fees and iv) hosting fees when the customer's software solution is hosted by us. Contracts for the use of the platform are typically five years in duration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Platform revenues which are based on variable fees are recognised during the month the bookings take place. Customer contracts may provide for a minimum level of transaction fees, which may be in excess of actual bookings processed. In this case, revenue is recognised based on the contractual minimum level of bookings applicable for the period under the relevant contractual terms, on a straight line basis.

Platform revenues which are based on fixed fees are recognised based on the agreed fee for the applicable period per the relevant contractual terms in place.

Contracts may also include the right to begin charging transaction fees in advance of go-live once the solution is production ready, at which point, revenue recognition commences.

Contracts may also include provision for a termination fee payable by the customer in the event that the contract is terminated by the customer. In situations where a customer terminates a contract before the end of the agreed term, the fair value of any remaining minimum payments, contractually due, is recognised at date of termination.

(II) PROFESSIONAL SERVICES

Professional services revenue is earned from fees charged to deploy the Group's software at new customers, and to deliver new functionality to existing customers. If the professional service is on a contracted time and material basis, then the revenue is recognised as and when the services are performed. If it is a fixed fee, then the services revenue is recognised by reference to the stage of completion accounting method. The Group measures percentage of completion based on labour hours incurred to date as a proportion of total hours allocated to the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the period in which the circumstances that give rise to the revision become known by management.

(III) TPF CONSULTING AND ASSOCIATED REVENUE

The Group's consulting and associated revenue primarily consists of revenue generated from the Group's TPF consulting activities. TPF Consulting revenue is derived from fees contracted under service and is recognised on a time and material basis.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team. The Group has identified two reportable segments, E-business and TPF Consulting under IFRS 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 INTANGIBLE ASSETS

(A) RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense as incurred. Directly attributable costs incurred on development projects (relating to the design, development and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ii) management intends to complete the intangible asset and use or sell it;
- iii) there is an ability to use or sell the intangible asset;
- iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised include the software development employee costs, related management time and an appropriate portion of relevant overheads. As noted in 2.26, when applicable, capitalised product development additions, include their share of attributable losses on cash flow hedges.

Development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life of three to five years, with the majority being amortised over 5 years.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are not yet available for use are tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(B) COMPUTER SOFTWARE

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset, on a straight-line basis over its expected useful life as follows:

Fixtures and fittings	5 years
Computer equipment	3 - 5 years

Leasehold improvements are amortised over the shorter of their estimated useful lives or the related lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 TAXATION

The Company is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and credits can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 GOVERNMENT GRANTS

Grants including research and development tax credits from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the conditions attaching to them.

Government grants including research and development tax credits are deducted in arriving at the carrying amount of the related asset. The grants and tax credits are then effectively amortised from the point at which the related asset is ready for use on a straight line basis over its useful life.

2.9 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectable, it is written off against the provision account in trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.10 ACCRUED INCOME

Accrued income are amounts due from customers for services performed, generally recognised under the stage of completion method as noted in 2.3, or transactions processed in the Group's software which have not yet been invoiced under existing agreements.

Accrued income is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Accrued income is transferred to trade receivables upon completion of the relevant project or when the relevant billing milestone is achieved, as applicable under the applicable customer contracts.

2.11 EMPLOYEE BENEFITS

(A) PENSION OBLIGATIONS

The Group operates defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independently administered pension fund.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(B) SHARE-BASED PAYMENT TRANSACTIONS

The Group and Company operate equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability). Non-market vesting conditions including Adjusted EBITDA, cash and short term investments performance are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the estimate of the number of options that are expected to become exercisable is revised. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The total expense is recognised over the vesting period which is the period over which all the specified vesting conditions are to be satisfied. Modifications of the performance conditions are accounted for as a modification under IFRS 2. In particular, where a modification increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

IFRS 2 need not be applied to grants before 7 November 2002, or to grants after 7 November 2002 but which had vested before the later of January 2005 or the date of transition to IFRS. The Group has availed of this exemption and has only applied IFRS 2 to those options outstanding on 1 January 2005.

(C) JSOP

In 2012, the Company established a Joint Share Ownership Plan (“JSOP”) Scheme under which certain employees were granted the opportunity to participate in a JSOP Scheme that contains both performance and service conditions. The JSOP Scheme is an equity settled scheme. The fair value of the employee services received in exchange for the grant of the ownership interest is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted. Non-market vesting conditions including Adjusted EBITDA, cash and short term investments performance are included in assumptions about the number of awards that are expected to become full ownership interests. At each balance sheet date, the estimate of the number of awards that are expected to become full ownership interests is revised. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The total expense is recognised over the vesting period which is the period over which all the specified vesting conditions are satisfied. Modifications of the performance conditions are accounted for as a modification under IFRS 2. In particular, where a modification increases the fair value of the equity

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

instruments granted, the Group has included the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period.

(D) DEFERRED SHARES AWARD

As noted in the Remuneration Report, a member of key management was granted a deferred share award. This is an equity settled scheme. During the year ended 31 December 2016, the fair value of the employee services received in exchange for the grant of this award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the award granted, excluding the impact of any non-market vesting conditions (for example profitability). Non-market vesting conditions including Adjusted EBITDA, cash and short term investments performance are included in assumptions about the number of awards that are expected to become exercisable. At each balance sheet date, the estimate of the number of awards that are expected to become exercisable is revised. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The total expense is recognised over the vesting period which is the period over which all the specified vesting conditions are satisfied. Modifications of the performance conditions are accounted for as a modification under IFRS 2. In particular, where a modification increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. Given that the Group has used treasury shares to set up this award, any related proceeds, net of any transaction cost, will be credited to the treasury shares reserve.

(E) COMPANY FINANCIAL STATEMENTS

In relation to the Company Financial Statements, the annual charge corresponding to share based awards, JSOP awards and deferred share awards is recorded as part of the cost of investment in subsidiaries in the Company balance sheet.

(F) LONG TERM INCENTIVE PLAN (LTIP)

As explained in Note 14, the Company has implemented a long term incentive plan which operates in a similar way to a long term cash bonus. At each balance sheet date, the related provision is calculated based on the estimated fair value of the obligation resulting from applying a straight line charge approach to the estimated final cash obligation over the term of the award (3 years). Remeasurements are recognised immediately through profit or loss.

2.12 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in US dollars, which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) TRANSACTION BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(C) GROUP COMPANIES

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented, are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net qualifying investment in foreign operations are taken to shareholders' equity.

The Group has availed of the exemption in IFRS 1, whereby the cumulative translation differences for all foreign operations were deemed to be reset to zero at the date of transition to IFRS.

2.13 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the income statement on a straight-line basis over the period of the lease.

The fair value of property, plant and equipment and software acquired under finance leases is included in property, plant and equipment and intangible assets respectively and depreciated over the shorter of the lease term and the estimated useful life of the asset when there is an intention to purchase the asset upon termination of the lease. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 SHORT TERM INVESTMENTS

These include short term bank deposits with an original maturity greater than three months and less than or equal to twelve months. These deposits included as short term investments are valued at amortised cost.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

2.17 TREASURY SHARES

Where the Group issues or purchases equity share capital under its Joint Share Ownership Plan, which is held in trust by an Employee Benefit Trust, these shares are classified as treasury shares on consolidation until such time as the interests vest and the participants acquire the shares from the Trust or the interests lapse and the shares are forfeited or disposed of by the Trust. Treasury shares have been excluded in the calculation of basic and diluted earnings per share (see Note 22).

2.18 INVESTMENT IN SUBSIDIARIES

Investments in equity shares in subsidiaries included in the Company balance sheet are stated at cost less provision for impairment. Such investments are tested for impairment at each balance sheet date or earlier if events or circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised in the income statement as the amount by which the asset's carrying amount exceeds its recoverable amount.

2.19 TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 DEFERRED INCOME AND CASH ADVANCES FROM CUSTOMERS

Deferred income consists of payments received from customers in respect of future platform and professional services revenue which has been invoiced under the applicable contractual arrangements based on contractual payment and milestone dates. Cash advances from customers consist of payments received from customers in respect of future platform and professional services revenue which has been received in advance of the contractual payment and milestone dates. Deferred income and cash advances from customers are initially measured at fair value and released to the income statement at the time the related revenue is earned under the applicable revenue recognition policy as stated in 2.3.

2.21 FINANCE INCOME AND COSTS

Interest income and costs are recognised on a time-proportion basis using the effective interest method.

2.22 EXCEPTIONAL ITEMS

Exceptional items are material non-recurring items that derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence. Such items may include litigation costs and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

payments or receipts arising from court case judgements, or once off costs or income where separate identification is important to gain an understanding of the financial statements. Judgement is used by the Group in assessing the particular items which should be disclosed in the income statement and related notes as exceptional items.

2.23 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Please refer to Note 2.11 (f) in relation to accounting policy for the provision in relation to the Long Term Incentive Plan.

2.24 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.25 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Any movement arising from the re-measurement of the fair value of financial derivatives not designated or qualifying as hedge are reported in the income statement within "Other gains/(losses)".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "Other gains/(losses)". Amounts accumulated in equity are reclassified to the income statement in the period when the hedged item affects profit or loss.

When the hedged forecast transaction relates to product development capitalised in the year as intangible assets (see Note 5 in respect of amounts capitalised in the prior year), the relative accumulated gains and losses are transferred from the hedging reserve and included in the initial carrying amount of that asset. Otherwise they are recognised in the income statement in the same period in which the hedged transaction affects the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other gains/(losses)".

