

A Platform for Growth  
**ANNUAL REPORT 2017**



**Datalex**\*

# OUR VALUES



## COLLABORATION

We make decisions collaboratively and everyone has a voice.



## COURAGE

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



## CREATIVITY

We continually seek innovative and creative solutions.



## DELIVERY

We strive to deliver on commitments to customers and colleagues.

**2017 was a year of strong growth and performance, while investments made provide the ideal platform for future growth.**

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Strategy Review

# CHAIRMAN'S STATEMENT

## CONTINUED GROWTH AND PERFORMANCE

2017 was another successful year of growth and performance at Datalex, with continued double-digit growth across key metrics of revenue and Adjusted EBITDA. As a leading global provider in digital commerce for travel retail, our significant investment in new product assets and infrastructure further ensures a platform for future growth and revenue visibility in the coming years.

■■■■■■■■■■  
**Paschal Taggart**  
 Chairman



↑ 15%



**TOTAL REVENUE**

↑ 31%



**PROFIT AFTER TAX**

↑ 16%



**ADJUSTED EBITDA**

↑ 29%



**BASIC EPS (US CENT PER SHARE)**

## FINANCIAL PERFORMANCE

In 2017, Datalex maintained its strong track record of performance and growth, while investing to scale for continued growth in the coming years. Total revenue grew by **15% to US\$63.9m** (2016: US\$55.3m), Adjusted EBITDA, our key performance metric, grew **16% to US\$14.2m** (2016: US\$12.2m), and basic earnings per share increased by **29% to 9.32 US cent per share**.

## DIVIDEND

I am pleased to report that the Board of Directors will recommend to shareholders a dividend of five US cents per share in 2018. This is in line with our 2017 dividend. The Board's decision to maintain a constant level of dividend reflects our current investment in working capital and product investment. As these unwind, and our cash increases, we anticipate that 2019 will see a return to dividend growth.

## STRATEGY

Datalex has a large addressable market opportunity, a market-leading proposition and a powerful commercial model. In 2017, we accelerated our investment in product, people and systems required to deliver the scale, agility and performance required for high-volume digital retail environments. The Board is confident that the business model and growth strategy will deliver increasing value to our shareholders in the years ahead.

## BOARD DEVELOPMENT

The Board is comprised of seven directors, five non-executive directors and two executive directors. Datalex continues to benefit from the wide range of IT, financial, commercial and general management expertise of each Board member. I would like to thank the Directors for their commitment and support in consideration of

Group strategy and the monitoring of Group performance. 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. We will continue to evaluate the Board composition to ensure that we have the skills and expertise necessary for the company's success.

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board is committed to maintaining best practices of corporate governance, including the provisions of the 2016 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 57, describes how we have complied with the principles of good corporate governance.

## 2018 OUTLOOK

On behalf of the Board, I would like to thank our CEO Aidan Brogan, and the whole Datalex team, for their commitment and contribution in 2017. I, and my colleagues on the Board, believe that the market opportunity for Datalex is greater than ever, and we are confident that the business will continue to create real value for our shareholders in 2018 and beyond. Finally, I would like to thank you, our shareholders, for your continued support.



**Paschal Taggart**  
Chairman



**The Datalex Digital  
Commerce Platform  
is a strategic asset  
for Aer Lingus.**

|||||||  
**Rachel Izzard**  
CFO, Aer Lingus

Strategy Review

# DATALEX AT A GLANCE

## Datalex is a global market leader in digital commerce for travel retail.

Our platform is used by some of the world's most innovative airline retail brands to dynamically control and optimise all offers and orders to over one billion global shoppers on every device across every digital sales channel and at every touchpoint in the travel journey.

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).

### GLOBAL SCALE & REACH

>650

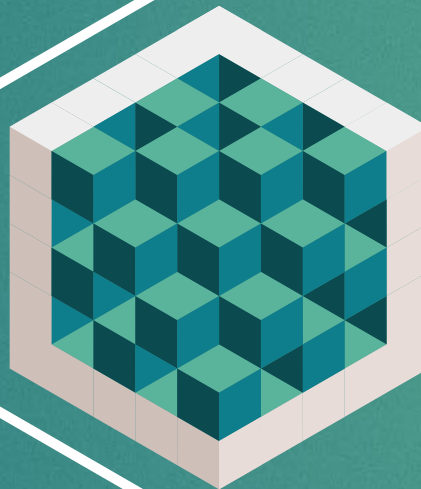
### GLOBAL TRAVEL RETAIL EXPERTS

5 office locations across 3 continents. Highest growth markets, for example, China

### PRODUCT INVESTMENT & INNOVATION

US\$13.1m

invested in digital commerce innovation in 2017



### ENABLING A DIGITAL MARKETPLACE

US\$20bn

revenues transacted by global airlines through our platform

### INSTALLED CUSTOMER AND PARTNER BASE

50+

global brand customers and partners



### VISIT THE DATALEX YOUTUBE CHANNEL

Go to [www.youtube.com/watch?v=QbGj-lszB3o](https://www.youtube.com/watch?v=QbGj-lszB3o) to watch our Digital Commerce Platform video

Strategy Review

# UNDERSTANDING OUR MARKETPLACE

## DEMAND FOR TRAVEL

Demand for travel continues to grow, and this provides retailers with the opportunity to generate better returns. In 2017, over 4 billion passengers used airlines as the first point in their travel experience. Demand for air travel rose by 7.6%, well above the 10-year average growth rate of 5.5%.



**+4  
BILLION**

passengers used airlines as the first point of their travel experience<sup>1</sup>

## THE DIGITAL ECONOMY

eMarketer report that the digital economy drove over US\$613 billion in worldwide travel sales in 2017 and will continue to drive a monumental change in how travel retailers compete to offer quality products and services and drive margin growth. Digital commerce is an increasingly critical asset for travel retailers as they seek to deliver products and services with digital precision while optimising customer engagement.