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) CAPITALISATION OF DEVELOPMENT COSTS

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Judgement is necessary to determine commercial and technical feasibility. These calculations also require the use of estimates, primarily around the level of directly attributable management and supervisory time, bug fixing (i.e. rebasing and republishing) and an appropriate portion of relevant overheads. Capitalisation ceases and amortisation commences once a product is available for deployment.

(B) ESTABLISHING LIVES FOR AMORTISATION PURPOSES OF INTANGIBLE ASSETS

The Group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period.

Detail of the useful lives is included in Note 2.5 and the related intangible assets are set out in Note 5.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Useful lives are based on management's estimate of the period over which the asset will generate revenue. If the useful lives had increased/(decreased) by an average of one year effective 1 January, then the Group's annual amortisation charge would have decreased/increased by US\$0.7m and US\$1.0m respectively (2015: US\$0.6m and US\$0.9m respectively).

(C) RECOGNITION OF PROFESSIONAL SERVICES REVENUE

For fixed fee service revenue arrangements, judgement is required in determining the stage of completion. For large contracts with long deployment periods that can be complex. The Group measures percentage of completion based on labour hours incurred to date as a proportion of total hours allocated to the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the period in which the circumstances that give rise to the revision become known by management.

Some large customer contracts may include bonus and malus clauses. In these circumstances and under the percentage of completion method, management make an assessment in relation to the probability associated with the outcome of the project which underpins the revenue amount to be recognised under the contract.

(D) RECOGNITION OF DEFERRED INCOME TAX ASSETS

The recognition of deferred income tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences, tax losses carried forward and research and development tax credits can be utilised. Where the temporary differences are related to losses, the availability of the losses to offset against forecast taxable profits is also considered. The Group has recognised a deferred income tax asset of US\$2.1m as at 31 December 2016 (2015: US\$1.7m) (see Note 21).

Recognition involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset is held. There is no absolute assurance the assets recognised will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT

	FIXTURES & FITTINGS US\$'000	COMPUTER EQUIPMENT US\$'000	LEASEHOLD IMPROVEMENTS US\$'000	TOTAL US\$'000
AT 1 JANUARY 2015				
Cost	455	5,747	-	6,202
Accumulated depreciation	(286)	(4,210)	-	(4,496)
CLOSING NET BOOK VALUE	169	1,537	-	1,706
YEAR ENDED 31 DECEMBER 2015				
Opening net book value	169	1,537	-	1,706
COSTS				
Additions	3	627	142	772
Disposals	(104)	(594)	-	(698)
DEPRECIATION				
Depreciation charge	(69)	(946)	(2)	(1,017)
Disposals	104	594	-	698
CLOSING NET BOOK VALUE	103	1,218	140	1,461
AT 31 DECEMBER 2015				
Cost	354	5,780	142	6,276
Accumulated depreciation	(251)	(4,562)	(2)	(4,815)
CLOSING NET BOOK VALUE	103	1,218	140	1,461
YEAR ENDED 31 DECEMBER 2016				
Opening net book value	103	1,218	140	1,461
COSTS				
Additions	269	957	749	1,975
Disposals	(18)	-	-	(18)
DEPRECIATION				
Depreciation charge	(104)	(934)	(123)	(1,161)
Disposals	18	-	-	18
CLOSING NET BOOK VALUE	268	1,241	766	2,275
AT 31 DECEMBER 2016				
Cost	605	6,737	891	8,233
Accumulated depreciation	(337)	(5,496)	(125)	(5,958)
CLOSING NET BOOK VALUE	268	1,241	766	2,275

Depreciation of US\$965,049 (2015: US\$832,742) has been charged in cost of sales, US\$112,567 (2015: US\$97,135) in selling and marketing expenses and US\$83,481 (2015: US\$86,662) in administrative expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the computer equipment of the Group is equipment acquired under finance leases relating to hosting equipment as follows:

	2016 US\$'000	2015 US\$'000
Cost	4,084	3,517
Accumulated depreciation	(3,407)	(2,815)
NET BOOK VALUE	677	702
DEPRECIATION CHARGE FOR THE FINANCIAL YEAR	593	671

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

5 INTANGIBLE ASSETS

	SOFTWARE US\$'000	PRODUCT DEVELOPMENT US\$'000	TOTAL US\$'000
AT 1 JANUARY 2015			
Cost	2,000	45,442	47,442
Accumulated amortisation	(1,196)	(32,292)	(33,488)
CLOSING NET BOOK VALUE	804	13,150	13,954
YEAR ENDED 31 DECEMBER 2015			
Opening net book value	804	13,150	13,954
Additions	53	6,004 ⁽¹⁾	6,057
Government grant R&D tax credit assistance	-	(55)	(55)
Amortisation charge	(255)	(4,264)	(4,519)
CLOSING NET BOOK VALUE	602	14,835	15,437
AT 31 DECEMBER 2015			
Cost	2,053	51,391	53,444
Accumulated amortisation	(1,451)	(36,556)	(38,007)
CLOSING NET BOOK VALUE	602	14,835	15,437
YEAR ENDED 31 DECEMBER 2016			
Opening net book value	602	14,835	15,437
Additions	203	9,226	9,429
Government grant R&D tax credit assistance	-	(407)	(407)
Amortisation charge	(250)	(5,031)	(5,281)
CLOSING NET BOOK VALUE	555	18,623	19,178
AT 31 DECEMBER 2016			
Cost	2,256	60,210	62,466
Accumulated amortisation	(1,701)	(41,587)	(43,288)
CLOSING NET BOOK VALUE	555	18,623	19,178

⁽¹⁾ Included within Product Development additions for 2015 is US\$240,836 which relates to cash-flow hedges transferred to intangible assets. See Note 15 for further details.

Included within the income statement is product development amortisation costs of US\$5.0m (2015: US\$4.3m). The weighted average remaining amortisation period of the product development is 50 months (2015: 49 months). In the year research and development expenditure of US\$1.5m (2015: US\$1.9m) was recognised as an expense in the income statement.

As at 31 December 2016, there were product development assets of US\$7.4m (2015: US\$4.8m) which are currently under development and are not yet ready for use. The amortisation of these assets had not started as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

5 INTANGIBLE ASSETS (CONTINUED)

Management has identified two individual cash generating units (CGUs), E-business and TPF Consulting. The groupings represent the lowest level at which the related assets are monitored for internal management purposes.

As the intangible assets are an integral part of the E-business CGU, these assets were assessed for impairment as part of the overall E-business CGU as at 31 December 2016.

Given that there were platform development costs for which amortisation had not yet started at 31 December 2016, an impairment test was carried out at 31 December 2016 and at 31 December 2015 at the E-business CGU level, by comparing the asset's recoverable amount (based on the higher of its value in use and fair value less costs to sell) with its carrying amount. The recoverable amount was calculated on the basis of value in use, using the discounted cash flow (DCF) method.

These calculations use pre-tax cash projections based on the Board approved financial projections for 2017 to 2019, together with management forecasts for 2020 and 2021. A five year period is used as this corresponds to the standard customer contract duration. No terminal value has been allocated.

Projected revenue growth in this five year period is delivered by signing new customers, customer go lives during 2017 and new customers contracted in 2016 that will go live during 2017 and 2018 together with projected growth in online penetration in developing markets such as Asia in respect of contracts currently in place. The significant investment in the Digital Commerce Platform currently in progress is expected to increase the potential scale of business and the market penetration particularly in relation to Tier 1 airlines and the travel industry. Consequently, the estimated net future cash flows include revenue projections from existing customers and new business in respect of contracts with new customers which are under negotiation at the date of this Annual Report and that are expected to be finalised in 2017 and early 2018.

The key assumptions used for value in use calculations were cash gross margin (which is calculated as Revenue less Cost of Sales exclusive of amortisation and depreciation) for its platform revenue of 42.3% (2015: 40.5%), average growth rate of 2.2% (2015: 6%), a discount rate of 9.1% (2015: 10%) and future capital expenditure to be incurred in relation to product development in progress at year end of US\$10.2m (2015: US\$6.0m). Management determined budgeted cash gross margin based on past performance and its expectations of market development and the current sales pipeline. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The estimated level of positive headroom is dependent on the success in achieving new business as new customers represent 15% of the total projected revenue over the 5 year term. If the level of revenue from new customers were 9% of total projected revenue over the 5 year term, the headroom would fall to nil. No other reasonable possible change in assumptions would cause an impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

6 INVESTMENT IN SUBSIDIARIES

COMPANY ONLY	2016 US\$'000	2015 US\$'000
Investment in subsidiaries	48,269	47,745

The Company has investments in the following principal subsidiary undertakings.