## A MULTI-SIDED MARKETPLACE

The digital marketplace has driven a shift in traditional travel supply chain dynamics. Airline retailers seek to build a platform business model that delivers more effective exchange and co-creation of value with partners, for improved competitiveness and profitability.

.....

**Datalex is ideally positioned to meet the growing demand for digital commerce in the travel retail sector.**

.....

**Datalex is ideally positioned to enable more effective value exchange for travel suppliers and retailers.**



**US\$613bn**

in worldwide  
travel sales<sup>2</sup>

## Datalex invested US\$13.1m in digital commerce product capabilities, such as new innovations in dynamic pricing, digital payments and loyalty commerce.

### INNOVATION AND DIGITAL DRIVE CUSTOMER EXPERIENCE

Travel retailers are transitioning to open, secure and scalable cloud-based commerce platforms, which enable both a competitive offer experience and a consistent view of order across a rapidly evolving digital ecosystem of channels and touchpoints. These platforms need to be travel domain specific and provide a pathway for predictable business outcomes without disrupting the business.

Travel retailers are increasingly focused on the business results that artificial intelligence (“AI”) can deliver, to drive better conversions while optimising revenue through predictive models and dynamic pricing strategies.

Digital consumers increasingly seek more convenient forms of payment and reward. Travel retailers spend billions of dollars annually in payment fees and seek to leverage their own payment capabilities through virtual currencies and other next-gen loyalty initiatives.

While in its infancy, and despite the data, security and privacy implications that will need to be addressed, blockchain will have far-reaching benefits for the travel retailer in areas of data, identity and streamlining of systems and payments.

In 2017, Datalex invested **US\$13.1m** in new product capabilities including cloud-based digital commerce, as well as new innovations in AI-driven dynamic pricing and digital payments.

1 Source: 2017 Marked by Strong Passenger Demand, Record Load Factor, IATA, February 2018

2 Source: Worldwide Digital Travel Sales: eMarketer's Estimates for 2016–2021, eMarketer, August 2017



**IBM have partnered with Datalex to jointly develop and deliver new digital commerce capabilities as part of the IBM Travel Retail offering.**

■■■■■■■■■■  
**Dee Waddell**  
Global Managing Director,  
Travel & Transportation Industries, IBM

Strategy Review

# THE DIGITAL COMMERCE PLATFORM

In 2017, Datalex accelerated its investment in cloud-based digital commerce as well as new innovations in AI-driven dynamic pricing, digital payments and loyalty commerce. The Datalex Digital Commerce Platform enables leading travel retailers to accelerate digitalisation strategies, drive new revenue and profit sources, and foster collaboration across the digital ecosystem.



Strategy Review

# INVESTMENT CASE

## GROWTH AND VISIBILITY

Track Record of Performance

## MARKET OPPORTUNITY

We have a large and growing addressable market

**8 YEARS**

of consecutive double-digit growth in Adjusted EBITDA

**US\$855bn**

by 2021, global digital travel sales will top US\$855 billion<sup>1</sup>

**85% GROWTH**

in recurring platform revenue (2012-2017)

**7.8 BILLION**

passengers will travel in 2036<sup>2</sup>

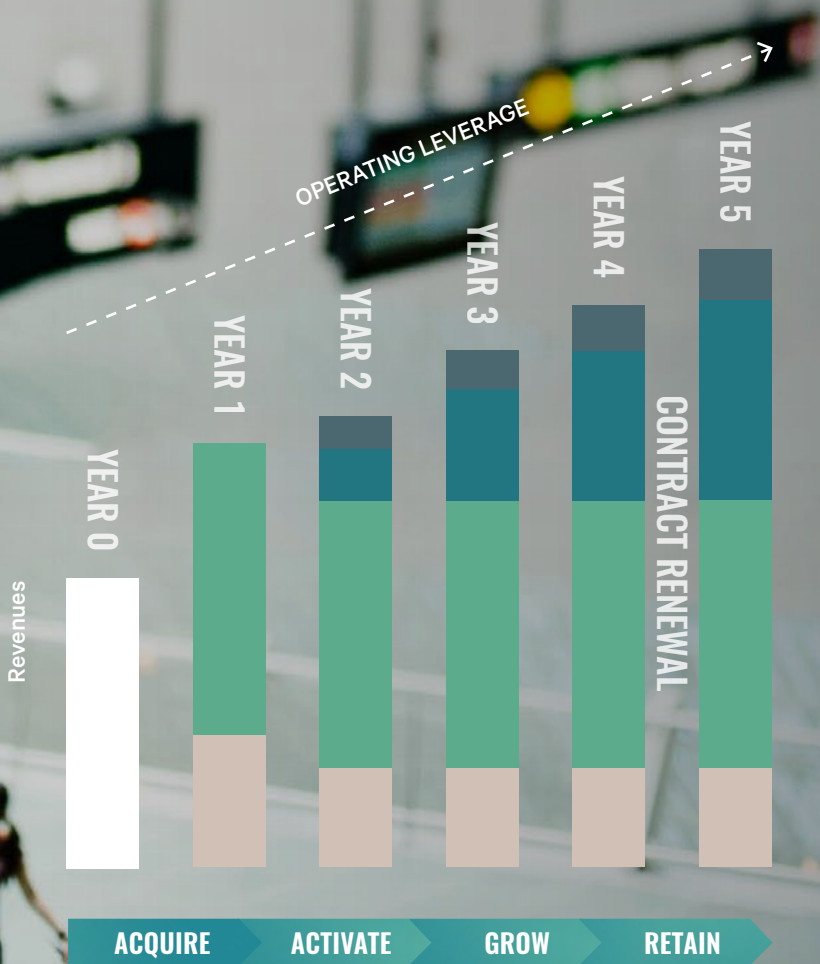
**>US\$14.0m**

in dividends<sup>3</sup> (2014-2018)

1 Source: Global Digital Travel Platforms Report 2017, eMarketer, 19 December 2017

2 Source: 20-Year Air Passenger Forecast, IATA, October 2017

3 This is cumulative and includes circa US\$3.9m of dividends which have been proposed after the year-end and are subject to AGM approval (see Note 27).