COMPANY NAME	ORDINARY SHARES	NATURE OF ACTIVITY	REGISTERED OFFICE
Datalex (Ireland) Limited	100%	Development and sale of computer software	Block U, EastPoint, Clontarf, Dublin D03 H704, Ireland
Datalex USA Inc.	100%	Delivery of professional services and hosting	1 Concourse Parkway, Suite 650, Atlanta, GA 30328, USA
Datalex Netherlands B.V.	100%	TPF consulting	Parlevinker 13, 1186 ZA Amstelveen, The Netherlands
Datalex Solutions (UK) Limited	100%	Delivery of professional services	8th Floor, 55 Spring Gardens, Manchester, M2 2BY, UK
Datalex Tokenization Inc.	100%	Provision of online payment processing connectivity in line with PCI compliance	1 Concourse Parkway, Suite 650, Atlanta, GA 30328, USA
Datalex Employee Benefit Trust	100%	Share Trust (JSOP)	12 Castle Street, St Helier, Jersey JE2 BR2, UK
Datalex Holdings Limited	100%	Holding company	Block U, EastPoint, Clontarf, Dublin D03 H704, Ireland
Datalex (China) Limited	100%	Development and sale of computer software	1701 Hyundai Motor Tower, 38 Xiaoyun Road, Chaoyang District, Beijing 100027, P.R. China

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 TRADE AND OTHER RECEIVABLES

	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Trade receivables	3,306	6,065	-	-
Less: provision for impairment ^(a)	(31)	(36)	-	-
Trade receivables – net	3,275	6,029	-	-
Amounts owed by Group undertakings	-	-	5,276	4,853
Research and development tax credit	257	476	-	-
Prepayments	830	766	-	-
Accrued income	9,984	4,268	-	-
VAT receivable	733	-	-	-
Other receivables	74	63	-	3
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	15,153	11,602	5,276	4,856
NON CURRENT RESEARCH AND DEVELOPMENT TAX CREDIT	329	-	-	-
TOTAL TRADE AND OTHER RECEIVABLES	15,482	11,602	5,276	4,856

^(a) The provision is determined and provided for on the basis of estimated future cash flows. The Group uses estimates based on customer specific information in determining the level of debts, which the Group believes, will not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis. Trade receivables which are neither impaired nor past due relate to a number of independent customers for whom there is no recent history of default.

The fair value of trade receivables and accrued income approximate to the values shown above. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold collateral as security.

The ageing analysis of past due trade receivables is set out below.

AGEING ANALYSIS OF PAST DUE

	LESS THAN 30 DAYS US\$'000	BETWEEN 30-60 DAYS US\$'000	BETWEEN 61-90 DAYS US\$'000	MORE THAN 90 DAYS US\$'000	NEITHER IMPAIRED NOR PAST DUE US\$'000	IMPAIRED US\$'000	TOTAL US\$'000
At 31 December 2016	912	215	15	376	1,757	31	3,306
At 31 December 2015	842	208	23	331	4,625	36	6,065

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the Group provision for impairment of trade receivables are as follows:

	2016 US\$'000	2015 US\$'000
At 1 January	36	152
Provision for receivables impairment	7	125
Receivables written off during the year as uncollectible	(12)	(241)
AT 31 DECEMBER	31	36

The creation and release of the provision for impaired receivables have been included in selling and marketing costs in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The majority of the Group's customers, primarily representing major corporations, operate within the airline and travel industry. As at 31 December 2016 and 2015, a significant portion of the trade receivables and accrued income of the Group related to a limited number of customers as follows;

	2016 ⁽¹⁾	2015 ⁽¹⁾
Customer A	31%	2%
Customer B	23%	24%
Customer C	8%	10%
Customer D	7%	6%
Customer E	6%	3%
Customer F	4%	7%
Customer G	3%	5%
Customer H	3%	6%
Customer I	0%	7%
Customer J	0%	5%

⁽¹⁾ Customers whose trade receivable and accrued income balances represent 5% or more of the total trade receivable and accrued income balance at the 31 December 2016 or 31 December 2015 are disclosed in the note above.

Amounts owed by Group undertakings are interest free, unsecured and are repayable on demand. The Board have reviewed these amounts for impairment. Following this review, no provision was deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables and accrued income are denominated in the following currencies;

	GROUP 2016 US\$'000	GROUP 2015 US\$'000
US Dollar	6,979	7,186
Euro	5,693	2,545
Sterling	35	90
Chinese Renminbi	583	512
TOTAL	13,290	10,333

8 CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Cash at bank and in hand	21,768	12,373	252	34
Short-term bank deposits less than 90 days	2,552	4,858	-	-
CASH AND CASH EQUIVALENTS	24,320	17,231	252	34
SHORT TERM INVESTMENTS	-	4,577	-	1,271
CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS	24,320	21,808	252	1,305

The effective interest rate on deposits (both less than 90 days and greater than 90 days but less than a year) is based on the relevant Euribor rate applicable to the term of the deposit.

The short term bank deposits which are included in cash and cash equivalents have an average maturity of 30 days.

At 31 December 2015, the short term investments related entirely to deposits with an original term of more than 90 days and less than a year, which had an average maturity of 114 days. There are no short term investments as at 31 December 2016.

The fair values of both the deposits less than 90 days which are part of cash and cash equivalents; and the short term bank deposits greater than three months but less than a year which comprise the total value of short term investments; approximate to the values shown above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS (CONTINUED)

The Group's currency exposure in respect of cash and cash equivalents relates to balances in currencies other than the US dollar. These balances as at 31 December 2016 and 2015 are set out below.

NON-US\$ DENOMINATED CASH AND CASH EQUIVALENTS	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Euro	5,659	7,930	252	34
Sterling	753	291	-	-
Chinese Renminbi	331	7	-	-
TOTAL NON-US\$	6,743	8,228	252	34

The Group's currency exposure in respect of short term investments relate to balances in currencies other than the US dollar. These balances as at 31 December 2016 and 2015 are set out below.

NON-US\$ DENOMINATED SHORT TERM INVESTMENTS	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Euro	-	1,271	-	1,271
TOTAL NON-US\$	-	1,271	-	1,271

9 SHARE CAPITAL

AUTHORISED SHARE CAPITAL - GROUP AND COMPANY	2016 US\$'000	2015 US\$'000
EQUITY SHARE CAPITAL		
100,000,000 ordinary shares of US\$0.10 each	10,000	10,000
OTHER EQUITY SHARE CAPITAL		
3,000,000 'A' Convertible redeemable shares of US\$0.10 each	300	300
1,500,000 'B' Convertible redeemable shares of US\$0.10 each	150	150
30,000 deferred shares of €1.269738 each	38	38
	488	488
TOTAL	10,488	10,488

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

ISSUED SHARE CAPITAL – GROUP AND COMPANY	ORDINARY SHARES	ORDINARY SHARES	CONVERTIBLE REDEEMABLE SHARES ('A' AND 'B')	CONVERTIBLE REDEEMABLE SHARES	DEFERRED SHARES	DEFERRED SHARES
	NO. OF SHARES '000	US\$'000	NO. OF SHARES '000	US\$'000	NO. OF SHARES '000	US\$'000
AT 1 JANUARY 2015	74,589	7,460	2,542	254	30	8
Employee share option scheme - proceeds from share issue	751	75	-	-	-	-
AT 31 DECEMBER 2015	75,340	7,535	2,542	254	30	8
AT 1 JANUARY 2016	75,340	7,535	2,542	254	30	8
Employee share option scheme - proceeds from share issue	613	61	-	-	-	-
AT 31 DECEMBER 2016	75,953	7,596	2,542	254	30	8

RIGHTS ATTACHING TO SHARES

All issued shares are fully paid except the 30,000 deferred shares which are partly paid.

ORDINARY SHARES

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

'A' AND 'B' CONVERTIBLE REDEEMABLE SHARES

On 1 October 2001, the conversion rights attaching to 'A' convertible redeemable shares expired. On 30 March 2007, the conversion rights attaching to the 'B' convertible redeemable shares expired. The convertible redeemable shares have no participation rights in relation to profits and surplus in a winding up, no contractual obligations to deliver funds in a winding up and the holders are not entitled to attend or vote at any general meeting of the Company.

DEFERRED SHARES

All deferred shares issued have no participation rights in relation to profits and surplus in a winding up, and the holders are not entitled to attend or vote at any general meeting of the Company.

TREASURY SHARES

As set out later in this note, an Employee Benefit Trust has an interest over 0.94m ordinary shares (2015: 1.04m). For accounting purposes these shares are treated as treasury shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTIONS SCHEME – 2000 SHARE OPTION SCHEMES

The Group had operated two employee share option schemes up to their date of expiration in August 2010, together referred to as the 2000 Share Option Schemes. After this date no new options were granted under these schemes.

GROUP SHARE OPTION SCHEME

The terms of this scheme allow for vesting over a three year period, in equal thirds commencing on the first anniversary of the date of grant. Accelerated vesting can take place subject to Board approval. The majority of options issued under this scheme expire 10 years after issuance. Employees who leave the company have 90 days to exercise any vested options, after which period the options lapse and become void. Unvested options expire upon leaving the company. The exercise price of all options granted is equal to the market price of the shares on the date of grant.

UK SHARE OPTION SCHEME

The terms of this scheme allow for vesting over a three year period, in equal thirds commencing on the first anniversary of the date of grant. Accelerated vesting can take place subject to Board approval. All options issued under this scheme expire 10 years after issuance. Employees who leave the company have 90 days to exercise any vested options, after which period, the options lapse and become void. Unvested options expire upon leaving the company. The exercise price of all options granted is equal to the market price of the shares on the date of grant.

SUMMARY OF EMPLOYEE SHARE OPTIONS ACTIVITY (NUMBER OF OPTIONS) IN RESPECT OF THE 2000 SHARE OPTION SCHEMES

	2016 2000 GROUP SHARE OPTION SCHEME	2015 2000 GROUP SHARE OPTION SCHEME ⁽¹⁾
Outstanding at beginning of year	1,611,167	2,330,034
Issued during the year	-	-
Exercised during the year	(427,500)	(704,667)
Expired during the year *	-	(14,200)
OUTSTANDING AT END OF YEAR	1,183,667	1,611,167

⁽¹⁾ In 2015, the opening and closing outstanding number of shares under the 2000 Group Share Option Scheme was increased by 50,000 shares to correct a clerical error in the Share Options register which was identified in 2015.