## POWERFUL COMMERCIAL MODEL

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 transacted 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.

- Services Implementation
- Services (Recurring)
- Transactions (Contracted)
- Transaction Growth (New Sales Channels/Products)
- Transaction Growth (Passenger Growth)

## SUSTAINABILITY

- RECURRING REVENUE
- VOLUME DRIVEN GROWTH
- FIVE-YEAR CONTRACT AVERAGE
- INCREASINGLY CRITICAL ENTERPRISE SOLUTION
- OPERATIONAL FLEXIBILITY WHILE RE-INVESTING TO SUSTAIN GROWTH

## Strategy Review

**OUR PEOPLE**

**We are a global team of collaborative, creative and courageous travel commerce experts from over twenty nations, in five office locations, across three continents.**

We use our shared values as principles for guiding performance and growth:

**DELIVERY**

We strive to deliver on commitments to customers and colleagues.

**COLLABORATION**

We make decisions collaboratively and everyone has a voice.

**COURAGE**

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

**CREATIVITY**

We continually seek innovative and creative solutions.

**PEOPLE SUCCESS**

Our People Success framework is a key strategic pillar for the continued growth, development and retention of world-class talent. Our continued investment in organisational development drives inclusive engagement and performance across our global offices.

**LEARNING AND DEVELOPMENT**

In 2017, Datalex continued to invest in the development of our people. We invested in a number of training and development initiatives, through which employees acquired new skills in the latest technologies and development methodologies, such as Agile. We held regular 'Meet Ups' which allow for interaction with global experts on topics, such as the Continuous Delivery software engineering approach. Global hackathons encouraged innovation and collaboration using the latest digital technologies.

We continued our investment in the development of our leadership and management capabilities, running multiple training programmes throughout the year. We also launched a new Leadership Development Programme in conjunction with the Irish Management Institute (IMI) to develop future leadership roles.

**HEALTH AND WELL-BEING**

In 2017, we implemented a range of health and well-being initiatives across global offices to promote and encourage awareness of health and wellness. These included many aspects of well-being ranging from personal financial awareness and health screening, to yoga and mindfulness courses.



### DIVERSITY PROGRAMME

We are committed to creating an inclusive environment, where diversity in all its forms is valued. During 2017, we sponsored a number of initiatives including the Women ReBOOT programme run by Technology Ireland. This is a programme designed to encourage women to re-enter the workforce after prolonged absences. We have continued to develop relationships with colleges to build our pipeline of talent. At the Early Career Awards 2017, we sponsored the IT and Tech Professional of the Year category.

### COMMUNITY

As a global organisation, we are committed to making a positive impact on the communities in which we operate. In 2017, we launched a fundraising initiative through which our global employees can apply for funding for local charities and good causes. We were also pleased to support community initiatives such as Temple Street Children's Hospital's 'Techies4TempleStreet', JetBlue's 'Swing for Good' Golf Classic, and the Brussels Airlines b.foundation 'Bike for Africa'.

**Our people represent the core of our value as a business, and their expertise and commitment to our customers is a key element of our competitive advantage.**

Aidan Brogan, CEO





**JetBlue Airways is pleased to extend its successful partnership with Datalex. We will continue to innovate and extend our digital travel retail offer and service using the Datalex Platform.**

|||||

**Michael Stromer**

VP Tech Products, JetBlue Airways

Strategy Review

# BUSINESS MODEL AND STRATEGY

## A PLATFORM FOR GROWTH

Our market opportunity continues to expand. Demand for our Digital Commerce Platform continues to grow and our installed customer base is an important growth asset. Our business model and strategy is designed to scale, in order to execute on this opportunity across global markets, which will deliver sustainable value to our shareholders.

Strategy Review

# OUR BUSINESS MODEL

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

## STRATEGIC PILLARS

Our success depends on key strategic pillars in order to deliver on our growth strategy:



### PEOPLE SUCCESS

- Expertise and thought leadership in digital commerce
- A proven and experienced leadership team across global markets
- A People Success framework for development and retention of world-class talent
- Using our values as principles for guiding performance



### CUSTOMER SUCCESS

- Acquire, activate, grow and retain customers
- A trusted brand for enterprise-critical digital commerce systems
- Global 24/7 customer support and PCI security compliance
- Investment in high growth markets, for example, China
- Focus on customer retention



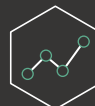
### PRODUCT SUCCESS

- Investment in digital commerce innovation
- Market and technology thought leadership and advisory practice
- Investment in scale, performance and security for high-volume retail



### PARTNER SUCCESS

- Open platform for 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

## CUSTOMER FOCUS

Customer Success is the foundation of our business model. Our products and services are increasingly critical to customer engagement and ultimately to the performance of Datalex, and our customers.

### ACQUIRE

Strong customer acquisition pipeline supported by proven delivery, public endorsements of platform and strategic partnerships.

### ACTIVATE

Deployment of our Digital Commerce Platform across every touchpoint, channel and device.

### GROW

Enabling new sources of revenue and margin growth for our customers, which also drives our platform revenue.

### RETAIN

Customer success philosophy that puts our customers' business objectives at the heart of everything we do.