* Expired on departure from the Group or on expiration of the share option scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

Summary of employee share scheme activity

The activity in the Group's 2000 share option schemes is summarised in the following table:

	2016 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2016 WEIGHTED AVERAGE EXERCISE PRICE (US\$)	2015 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2015 WEIGHTED AVERAGE EXERCISE PRICE (US\$)
Outstanding at beginning of year	1,611,167	0.34	2,330,034	0.42
Issued during the year	-	-	-	-
Exercised during the year ⁽¹⁾	(427,500)	0.44	(704,667)	0.46
Expired during the year	-	-	(14,200)	0.62
OUTSTANDING AT END OF YEAR	1,183,667	0.29	1,611,167	0.34
Exercisable at end of year	1,183,667	0.29	1,611,167	0.34

⁽¹⁾ The weighted average market share price at the day of exercise was US\$3.61 (2015: US\$2.28).

No options were granted during the year (2015: Nil) as the scheme had previously expired.

Share options outstanding at the end of the year have the following exercise price ranges and expiry dates:

EXERCISE PRICE RANGE REMAINING	NUMBER OF OPTIONS	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN MONTHS)
Less than US\$0.30	810,667	41
US\$0.51 to US\$0.70	315,000	13
US\$0.71 to US\$0.90	12,000	9
Greater than US\$0.90	46,000	5
TOTAL	1,183,667	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTIONS SCHEME – 2012 SCHEME

On 6 February 2012 a new share option plan (the “2012 Group Share Option Scheme”) was implemented, replacing the original “2000 Share Option Schemes” which expired on its 10th anniversary in August 2010. Under the 2012 scheme, share options can only vest after the third anniversary of award, and vesting is subject to the achievement of challenging annual performance conditions. At grant date performance conditions relate to Adjusted EBITDA and cash targets, as established by the Remuneration Committee and other measures of shareholder value as the Remuneration Committee may consider appropriate.

No options may be granted under the 2012 Plan which would cause the number of shares issued or issuable in the preceding ten years to exceed 10% of the ordinary share capital of the Company in issue at that time. As a further restriction, no options will ordinarily be granted under the 2012 Plan which would cause the number of shares issued or issuable in the preceding ten years to exceed 7.5% of the ordinary share capital of the Company in issue at that time, but on the basis that the Remuneration Committee may resolve to grant additional options up to the overall 10% limit if it determines either that the Group’s underlying financial performance and/or growth in shareholder value would merit such further dilution or that vesting of any additional such options would be subject to exceptional performance. The basis for any such determination by the Remuneration Committee would be described in the Annual Report and financial statements.

SUMMARY OF EMPLOYEE SHARE OPTIONS ACTIVITY (NUMBER OF OPTIONS)	2016 2012 GROUP SHARE OPTION SCHEME	2015 2012 GROUP SHARE OPTION SCHEME
Outstanding at beginning of year	3,632,000	3,232,000
Issued during the year	350,000	705,000
Exercised during the year	(185,000)	(46,665)
Forfeited during the year *	(125,000)	(258,335)
OUTSTANDING AT END OF YEAR	3,672,000	3,632,000

* Forfeited on departure from the Group before vesting.

	2016 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2016 WEIGHTED AVERAGE EXERCISE PRICE (US\$)	2015 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2015 WEIGHTED AVERAGE EXERCISE PRICE (US\$)
Outstanding at beginning of year	3,632,000	0.98	3,232,000	0.87
Issued during the year	350,000	3.19	705,000	1.93
Exercised during the year ⁽¹⁾	(185,000)	0.76	(46,665)	0.54
Forfeited during the year	(125,000)	1.48	(258,335)	1.40
OUTSTANDING AT END OF YEAR	3,672,000	1.15	3,632,000	0.98
Exercisable at end of year	2,527,000	0.68	1,392,000	0.51

⁽¹⁾The weighted average market share price at the day of exercise was US\$3.75 (2015: US\$2.46).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

The fair value of the options granted during the year determined using the Black Scholes model was US\$436,931 (2015: US\$721,282). The weighted average fair value per option was US\$1.25 (2015: US\$1.02). The significant inputs into the model were share prices of €2.88, €2.60 and €3.31 (2015: €1.55, €1.65, €1.75 and €2.60) at the grant date (being the market price of shares at the date of grant), exercise price (which is the same as the share price at the grant date), dividend yield of 1% (2015: 1%), risk-free interest rates of 2.5% (2015: 2.5%), expected option life of 4 years (2015: 4 years) and the standard deviations of expected share price returns of 50% (2015: 80%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis in the last year and an analysis of the market volatility for companies of similar profile, and professional advice received.

Share options outstanding at the end of the year have the following exercise price ranges and expiry dates:

EXERCISE PRICE RANGE REMAINING	NUMBER OF OPTIONS	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN MONTHS)
US\$0.30 to US\$0.50	440,000	73
US\$0.51 to US\$0.70	762,000	75
US\$0.71 to US\$0.90	1,320,000	86
Over US\$0.90	1,150,000	117
TOTAL	3,672,000	

The 2016 charge in relation to share options was US\$493,759 (2015: US\$753,000).

JOINT SHARE OWNERSHIP PLAN

In January 2012, the Board of Directors approved the establishment of a Joint Share Ownership Plan. The scheme was intended to incentivise senior management in the Company (excluding Executive Directors) towards the achievement of challenging performance targets for Adjusted EBITDA and cash generation during the years ending 31 December 2013 and 31 December 2014. Under the plan the participants and an Employee Benefit Trust which is a wholly owned subsidiary of Datalex (Ireland) Limited jointly acquired 1.56m awards of existing stock at the open market price (€0.36 per award). Subject to meeting the performance conditions for Adjusted EBITDA and cash and short term investments, the awards vested in two equal tranches, on 31 December 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

	2016 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2016 WEIGHTED AVERAGE EXERCISE PRICE (US\$)	2015 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2015 WEIGHTED AVERAGE EXERCISE PRICE (US\$)
JOINT SHARE OWNERSHIP PLAN				
Outstanding at beginning of year	910,000	0.42	1,300,000	0.42
Issued during the year	-	-	-	-
Exercised during the year ⁽¹⁾	(100,000)	0.38	(390,000)	0.42
Forfeited during the year	-	-	-	-
OUTSTANDING AT END OF YEAR	810,000	0.38	910,000	0.42
Exercisable at end of year	810,000	0.38	910,000	0.42

⁽¹⁾ The weighted average market share price at the day of exercise was US\$4.02 (2015: US\$2.77).

The 2016 charge in relation to the JSOP scheme was US\$Nil (2015: US\$Nil).

No awards were made in 2016 or 2015. All awards have vested due to the related performance and service conditions being achieved at 31 December 2014.

The weighted average contractual life is 25 months (2015: 37 months).

DEFERRED SHARE SCHEME

130,000 JSOP awards forfeited in 2014 which were returned back to the Employee Benefit Trust have been re-issued to a new senior management team member under the Deferred Share Scheme. The awards will vest on the third anniversary of the award date and subject to meeting the performance conditions for Adjusted EBITDA and cash and short term investments in the 2015, 2016 and 2017 financial years.

	2016 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2016 WEIGHTED AVERAGE EXERCISE PRICE (US\$)	2015 NO. OF SHARES SUBJECT TO CONVERSION PRICE AND OPTION	2015 WEIGHTED AVERAGE EXERCISE PRICE (US\$)
DEFERRED SHARE SCHEME				
Outstanding at beginning of year	130,000	1.69	-	-
Issued during the year	-	-	130,000	1.69
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
OUTSTANDING AT END OF YEAR	130,000	1.63	130,000	1.69
Exercisable at end of year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 SHARE CAPITAL (CONTINUED)

The fair value of the award granted in the prior year determined using the Black Scholes model was US\$322,812 (2016: Nil). The weighted average fair value per option granted in 2015 was US\$2.48. As at 31 December 2015, the significant inputs into the model were an award price of €3.25 at the grant date (being the market price of shares at the date of grant), exercise price of €1.55, dividend yield of 1%, risk-free interest rates of 2.5%, expected option life of 4 years and the standard deviations of expected share price returns of 80%. The volatility included in the calculation of the fair value of the deferred shares granted in the prior year was measured at the standard deviation of expected share price returns and was based on statistical analysis and an analysis of the market volatility for companies of similar profile, and professional advice received. The weighted average contractual life is 72 months.

The 2016 charge in relation to the Deferred Share Scheme was US\$30,435 (2015: US\$90,703).