## INVESTMENT & RETURNS

Our business model generates value for all stakeholders, including:

### REVENUES

↑ **15%**  
to US\$63.9m

### GROWTH

↑ **29%**  
Basic Earnings Per Share  
to 9.32 US cent

↑ **16%**  
Increase Adjusted  
EBITDA to US\$14.2m

### SHAREHOLDERS RETURNS

> **US\$14.0m**  
Dividends 2014 – 2018

**PEOPLE  
SUCCESS****STRATEGIC PILLARS**

- A proven and ambitious leadership team
- An organisational structure to deliver on our growth strategy
- Organisational Development and Performance Management for retention and development of world class talent
- Using our values as guiding principles for performance

**CUSTOMER  
SUCCESS**

- Acquire new customers
- Grow and develop revenues through installed customer base
- Maintain customer satisfaction
- Provide highest customer service and support levels
- Maintain PCI security compliance
- A trusted brand for digital enterprise critical systems

**PRODUCT  
SUCCESS**

- Improve agility and 'time to value' of software development and delivery
- Scale platform for high volume retail
- An open platform to support growing ecosystem of users and 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 accelerated innovation in digital commerce

**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

## 2017 STRATEGY IN ACTION

- Roll out of new global leadership team structure across global markets
  - Organisational Development programmes for learning and development, health and well-being
  - New learning management systems and continuous improvement programme
- 
- 2017 progressed the delivery of the first multi airline digital commerce platform for the Lufthansa Group, the largest European carrier group
  - We acquired a major loyalty network customer and will commence delivery of a Loyalty Commerce Platform in 2018
  - New platform capabilities were delivered for platform revenue growth across the current customer base
  - We have secured our first Chinese customer through our partnership with Neusoft. This will be our 7th airline customer in China
- 
- Delivered over 900 new product features such as dynamic offer management, order management and virtual payments
  - Investment and partnership drove research and development with particular focus on machine learning and cognitive computing for dynamic pricing of offers
  - Improved platform performance, automation, security and support capabilities
  - Roll out of agile and Continuous delivery software engineering approach
- 
- In 2017, we established a joint software development team with Neusoft and engaged in business development for partner offering
  - We developed a joint cognitive commerce solution with IBM Travel Retail
  - We developed and enhanced new software development partnerships across global markets
  - We partnered with JetBlue Technology Ventures and high-potential start-ups in Ireland and the US to accelerate research and development of new digital technologies
- 
- Successfully delivered double-digit growth across revenue and Adjusted EBITDA, while undertaking significant investment to scale for sustainable growth

## 2018 PRIORITIES

- Continued investment in our 'people proposition' to retain, develop and protect the well-being of our employees
  - New employee engagement tool to unify HR, performance management and communications
  - Learning and development programme
  - Leadership succession planning and training
- 
- Major go-lives of the Platform in 2018 for revenue growth
  - Componentise platform solutions to allow for more discrete software sales and deliver faster 'time to value' for our customers
  - Leverage a strong pipeline and acquire new customers
  - Leverage partnership and growth potential in the fast growing Chinese market
- 
- New platform component solutions to extend product and market reach, for example, loyalty commerce and payments
  - Launch co-lab initiative with partners to accelerate innovation and start-up accelerator
  - Investment in Application Programme Interface ("API") First cloud delivery infrastructure with continued improvement in automation, security and support capabilities for customers and partners
- 
- 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 airlines to enable co-lab innovation projects
  - Onboard new delivery and development partners to enhance operational and delivery efficiency
- 
- We will continue to drive financial discipline and commercial governance across our organisation
  - Drive flexibility in resourcing and partner model for increased operational efficiencies
  - Risk management oversight committees across functional leadership teams

Strategy Review

# CHIEF EXECUTIVE REVIEW

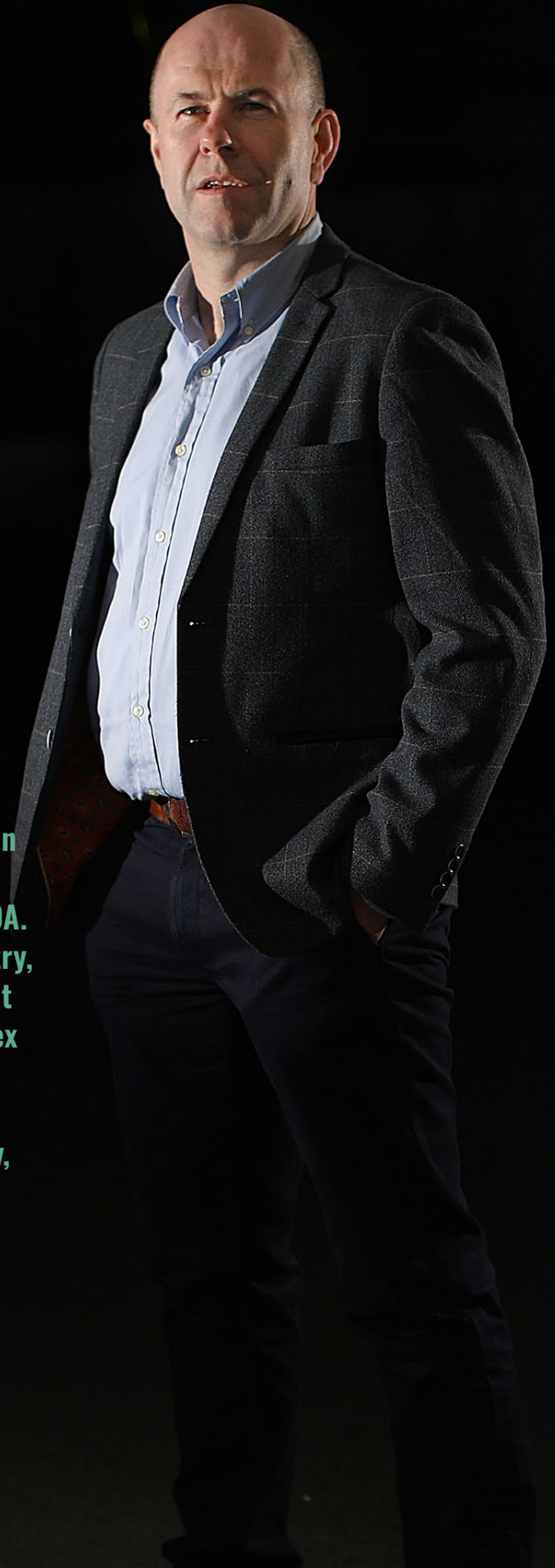
**2017 was another year of strong growth and performance for Datalex. It was another year in which we achieved double-digit growth across the key metrics of revenue and Adjusted EBITDA. The digital transformation of the airline industry, and broader travel sector, continues to grow at pace presenting more opportunities for Datalex to expand.**