10 OTHER RESERVES

GROUP	SHARE PREMIUM US\$'000	OTHER CAPITAL RESERVES US\$'000 ⁽¹⁾	TREASURY SHARES RESERVES US\$'000 ⁽²⁾	SHARE BASED PAYMENT RESERVES US\$'000 ⁽³⁾	OTHER RESERVES US\$'000 ⁽⁴⁾	FOREIGN CURRENCY TRANSLATION US\$'000 ⁽⁵⁾	HEDGING RESERVES US\$'000 ⁽⁶⁾	TOTAL US\$'000
BALANCE AT 1 JANUARY 2015	744	134	(663)	2,324	1,017	293	(728)	3,121
Share based schemes charge	-	-	-	844	-	-	-	844
Premium on shares issued	276	-	-	-	-	-	-	276
Decrease in treasury shares due to exercise of JSOP awards	-	-	181	-	(24)	-	-	157
Currency translation differences	-	-	-	-	-	(19)	-	(19)
Net fair value movement on cash flow hedges	-	-	-	-	-	-	728	728
BALANCE AT 31 DECEMBER 2015	1,020	134	(482)	3,168	993	274	-	5,107
BALANCE AT 1 JANUARY 2016	1,020	134	(482)	3,168	993	274	-	5,107
Share based schemes charge	-	-	-	524	-	-	-	524
Premium on shares issued	281	-	-	-	-	-	-	281
Decrease in treasury shares due to exercise of JSOP awards	-	-	46	-	(5)	-	-	41
Currency translation differences	-	-	-	-	-	(65)	-	(65)
BALANCE AT 31 DECEMBER 2016	1,301	134	(436)	3,692	988	209	-	5,888

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 OTHER RESERVES (CONTINUED)

- (1) Other capital reserves in the consolidated balance sheet consisted of a capital reserve of US\$108.2m, representing the share premium of Datalex (Ireland) Limited at the date of the merger with Datalex plc on 4 August 2000, reduced by a debit merger reserve of US\$2.9m. The merger reserve of US\$2.9m was the difference between the nominal value of the shares issued and the nominal value of the issued share capital of Datalex (Ireland) Limited at the date of the merger. In 2012, Datalex (Ireland) Limited applied to the High Court and obtained the approval on 4 April 2012 for a share capital reduction of US\$105.2m. Datalex plc also obtained a share capital reduction and the net impact on the consolidated reserves is a transfer of US\$186.8m from share premium and other reserves to retained earnings.
- (2) Treasury shares reserves include a debit in respect of 810,000 shares (2015: 910,000) held by the Datalex Employee Benefit Trust at year-end in the context of the JSOP and 130,000 awards (2015: 130,000) granted to a senior management team member (see Note 9). These shares are treated as treasury shares and consequently have been deducted from equity. The reduction in the current year relates to the exercise of JSOP awards (see Note 9).
- (3) Share based payment reserve comprises of amounts expensed in the Group income statement in connection with awards made under the equity settled share based plans, the JSOP and deferred share awards (see Note 9).
- (4) Other reserves relate mainly to the proceeds from exercise of collateral on 1.85m Datalex plc shares. In 2002, three former Datalex executives in the US established a new business called Conducive Technology Corp ('CTC'). Datalex provided this Company with an US\$800,000 working capital loan, secured against any future proceeds of sale of 1.85m shares in Datalex held by the founders of CTC. On 25 January 2012 CTC disposed of 1.56m shares, which were acquired at the open market price by the Datalex Employee Benefit Trust, as part of the implementation of the Joint Share Ownership Plan (see pages 66 and 67). In October 2012 CTC completed the sale of the remaining 290,000 shares, remitting these proceeds to Datalex. Given that the loan had previously been written off through reserves on transition to IFRS, the proceeds recovered were recognised through reserves directly under IAS 32. US\$5,000 (2015: US\$24,000) has been debited to other reserves due to foreign exchange losses on exercise of JSOP awards which reduced the number of treasury shares.
- (5) Foreign currency translation reserve relates to the cumulative currency translation differences in subsidiaries whose functional currencies are not the US dollar arising from the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date as well as the translation of applicable assets and liabilities.
- (6) Hedging reserves represents the fair value of the cash flow hedges as at 31 December 2016 US\$Nil (2015: US\$Nil) (see Note 15).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 OTHER RESERVES (CONTINUED)

COMPANY	SHARE PREMIUM US\$'000	OTHER RESERVES ⁽¹⁾ US\$'000	TOTAL US\$'000
BALANCE AT 1 JANUARY 2015	40,673	2,324	42,997
Share option charge	-	844	844
Premium on shares issued	276	-	276
BALANCE AT 31 DECEMBER 2015	40,949	3,168	44,117
BALANCE AT 1 JANUARY 2016	40,949	3,168	44,117
Share option charge	-	524	524
Premium on shares issued	281	-	281
BALANCE AT 31 DECEMBER 2016	41,230	3,692	44,922

⁽¹⁾ Other reserves relate to share based payments as set out in Note 9.

11 DIVIDENDS PAID

	2016 US\$'000	2015 US\$'000
AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE YEAR:		
Equity dividends on ordinary shares:		
Final dividend for the year ⁽¹⁾	2,962	2,225
TOTAL	2,962	2,225

⁽¹⁾The dividend paid in 2016 is four US cents per share (2015: three US cents per share).

The Board of Directors of the Company have proposed a final dividend of five US cents per share be paid to the shareholders in respect of the full year 2016 (see Note 29).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 TRADE AND OTHER PAYABLES

	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Trade payables	6,964	2,176	-	-
Accruals	5,855	6,050	-	-
Deferred income	2,826	2,039	-	-
Customer advances	2,475	-	-	-
Pension contribution	132	148	-	-
Social security and other taxes	725	967	-	-
VAT payable	-	66	-	-
Other payables	165	-	-	-
TOTAL CURRENT TRADE AND OTHER PAYABLES	19,142	11,446	-	-
NON CURRENT TRADE AND OTHER PAYABLES	113	-	-	-
TOTAL TRADE AND OTHER PAYABLES	19,255	11,446	-	-

The fair values of trade and other payables approximate to the values shown above.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	GROUP 2016 US\$'000	GROUP 2015 US\$'000
US Dollar	5,643	1,524
Euro	865	586
Sterling	446	39
Chinese Renminbi	6	27
Australian Dollar	4	-
TOTAL	6,964	2,176

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 BORROWINGS

FINANCIAL LEASE LIABILITIES	GROUP 2016 US\$'000	GROUP 2015 US\$'000
Non-current	458	177
Current	336	751
TOTAL BORROWINGS	794	928

The carrying amount of the Group's borrowings are denominated in US\$. Lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default.

GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS	2016 US\$'000	2015 US\$'000
*No later than a year	360	807
*Later than a year and no later than 3 years	481	182
TOTAL	841	989
Future finance charge on finance leases	(47)	(61)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	794	928

THE PRESENT VALUE OF FINANCE LEASES, WHICH EQUATES THE FAIR VALUE, IS AS FOLLOWS:	2016 US\$'000	2015 US\$'000
* No later than a year	336	751
* Later than a year and no later than 3 years	458	177
TOTAL	794	928

The fair value of the finance leases liabilities has been determined using discounted cash flow analysis, where the inputs required (the payments and discount rates) are observable and do not require significant estimation (Level 2 fair value in the fair value hierarchy).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 LONG TERM INCENTIVE PLAN

A new Long Term Incentive Plan ('LTIP') for key employees was approved by shareholders at the 2015 AGM. The LTIP is intended to enable the retention and reward of key employees who are central to the achievement of the Group's growth strategy in the coming years. The implementation of the scheme commenced in 2016 when certain employees were granted awards which have the characteristics of a long term cash bonus based on a maximum fixed amount.

This long term cash bonus operates under similar terms as the Company's Share Option Plan, with vesting of cash bonuses based on the achievement of non-market performance conditions (Adjusted EBITDA and cash targets) over a three-year period.

The maximum potential balance payable at the end of the three-year period in 2019, based on awards outstanding at year end is US\$1.78m of which US\$325,968 has been booked within non-current provisions in the balance sheet and charged to the income statement within payroll costs in the year ended 31 December 2016 in line with the accounting policy in 2.11 (f). In order to calculate the fair value of the obligation at the end of the term of the Plan, the Group has used a 75% probability that the performance conditions in each of the three years will be achieved and have also assumed that 6 members of the scheme, representing 24% of the beneficiaries, will leave the company before the end of the service period.

15 FINANCIAL INSTRUMENTS

	GROUP 2016 US\$'000	GROUP 2015 US\$'000
FINANCIAL INSTRUMENT LIABILITIES (CASH FLOW HEDGES)		
OPENING FAIR VALUE AMOUNT	-	728
Movements during the financial year:		
Increase in cash flow hedge losses in the current year	-	1,009
Losses on cash-flow hedges transferred to profit or loss	-	(1,496)
Losses on cash-flow hedges transferred to intangible assets	-	(241)
CLOSING FAIR VALUE AMOUNT	-	-

There are no financial instruments measured at fair value as at 31 December 2016 and 2015.

In the financial year ended 31 December 2015, there were losses of US\$1.7m in relation to a number of financial derivative instruments (forward contracts) whose positions were outstanding as at 1 January 2015. As at 31 December 2015, the losses of these cash flow hedges which continued to be highly effective until realisation were transferred to Other Losses (US\$1.5m) or included as part of the capitalised costs of product development (US\$0.24m) under the accounting policy in Note 2.26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive management team that are used to make strategic decisions. The executive management team assesses the performance of the operating segments based on a measure of Adjusted EBITDA.

The executive management team considers the business from a product and service perspective. In 2016 and 2015, TPF Consulting did not meet the quantitative thresholds for mandatory disclosure under IFRS 8 Operating Segments. However, the executive management team have opted to continue to disclose this segment separately on the basis that TPF consulting is managed independently and that the executive management team review the performance of the segment separately. The TPF business has different characteristics and business challenges compared to the E-business reporting segment. Throughout the year management considers the performance of E-business and TPF Consulting on a separate basis.