**We continue to invest in accelerating technology, people and the processes required to scale the business for continued growth across global markets.**

|||||

**Aidan Brogan**

Chief Executive Officer



## We are confident in continued and significant growth in the coming years.



### PERFORMANCE SUCCESS

2017 was another year of strong growth and performance for Datalex. Our Adjusted EBITDA grew **16% to US\$14.2m** (2016: US\$12.2m), driven by **15%** growth in total revenue to **US\$63.9m** (2016: US\$55.3m).

During the year, we invested **US\$13.1m** (2016: US\$9.2m) in our platform's capabilities which will help drive continued growth in our market share and earnings in 2018 and beyond.

We also continued to make good progress on our deployment programme at the Lufthansa Group. This will help drive significant growth in our platform revenue and Adjusted EBITDA in 2019 and 2020.



### PEOPLE SUCCESS

Our People Success framework is a key strategic pillar for the continued growth, development and retention of world-class talent. Our continued investment in organisational development continues to drive inclusive engagement and performance across our global offices.

- We continued to roll out our agile methodologies and continuous improvement programmes across the business, with tangible results in terms of efficiency and performance of global teams.
- We continued to expand our leadership team across global markets, and introduced new regional structures, to enhance our customer success framework.

- We established an in-company management and leadership development programme, in conjunction with the IMI, to develop the next cohort of leaders in the business, that will enable us to scale the organisation.
- We enhanced our global sales organisation, with the appointment of a new SVP of Sales, as well as additional business development resources across EMEA and the Asia Pacific market.
- We put in place a corporate wellness programme and initiated a number of employee-led CSR activities across our global footprint.



### CUSTOMER SUCCESS

During 2017, we made significant progress that will help drive our market share and performance in the years ahead:

- **Acquire:** In late 2017, we reached agreement with a leading loyalty coalition network to deliver a loyalty commerce platform. While many of our airline customers currently use components of our loyalty and redemption capabilities, this is our first significant diversification into the loyalty sector. We believe this is a significant market opportunity for Datalex in the coming years.

We have secured our first Chinese customer, through our partnership with Neusoft, our 7th overall customer in China. We will commence deployment in the first half of 2018.

We have also commenced a feasibility and design study to develop a dynamic discounting and pricing solution for a major European airline.

- **Activate:** We made strong progress on the development and deployment of the group-wide platform for the Lufthansa Group of airlines. We anticipate that the solution will begin to go live in the second half of 2018.

**During 2017, we made significant progress that will help drive our market share and performance in the years ahead.**

- **Grow and Retain:** Our relationship with JetBlue Airways continues to strengthen. In late 2017, JetBlue Airways extended their contract with Datalex until the end of 2022. We also completed the development of our OTA platform, which will go live at JetBlue Airways' vacations business in the first half of 2018.
- As we enter 2018, our new sales pipeline and platform capabilities are stronger and broader. Our investment in the platform to deliver agile cloud-based solutions also extends our market opportunity. This enables a more agile operating model for rapidly expanding offerings for our customers, delivery partners and in new vertical markets, such as loyalty commerce. We believe the opportunity for us in the medium term is significant.



## PRODUCT SUCCESS

During 2017, we accelerated investments in new platform capabilities, cloud architecture and security to deliver on leading digital commerce functions and features with the scale, agility and performance required for high volume retail. We retained our position as a market leader in digital commerce for travel retail and these investments are central to our strategy for growth in market share, and earnings, in the coming years.

We continued investing in our commerce platform's offer and order management capabilities to deliver enhanced dynamic pricing, offer optimisation, merchandising and order management across multiple sources of airline, travel and retail products. The breadth and depth of this functionality will enable global carriers, such as the Lufthansa Group, to drive their businesses forward in the digital age.

The completion of our OTA platform will go live in the first half of 2018 at JetBlue Airways, allowing them to greatly expand their retail offering for leisure products and services, while delivering a more personalised and tailored customer experience. This new capability will enable airlines to seamlessly expand their position as travel retailers.

Our investment in new digital reward and payment capabilities puts us in a strong position to meet the need for new loyalty commerce offerings in the airline and loyalty sector, as airlines and loyalty programmes increasingly demand digital commerce platforms to enhance the redemption shopping experience, member engagement and partner programme value. Our reward, payment and shopping features put us in strong position to meet this growing market opportunity.

As the volume of offers transacted on our platform continues to grow, our customers and partners demand the highest levels of security compliance as well as sub-second performance, scalability and continuous availability of our platform services. In 2017, we accelerated investment in our cloud-based API framework and architecture to ensure the secure scale and performance required to support hundreds of millions of offers each day. These investments also enhance our capacity to deliver faster 'time to value' for our customers, and permit more efficient delivery of discrete platform solutions, for example, standalone B2B offerings (*IATA's New Distribution Capability - NDC*).