The reportable operating segments derive their revenue primarily from the sale of products and services associated with the Group's suite of travel related technology and TPF consulting revenue. Segment profit is measured on Adjusted EBITDA which is defined as earnings before interest, tax, depreciation, amortisation and share options and interests granted to directors and employees. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive management team is measured in a manner consistent with that in the income statement.

The segment information provided to the executive management team for the reportable segments for the year ended 31 December 2016 is as follows:

	2016 E-BUSINESS US\$'000	2016 TPF CONSULTING US\$'000	2016 TOTAL US\$'000	2015 E-BUSINESS US\$'000	2015 TPF CONSULTING US\$'000	2015 TOTAL US\$'000
REVENUE	53,279	2,706	55,985	44,438	2,819	47,257
Inter-segment revenue	-	(664)	(664)	-	(639)	(639)
EXTERNAL REVENUE	53,279	2,042	55,321	44,438	2,180	46,618
Adjusted EBITDA	12,124	93	12,217	10,361	25	10,386
Share options, ownership interests and deferred share awards granted to directors and employees	(524)	-	(524)	(844)	-	(844)
EBITDA	11,600	93	11,693	9,517	25	9,542
Depreciation	(1,147)	(14)	(1,161)	(1,003)	(14)	(1,017)
Amortisation	(5,281)	-	(5,281)	(4,519)	-	(4,519)
Operating profit	5,172	79	5,251	3,995	11	4,006
Finance costs			(56)			(117)
Finance income			26			23
PROFIT BEFORE INCOME TAX			5,221			3,912
Income tax credit			172			278
PROFIT AFTER TAXATION			5,393			4,190

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 SEGMENTAL INFORMATION (CONTINUED)

A reconciliation of Adjusted EBITDA to profit before income tax is provided as follows:

	2016 US\$'000	2015 US\$'000
Adjusted EBITDA	12,217	10,386
Depreciation	(1,161)	(1,017)
Amortisation - development costs	(5,031)	(4,264)
Amortisation - software	(250)	(255)
Finance income	26	23
Finance costs	(56)	(117)
Share based payments charge	(524)	(844)
PROFIT BEFORE INCOME TAX	5,221	3,912

SEGMENT ASSETS AND LIABILITIES

The amounts provided to the executive management team with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2016 E-BUSINESS US\$'000	2016 TPF CONSULTING US\$'000	2016 TOTAL US\$'000	2015 E-BUSINESS US\$'000	2015 TPF CONSULTING US\$'000	2015 TOTAL US\$'000
REPORTABLE SEGMENT ASSETS:						
Intangible assets						
- Product development	18,623	-	18,623	14,835	-	14,835
- Software	555	-	555	602	-	602
Other assets	43,347	806	44,153	35,511	1,091	36,602
TOTAL REPORTABLE SEGMENT ASSETS	62,525	806	63,331	50,948	1,091	52,039
TOTAL ASSETS			63,331			52,039

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 SEGMENTAL INFORMATION (CONTINUED)

	2016 E-BUSINESS US\$'000	2016 TPF CONSULTING US\$'000	2016 TOTAL US\$'000	2015 E-BUSINESS US\$'000	2015 TPF CONSULTING US\$'000	2015 TOTAL US\$'000
REPORTABLE SEGMENT LIABILITIES:						
Current	(19,350)	(245)	(19,595)	(11,992)	(304)	(12,296)
Non-current	(897)	-	(897)	(177)	-	(177)
TOTAL REPORTABLE SEGMENT LIABILITIES	(20,247)	(245)	(20,492)	(12,169)	(304)	(12,473)
TOTAL LIABILITIES			(20,492)			(12,473)

Revenue from external customers is derived from the sales of E-business products and services associated with the Group's suite of travel related technology and TPF consulting revenue.

ANALYSIS OF REVENUE BY CATEGORY	2016 US\$'000	2015 US\$'000
Platform revenue ⁽¹⁾⁽²⁾	26,372	22,840
Professional services	26,710	20,546
Consultancy	2,042	2,180
Other revenue	197	1,052
TOTAL REVENUE	55,321	46,618

⁽¹⁾ US\$1.2m of platform revenue was recognised based on contracted minimums in excess of actual transactions as at 31 December 2016 (2015: US\$0.3m).

⁽²⁾ US\$2.0m (2015: US\$0.4m) was recognised as platform revenue from termination fees paid by customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 SEGMENTAL INFORMATION (CONTINUED)

The entity is domiciled in the Republic of Ireland. Revenue from external customers in the Republic of Ireland is US\$3.8m (2015: US\$4.3m) and the total of revenue from external customers from other countries is US\$51.5m (2015: US\$42.3m).

The geographical analysis of revenue is set out below:

	2016 US\$'000	2015 US\$'000
Americas	20,294	21,157
Asia - Pacific	14,296	11,087
Other European	14,960	7,927
Ireland	3,800	4,320
UK	1,971	1,557
Other	-	570
TOTAL REVENUE	55,321	46,618

The total of property, plant and equipment and intangible assets located in the Republic of Ireland is US\$20.9m (2015: US\$16.1m), and the total of these non-current assets located in other countries is US\$0.6m (2015: US\$0.8m).

A significant portion of the revenue of the Group was derived from the external customers as follows, all of whom relate to the E-business segment:

	2016	2015
Customer A	18%	17%
Customer B	13%	1%
Customer C	7%	6%
Customer D	7%	6%
Customer E	7%	9%
Customer F	7%	6%
Customer G	6%	6%
Customer H	6%	6%
Customer I	5%	4%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 EXPENSES BY NATURE

	2016 US\$'000	2015 US\$'000
Employee Benefit expense (Note 19) - net of capitalisation	21,308	19,664
Consultants and Contractors	18,762	11,484
Capitalisation of consultants and contractors costs	(5,436)	(3,549)
Amortisation - Development Costs (Note 5)	5,031	4,264
Establishment costs	1,443	1,446
Hosting	1,649	1,258
Professional fees	1,136	1,205
Travel	1,609	1,065
Depreciation (Note 4)	1,161	1,017
Bad Debt Expense (Note 7)	7	125
Third Party Services	471	497
Auditors remuneration	188	234
Communication	362	327
Software maintenance and other online charges	275	320
Amortisation - Software (Note 5)	250	255
Other	1,563	1,140
TOTAL COST OF SALES, SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES	49,779	40,752
Other losses	291	1,860
TOTAL OPERATING COSTS	50,070	42,612
Disclosed as:		
- Cost of sales	41,374	33,392
- Selling and marketing costs	4,826	3,890
- Administrative expenses	3,579	3,470
- Other losses (Note 18)	291	1,860
TOTAL OPERATING COSTS	50,070	42,612

During the year the Group obtained the following services from the Company's auditors:

	2016 US\$'000	2015 US\$'000
Fees payable to the company's statutory auditors for the audit of the parent company and consolidated financial statements: ⁽¹⁾	138	138
Fees payable to the company's statutory auditors for other services:		
* The audit of the company's subsidiaries pursuant to legislation	6	22
* Tax services	44	66
* Other non-assurance work	-	8
TOTAL	188	234

⁽¹⁾Included in the Group's statutory auditors' fees, are fees of US\$9,000 (2015: US\$9,000) which relate to the audit of the Company financial statements of Datalex plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 OTHER LOSSES

	2016 US\$'000	2015 US\$'000
Net foreign exchange losses	291	364
Losses on cash-flow hedges transferred to profit or loss in the year	-	1,496
TOTAL	291	1,860

19 EMPLOYEE BENEFIT EXPENSE

	2016 US\$'000	2015 US\$'000
Wages and salaries	21,533	18,614
Social security costs	2,086	1,780
Pension costs – defined contribution schemes	646	640
EMPLOYEE BENEFIT EXPENSE BEFORE CAPITALISATION	24,265	21,034
Capitalised labour	(3,807)	(2,214)
	20,458	18,820
Share options, ownership interests and deferred share awards granted to directors and employees (Note 9)	524	844
Long term incentive plan granted to employees (Note 14)	326	-
TOTAL	21,308	19,664

The average number of persons employed by the Group (including Executive Directors) during the year analysed by category was as follows:

	2016	2015
Product development and delivery	181	157
Sales and marketing	12	10
Administration	26	22
TOTAL	219	189

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

The total number of persons employed by the Group (including Executive Directors) at 31 December 2016 was 246 (2015: 190).

The Group operates a number of defined contribution pension schemes in which the majority of Group employees participate. The assets of these schemes are held separately from those of the Group in independently administrated funds. The pension charge represents contributions payable by the Group to the schemes and amounted to US\$646,484 in respect of 2016 (2015: US\$640,423), of which US\$131,971 was accrued at the year-end (2015: US\$147,715).

Details of director's remuneration can be found in the Remuneration Report.