**A cornerstone of our growth strategy over the next three years is the development of an operational model that enables partner-led development, delivery and services. This will significantly extend product and market reach.**



## PARTNER SUCCESS

A cornerstone of our growth strategy over the next three years is the development of an operational model that enables partner-led development, delivery and services. This will significantly extend product and market reach and thereby enhance our capacity to win, and deliver on, new business opportunities. This has been enabled by some of the product investment we have undertaken in recent years, advancing our platform API framework for agile delivery and service.

In 2017, we continued to make progress in this area:

- We established a joint development and delivery team in China, with our partner Neusoft. We have secured our first Chinese customer through our partnership with Neusoft and will commence deployment during H1 2018. We are currently pursuing a number of new business opportunities in China with Neusoft.
- We jointly developed solution prototypes with IBM, under the banner of the IBM Travel Retail suite, and we are confident that we will conclude new business signings with IBM in 2018.
- We developed API Airways as a co-labs platform to accelerate innovation with our airline partners (JetBlue Tech Ventures), technology partners (IBM Research) and high-potential start-ups in a simulated airline operations and technology environment.
- We enhanced tools, processes and systems to support our delivery partners.

## OUTLOOK FOR 2018 – PLATFORM FOR GROWTH

2017 was a year of strong growth performance and investment for our business and we believe that the progress we have made on key engagements, together with investment in our people, platform and partners, positions Datalex well for further future growth. I thank my colleagues in the business for their continued commitment to the success of the Group.

I would like to thank our employees, customers and business partners for their continuing support and trust. I would also like to acknowledge the Board for their support in 2017, and in particular, 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

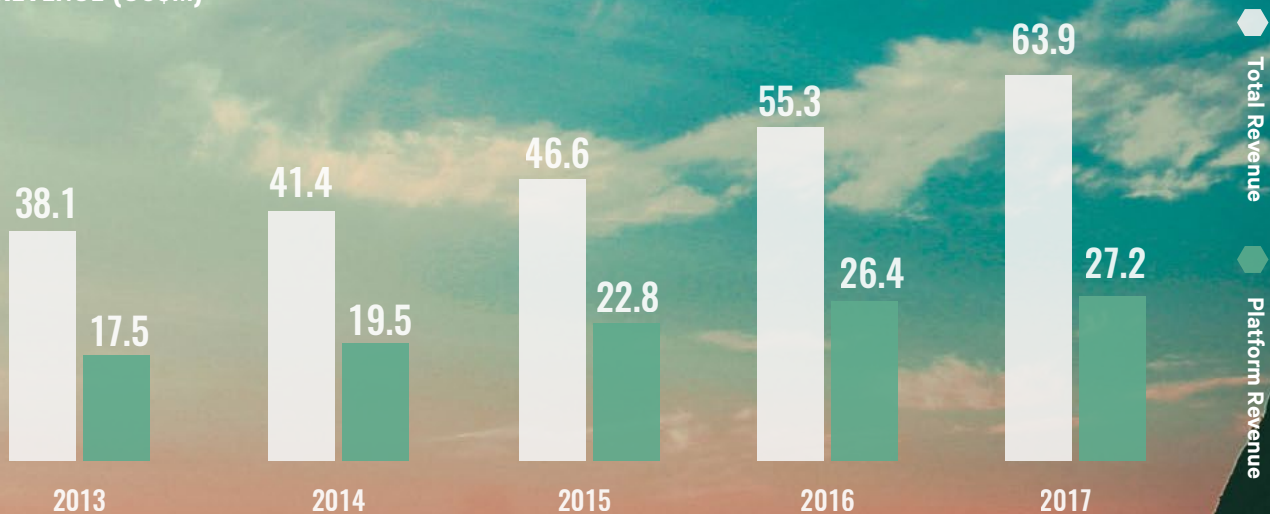


## Strategy Review

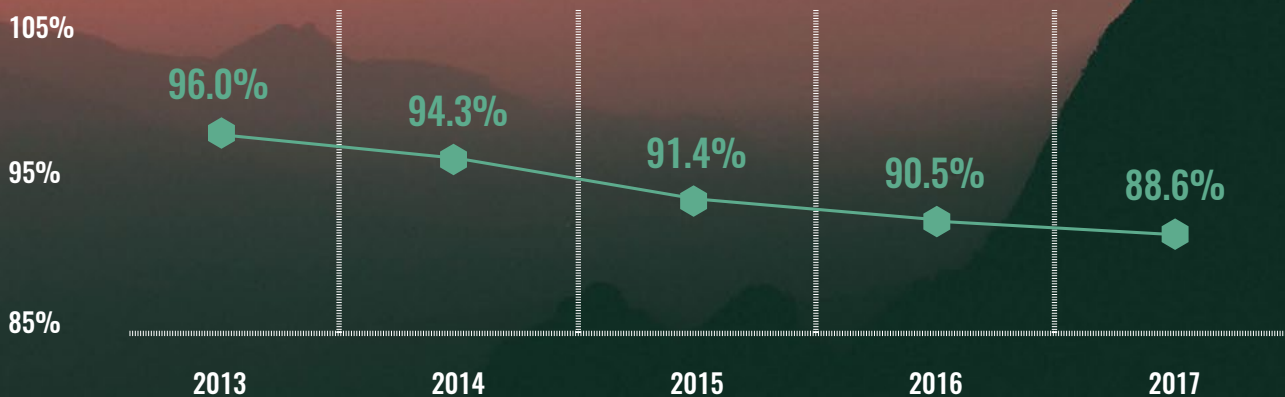
# KEY PERFORMANCE INDICATORS

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)