20 FINANCE INCOME AND FINANCE COSTS

	2016 US\$'000	2015 US\$'000
Interest income on bank deposits less than 90 days	26	16
Interest income on short term investments	-	7
Finance lease interest	(56)	(117)
TOTAL	(30)	(94)

21 INCOME TAX

(A) INCOME TAX

	2016 US\$'000	2015 US\$'000
CURRENT TAX		
Corporation tax for the year	-	-
Foreign tax for the year	173	67
Total current tax	173	67
DEFERRED TAX		
Recognition of deferred tax asset ⁽¹⁾	(345)	(345)
INCOME TAX CREDIT	(172)	(278)

⁽¹⁾ Recognition of deferred tax assets comprises a net increase in the deferred tax asset in respect of previously unrecognised tax losses carried forward and research and development tax credits of US\$819,000 (2015: US\$555,000) less an increase in the deferred tax liability generated on capitalised development expenditure in Ireland of US\$474,000 (2015: US\$210,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Irish domestic tax rate applicable to profits of the consolidated companies as follows:

	2016 US\$'000	2015 US\$'000
PROFIT BEFORE INCOME TAX	5,221	3,912
Profit before tax multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2015:12.5%)	653	489
Expenses not deductible/income not taxable	126	83
Utilisation of previously unrecognised tax losses	(36)	(24)
Difference in effective tax rates on overseas earnings	460	281
Movement of deferred tax asset on tax losses forward	(1,363)	(1,062)
Tax losses for which no deferred tax asset was recognised	-	-
Other	(12)	(45)
INCOME TAX CREDIT	(172)	(278)

(B) DEFERRED TAX

Deferred income tax assets are recognised for tax losses carried forward and research and development tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The net deferred income tax asset comprises a deferred tax asset recognised on losses less a deferred tax liability on capitalised development expenditure (which is offset against the deferred tax asset as they are in the same tax jurisdiction).

Deferred tax assets and liabilities have been recognised in respect of the following:

	2016 US\$'000	2015 US\$'000
Deferred tax asset on losses carried forward and R&D tax credits	4,404	3,585
Deferred tax liability on capitalised development expenditure	(2,328)	(1,854)
TOTAL⁽¹⁾	2,076	1,731

⁽¹⁾ The amount of the recognised deferred tax asset relating to losses carried forward and research and development tax credits expected to be recovered after more than one year is circa US\$3.9m (2015: circa US\$2.9m). The amount of the deferred tax liability expected to be settled after more than one year is circa US\$1.9m (2015: circa US\$1.5m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 INCOME TAX (CONTINUED)

US\$441,000 of the opening deferred tax asset has been used to reduce current tax payable in Ireland in respect of taxable profits of Datalex (Ireland) Limited in 2016 (2015: US\$219,000). US\$578,000 of the opening balance which related to the US has been used in our US subsidiary to reduce current tax payable in the US (2015: US\$284,000).

As at 31 December 2016, the Group has recognised an additional deferred tax asset on unutilised tax losses and research and development tax credits in respect of Ireland of US\$578,000 and in respect of Datalex USA Inc. of US\$241,000. Consequently, as at 31 December 2016 the deferred tax assets on losses carried forward and research and development tax credits recognised in respect of Ireland is US\$3,075,000 (2015: US\$2,497,000) and US\$1,329,000 in respect of Datalex USA Inc (2015: US\$1,088,000).

The additional net deferred tax asset has been recognised considering the continuing improvement in the performance of the Group and in particular of Datalex (Ireland) Limited and Datalex USA Inc. This recognition of additional deferred tax assets was underpinned by customer contracts. In particular the directors consider that, having regard to taxable profits arising in each year since 2011 in Ireland and since 2013 in the US and that profits are expected to rise over the period of the existing contracts, it is probable that there will be sufficient taxable profits against which to utilise unused tax losses to an extent that a net deferred tax asset of US\$2.1m (2015:US\$1.7m) should be recognised. The Group had a history of generating losses and the directors have exercised significant judgement in assessing the balance recognised.

There are unrecognised deferred tax assets on timing differences of circa US\$1.5m (2015: US\$3.0m) in Ireland and the directors will continue to evaluate their expectation on realisation of the tax benefit through future taxable profits. There are also unrecognised deferred tax assets on losses forward of circa US\$67.0m (2015: US\$68.3m) in the US and unrecognised deferred tax assets on losses forward of circa US\$10.5m (2015: US\$10.7m) in the UK for which no deferred tax asset has been recognised. These carried forward tax losses and timing differences have not been recognised as the directors do not consider that there is convincing evidence to meet the necessary test of recognition of a deferred tax asset.

Deferred tax assets have not been recognised in respect of the following:

	2016 US\$'000	2015 US\$'000
Unused tax losses	26,693	26,766
R&D tax credits available	-	1,749
Temporary differences	1,940	1,358
TOTAL	28,633	29,873

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 INCOME TAX (CONTINUED)

The unrecognised deferred income tax assets in respect of losses amounting to US\$26.7m (2015: US\$26.8m) is mainly in respect of unused tax losses of circa US\$67.0m (2015: US\$68.3m) in Datalex USA Inc and of circa US\$10.5m (2015: US\$10.7m) in Datalex Solutions (UK) Limited and of US\$Nil (2015: US\$Nil) in Datalex (Ireland) Limited. The movements during the period have arisen in relation to tax efficiencies that have been made at group level.

22 EARNINGS PER SHARE

BASIC	2016	2015
Profit attributable to ordinary shareholders (US\$'000)	5,393	4,190
Weighted average number of ordinary shares outstanding	74,719,811	73,954,941
Basic earnings per share (in US\$ cents)	7.22	5.67

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased/issued by the Company and held as treasury shares.

DILUTED	2016	2015
Profit attributable to ordinary shareholders (US\$'000)	5,393	4,190
Weighted average number of ordinary shares outstanding	74,719,811	73,954,941
Adjustment for share options	4,130,023	4,048,972
Weighted average number of ordinary shares outstanding	78,849,834	78,003,913
Diluted earnings per share (in US\$ cents)	6.84	5.37

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The categories of dilutive potential ordinary shares of the Group are employee share options, deferred share awards and JSOP awards under the schemes as described in Note 9. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of subscription rights attached to outstanding share options.

At 31 December 2016, 130,000 (2015: 130,000) deferred share awards were excluded from the calculation as the performance conditions attached to them have not yet been met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

22 EARNINGS PER SHARE (CONTINUED)

Furthermore 490,000 share options under the 2012 Share option scheme have been excluded from the number of potential dilutive shares as at 31 December 2016 as performance conditions have not yet been achieved (31 December 2015: 523,333).

The number of shares calculated as above is compared with the number that would have issued assuming the exercise of the share options.

23 CASH GENERATED FROM/(USED IN) OPERATIONS

	GROUP 2016 US\$'000	GROUP 2015 US\$'000	COMPANY 2016 US\$'000	COMPANY 2015 US\$'000
Profit before income tax	5,221	3,912	1,987	3,504
ADJUSTMENTS FOR:				
Dividends received	-	-	(2,000)	(3,500)
Interest received	(26)	(23)	-	(3)
Interest paid	56	117	-	-
Depreciation	1,161	1,017	-	-
Amortisation	5,281	4,519	-	-
Employee share option charge	524	844	-	-
Foreign currency losses/(gain) on operating activities	291	315	21	(1)
LTIP Provision	326	-	-	-
Non current trade and other payables	113	-	-	-
CHANGES IN WORKING CAPITAL:				
Trade and other receivables	(3,361)	(643)	(420)	(1,345)
Trade and other payables	7,519	2,945	-	-
CASH GENERATED FROM/(USED IN) OPERATIONS	17,105	13,003	(412)	(1,345)
Dividends received	-	-	2,000	3,500
NET CASH INFLOW FROM OPERATIONS	17,105	13,003	1,588	2,155

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

24 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Key management personnel includes the two Executive Directors who held office during the year (2015: two Executive Directors), the five Non-Executive Directors (2015: five Non-Executive Directors) and eight members of the senior management team (2015: eight members).

The remuneration of and transactions with all directors under the Companies Act 2014 have been disclosed in the Remuneration Report.

	2016 US\$'000	2015 US\$'000
Emoluments ^{(1) (2)}	2,620	2,851
Benefits under long-term equity settled incentive schemes ⁽³⁾	254	572
Benefits under long-term cash settled incentive scheme ⁽⁴⁾	64	-
Contributions to defined contribution schemes ⁽⁵⁾	107	116
TOTAL	3,045	3,539

⁽¹⁾ Emoluments are made up of salaries, director's fees, and other short term employee benefits.

⁽²⁾ The remuneration of, and transactions with all Non-Executive Directors:

	2016 US\$'000	2015 US\$'000
BASIC SALARIES AND FEES	318	323

⁽³⁾ The benefits included in this category relate to share based payment awards, JSOP awards and deferred share awards under the schemes described in Note 9.

⁽⁴⁾ This relates to the Long Term Incentive Plan described in Note 14.

⁽⁵⁾ Retirement benefits are accruing to two Executive Directors and eight senior management team members (2015: two Executive Directors and eight members of the senior management team) under a defined contribution scheme.

(b) Peter Lennon, Non-Executive Director, provides legal services to the Group through Maples and Calder. Legal services rendered by Maples and Calder for the year ended 31 December 2016 amounted to US\$18,362 (2015: US\$7,601).

Non-Executive Directors fees of US\$134,924 (2015: US\$87,096) were accrued at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

24 RELATED PARTY TRANSACTIONS

COMPANY

As at 31 December 2016, the Company had a balance of US\$5,275,603 (2015: US\$4,853,408) due to it from other Group companies. This balance relates to payments made by the Company on behalf of one of its subsidiaries.

Amounts owed by Group undertakings are interest free, unsecured and are repayable on demand. The Board has reviewed these amounts for impairment. Following this review, no provision for impairment was deemed necessary.

25 CONTINGENCIES

LITIGATION AND DISPUTES

The Group is engaged in litigation arising in the normal course of its business. Management does not believe that any such litigation would impact the Group to any material extent, and that possibility of any outflow in settlement is remote.

26 COMMITMENTS

(A) OPERATING LEASES

The Group lease offices and equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Lease rentals in respect of these offices, amounting to US\$0.8m (2015: US\$0.9m) and equipment amounting to US\$0.01m (2015: US\$0.01m) are included in the income statement.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 US\$'000	2015 US\$'000
Within one year	881	705
Within two to five years	3,334	2,371
Over five years	1,859	1,304
TOTAL	6,074	4,380

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

26 COMMITMENTS (CONTINUED)

(B) CAPITAL COMMITMENTS

At the year-end, the following capital commitments authorised by the Board had not been provided for in the financial statements:

	2016 US\$'000	2015 US\$'000
Contracted	-	889
Not contracted	-	63
TOTAL	-	952

During 2015, the Group entered into a contract for the refurbishment of the Dublin office for consideration of US\$1.1m; US\$0.9m was contracted but not incurred as at 31 December 2015.

27 COMPANY ONLY INCOME STATEMENT

In accordance with section 304 of the 2014 Companies Act, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year is US\$1,986,983 (2015: profit of US\$3,504,245). This includes dividends received from Datalex (Ireland) Limited of US\$2,000,000 (2015: US\$3,500,000).

28 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group and Company's operations expose it to a variety of financial risks including interest rate, foreign exchange, credit and liquidity risk. The Group has in place a risk management programme that seeks to manage the financial exposure of the Group. The Group uses derivative financial instruments to manage certain risk exposures. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are set by the Board of Directors and are implemented by the Group's finance department.

MARKET RATE RISK

Market rate risk refers to the exposure of the Group's financial position to movements in interest rates, currency rates and general price risk. The principal aim of managing the currency risk is to limit the adverse impact on shareholders' value of movement in currency rates. The Group has limited exposure to interest and price risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

(I) FOREIGN EXCHANGE RISK

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, in the normal course of business primarily with respect to the euro, sterling and Chinese renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The main exposure at 31 December 2016 relates to euro monetary assets totalling US\$11.4m (2015: US\$11.8m), sterling monetary assets totalling US\$0.8m (2015: US\$0.4m) and Chinese renminbi monetary assets totalling US\$0.9m (2015: US\$0.5m).

The Group's main current strategy to manage the foreign exchange risk is, where possible to negotiate the customer contracts and related contractors and employees costs in the same currency. The Group has also a number of multi-currency bank accounts which allow them to maintain available funds in different currencies as a means to minimise the impact of foreign exchange volatility on its operations.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the group may avail of forward contracts and has facilities available with its bank. Forward contracts are generally used when it is deemed that there is a potential volatility risk which may negatively impact the certainty in respect of the euro based operating costs. Given the profile of the overseas operations and the customer base, foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the US dollar. There were no forward foreign exchange contracts as at 31 December 2016.

In the prior year and as shown in Note 15, there were additional losses associated with open forward contracts at the start of the prior year for an amount of US\$1.0m which together with the debit position of US\$0.7m in respect of these instruments as at 1 January 2015 resulted in a total loss on these instruments of US\$1.7m in 2015, of which US\$1.5m were transferred to Other losses in the Income Statement for the year ended 31 December 2015. An additional US\$0.2m were transferred to intangible assets additions for the year ended 31 December 2015 as they were directly related to the coverage of cash flows attributable to capitalised product development work in that financial year.

At 31 December 2016, if the euro had strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been US\$1.0m higher (2015: US\$1.0m higher) mainly as a result of foreign exchange gains/(losses) on translation of euro-denominated trade receivables, trade payables and cash and short term investments.

(II) INTEREST RATE RISK

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates. Cash and cash equivalents and short term investments at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and short term investments at a fixed rate expose the group to fair value interest rate risk. The Group treasury policy is designed to monitor the funding requirements of the business. Cash requirements are managed centrally and reviewed on a daily basis. Excess funds are placed on deposits which typically have a maturity of less than three months or up to six months. The term of deposit is based on the interest rate and the cash forecasts as the Group ensures that sufficient cash is available on demand to meet expected operational requirements. At 31 December 2016, there were no deposits with an original term of more than 90 days

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

and less than a year (2015: US\$4.6m) (See Note 8). The interest rate on floating rate deposits (both with maturities less than 90 days or more than 90 days but less than a year) of US\$2.6m at 31 December 2016 (2015: US\$9.4m) is generally based on the appropriate Euribor or Libor rate.

The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

INTEREST RATE SENSITIVITY ANALYSIS

At 31 December 2016, based on the cash balances held at the balance sheet date which earn interest, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group profit after tax for the year would have been higher or lower by US\$0.1m (2015: US\$0.1m).

(III) PRICE RISK

The Group is not exposed to material price risk.

CREDIT RISK

Credit is managed on a Group basis. Credit risk arises from cash and cash equivalents, short term investments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding trade receivables and accrued income and committed transactions. The Group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties. The Group has not experienced any losses on such accounts.

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made and monitors the exposure to potential credit loss on a regular basis. The utilisation of credit limits is regularly monitored. During the year ended 31 December 2016, a significant portion of the Group's revenue was derived from a limited number of customers (see Note 16).

The credit quality of cash and cash equivalents and short term investments can be assessed by reference to S&P credit ratings of the counterparties in the following tables:

	2016 US\$'000	2015 US\$'000
CASH AND CASH EQUIVALENTS		
A+	1,247	4,830
A	20,754	30
A-	2	10,586
BBB-	1,007	1,785
BBB	1,310	-
TOTAL	24,320	17,231

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

SHORT TERM INVESTMENTS	2016 US\$'000	2015 US\$'000
BBB-	-	4,577
TOTAL	-	4,577

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

It is Group policy to maintain at all times, access to sufficient resources to meet all short term financial obligations.

The analysis below summarises the Group's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity group based on the remaining period as at the reporting date:

TRADE PAYABLES, ACCRUALS AND BORROWINGS (INCLUDING INTEREST)	LESS THAN 1YR US\$'000	BETWEEN 1-2 YRS US\$'000	BETWEEN 2-5 YRS US\$'000	TOTAL US\$'000
At 31 December 2016	13,179	534	60	13,773
At 31 December 2015	9,033	182	-	9,215

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The capital comprises mainly of issued capital, reserves and retained earnings as set out in the Consolidated Statement of Changes in Equity.

CASH FLOW RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

29 SUBSEQUENT EVENTS

At a meeting held on 27 March 2017, the Board of Directors of the Company have proposed a final dividend of five US cents per share (2015: four US cents per share) be paid to the shareholders in respect of the full year 2016. The total dividend to be paid is circa US\$3.8m (2015: US\$3.0m) (see Note 11). In accordance with the accounting policy under IFRS set out in Note 2.25, this dividend has not been included as a liability in these financial statements. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and also subject to approval and payment of dividends in Datalex (Ireland) Limited in order to create sufficient distributable reserves prior to the payment of the dividend in Datalex plc.

There have been no other subsequent events that impact on the 2016 financial statements up to the date of this report.

30 RECENT ACCOUNTING PRONOUNCEMENTS

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There are a number of new standards and other changes to IFRS which became effective in 2016, however, they either did not have an effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have had a material impact on the Group.

(B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2016 AND HAVE NOT BEEN ADOPTED EARLY

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. The group has not adopted these standards early in preparing these Consolidated Financial Statements. Among those which may be applicable to the Group are:

REVENUE RECOGNITION

IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 18, 'Revenue' and IAS 11, 'Construction Contracts and related interpretations'. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It specifies how and when revenue should be recognised as well as requiring enhanced disclosures. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service. IFRS 15, which has been endorsed by the EU is effective for annual periods beginning on or after 1 January 2018, the Group will apply IFRS 15 from its effective date. The Group is currently assessing the impact of IFRS 15 from its effective date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

30 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Management is currently assessing the impact of applying the new revenue recognition standard (IFRS 15) on the Group's financial statements. Although at this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements, management has identified the following areas which are likely to be affected:

- Timing of the recognition of the revenue in certain long term service elements of the revenue contracts.
- Identification of performance conditions after go-live.
- Accounting for certain costs which are currently expensed (e.g. sales commissions).

The Group is currently setting up a project team and consulting with other companies in the software and digital commerce industry. The Group will perform more detailed assessments in the coming months, including the choice of the accounting policy to be taken on first application.

FINANCIAL INSTRUMENTS

IFRS 9, 'Financial Instruments', is the standard which will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. It has been completed in a number of phases with the final version issued by the IASB in July 2014. The standard includes requirements for recognition, measurement, impairment and derecognition of financial instruments, and general hedge accounting. IFRS 9, which has been endorsed by the EU, is effective for annual periods beginning on or after 1 January 2018, the Group will apply IFRS 9 from its effective date. The adoption of IFRS 9 is not expected to have a material impact on the Group.

LEASES

IFRS 16, 'Leases' issued in January 2016 by the IASB replaces IAS 17 'Leases and related interpretations'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions. For lessors, IFRS 16 substantially carried forward the accounting requirement in IAS 17. IFRS 16, which has been endorsed by the EU, is effective for annual periods beginning on or after 1 January 2019 and the Group will apply IFRS 16 from its effective date. The Group is currently assessing the impact of IFRS 16 in respect of the operating leases longer than a year and that relate mainly to the leased office premises which amount to US\$5.2m at 31 December 2016 (See Note 26).

At this stage, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's classification of losses and cash flows. In addition, some of the commitments may be covered by the exception of short term and low value leases and some commitments may relate to arrangements which do not qualify as leases.

Other new standards, amendments and interpretations, which have been currently issued, are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.





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