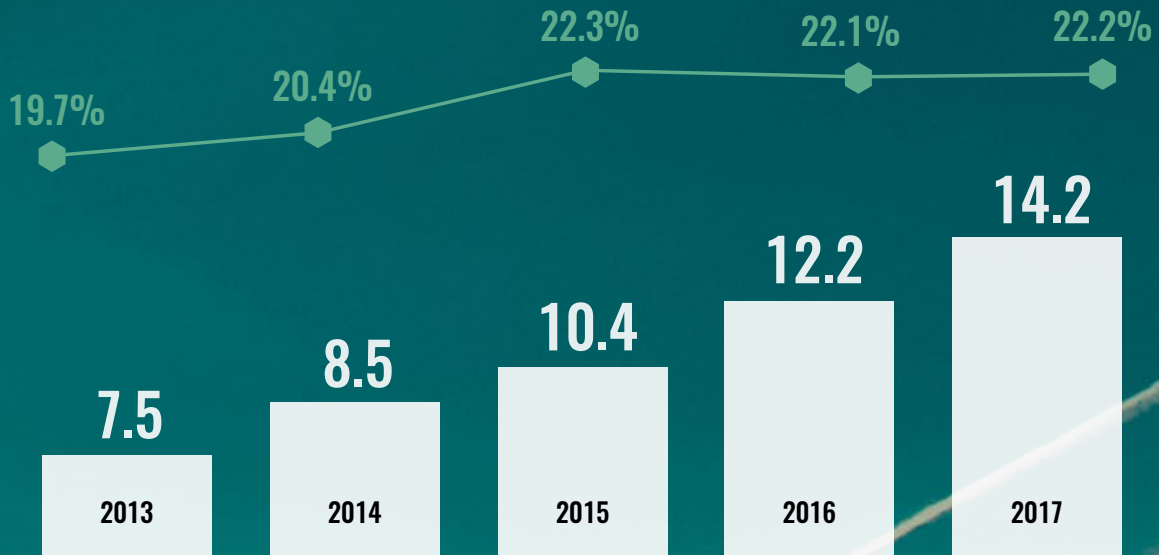


## OPERATING COSTS/REVENUE % <sup>(1)</sup>



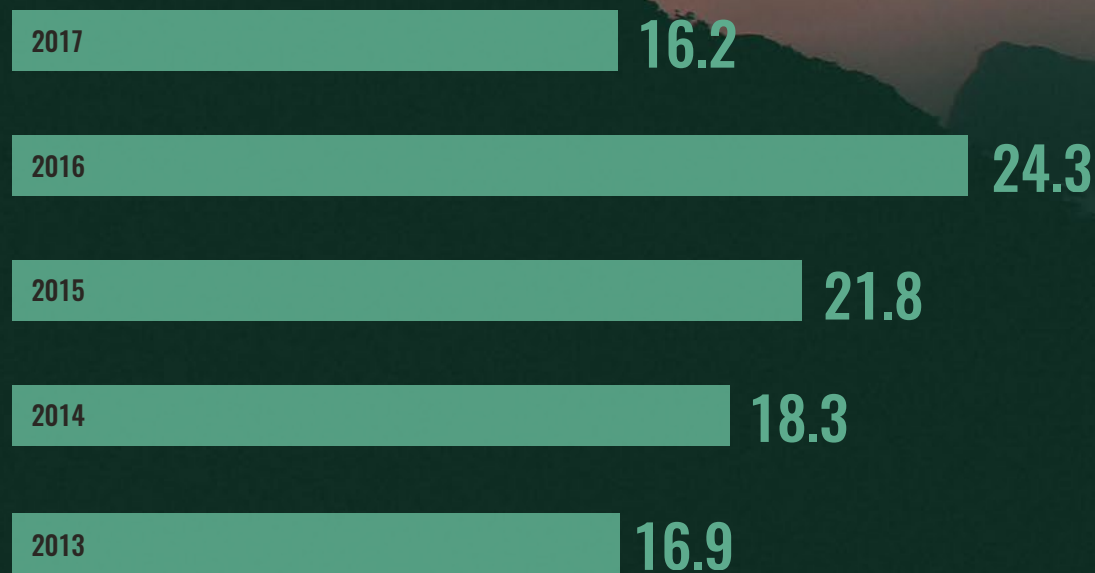
<sup>(1)</sup> Operating costs include cost of sales, selling and marketing costs, administrative expenses and other gains/losses.

Adjusted EBITDA (US\$m) | Adjusted EBITDA Margin (%) <sup>(2)</sup>



<sup>(2)</sup> 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)



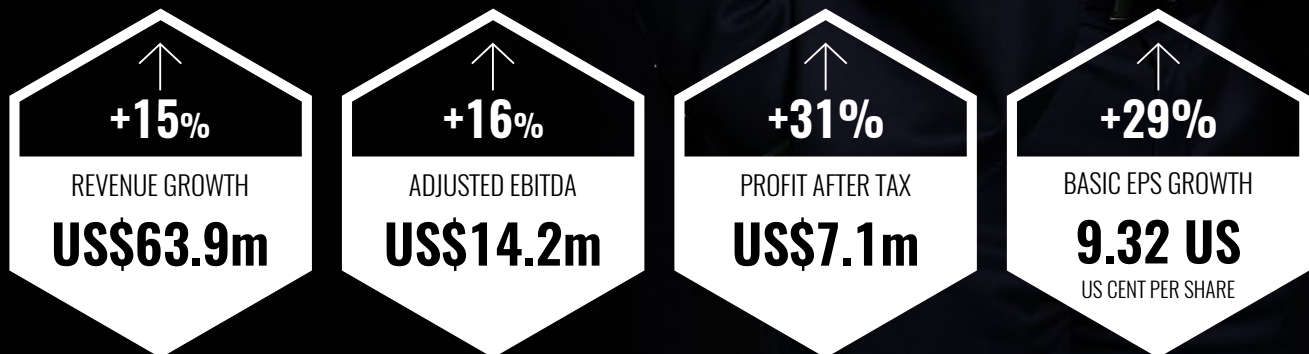
Strategy Review

# FINANCIAL & OPERATIONAL REVIEW

**Datalex delivered another year of strong financial performance with double-digit growth across our key metrics of Adjusted EBITDA, revenue and profit after tax.**



David Kennedy  
Finance Director



	2017 US\$M	2016 US\$M	GROWTH %
Total revenue	63.9	55.3	15%
Platform revenue <sup>1</sup>	27.2	26.4	3%
Operating costs <sup>2</sup>	56.6	50.1	13%
Adjusted EBITDA <sup>3</sup>	14.2	12.2	16%
Profit after tax <sup>4</sup>	7.1	5.4	31%
Cash and short term investments	16.2	24.3	(34%)
Cash generated from operations	9.6	17.1	(44%)
Net working capital <sup>5</sup>	13.7	19.9	(31%)
EPS - Basic (cent)	9.32	7.22	29%
EPS - Diluted (cent)	8.94	6.84	31%

1. Platform revenue is defined in Note 2.4 revenue recognition and see Note 14 'Segmental Information'.
2. Operating costs include cost of sales, selling and marketing costs and administrative expenses (see Note 15).
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 14).
4. The 2017 profit after tax includes recognition of previously unrecognised net deferred tax assets of US\$0.3m (2016: US\$0.3m).
5. Net working capital is calculated as current assets minus current liabilities.

## BUSINESS DEVELOPMENT

In 2017, Datalex delivered another year of strong financial performance with double-digit growth across our key metrics of Adjusted EBITDA, total revenue and profit after tax. We also continued to invest in our key growth drivers - people, product and partners - to ensure that we are well positioned to take advantage of our growing market opportunity and continue to grow our shareholder value.

2017 also saw a number of significant business developments including strong progress on the deployment of our commerce platform at the Lufthansa Group, the extension of our contract with JetBlue Airways until 2022, the selection of Datalex by a major airline loyalty company to take our Loyalty Commerce Platform, and the expansion of our strategic partnerships at IBM and Neusoft, all of which will drive our growth in the coming years.

## REVENUE

Total revenue increased by **15%** in the period to **US\$63.9m** (2016: US\$55.3m), which included a **3%** increase in platform revenue to **US\$27.2m** (2016: US\$26.4m). This was driven by the full year impact of the customers we brought live during 2016 including Swiss International Air Lines, a member of the Lufthansa Group, and two Chinese carriers, Air Changan and Tianjin Airlines, platform revenue arising on an early release of our Digital Commerce Platform to a customer and a fee arising on the termination of one customer.

Before the impact of contracts concluded in 2016, the underlying growth rate in 2017 was more than 10%.

The primary driver of revenue growth during 2017 was our services revenue which grew by **29% to US\$34.6m** (2016: US\$26.7m). This was driven by ongoing deployments, at customers such as the Lufthansa Group, and an increasing demand for new product enhancements at current customers.

Our services revenue stream continues to be strategically very important, in terms of bringing new customers live on our commerce platform and delivering new functionality to existing customers, which drives future platform revenue growth and customer loyalty and retention.

## OPERATING COSTS

Our operating costs grew by **13% to US\$56.6m** (2016: US\$50.1m). The main cost increases were payroll, contractor and consultants' costs (net of capitalisation), which rose by **19% to US\$41.2m** (2016: US\$34.6m). These increases delivered both the **US\$7.9m** increase in services revenue and an additional **US\$3.9m** in capitalised development.

# PRODUCT INVESTMENT

Product investment and customer services revenue drives digital commerce innovation for business growth and customer success.

**US\$13.1m**

Investment in Digital Commerce Innovation:

**US\$34.6m**

Services Revenue - productised customer solution implementations



Contractors/outsourcer partners accounted for **48%** of our total resource costs in 2017, compared to **44%** in 2016. This approach provides us with a flexible operating model, allowing the business to scale up as required without increasing our cost base. As we use proportionately more resources from our outsource partners to scale the business, we are beginning to see an improving margin profile in our services revenue. This can be seen in our 2017 Adjusted EBITDA margin, which at **22.2%** was in line with 2016 (2016: 22.1%).

### ADJUSTED EBITDA, PROFIT AFTER TAX, EARNINGS PER SHARE

Adjusted EBITDA grew **16% to US\$14.2m** (2016: US\$12.2m), again driven mainly by our growth in revenue. Our Adjusted EBITDA margin was consistent year-on-year at **22.2%**, even after a **29%** 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.

The profit after tax includes recognition of deferred income tax assets of **US\$0.3m** (2016: US\$0.3m). Our basic earnings per share in 2017 was **9.32 US cent** (2016: 7.22 US cent).

Diluted earnings per share in 2017 was **8.94 US cent** (2016: 6.84 US cent), an increase of **31%** on the previous year. Profit after tax increased by **31% to US\$7.1m** (2016: US\$5.4m).

The profit after tax for the year is also after charging amortisation of product development of **US\$5.0m** (2016: US\$5.0m) and after capitalised product development of **US\$13.1m** (2016: US\$9.2m).

As outlined in the Chief Executive's review, during 2017 we continued to accelerate our product investment in a number of key areas to maximise our market opportunity with the larger global carriers. Our investment of **US\$13.1m** (2016: US\$9.2m) was across areas such as offer management, order management, omni-channel and multi-tenant management, dynamic pricing, digital payments, OTA, cloud capabilities, componentisation and API First strategy. This is in addition to the Group's continued investment in a multi-airline platform. In 2017, capitalised product development, amounted to **48%** of platform revenue (2016: 35%). From 2018 onwards, this investment will reduce back towards 2016 levels.

### BALANCE SHEET AND FINANCIAL POSITION AT 31 DECEMBER 2017

Our cash at 31 December 2017 was **US\$16.2m** (2016: US\$24.3m), a decrease of **34%** year-on-year. Cash generated from operations decreased by **US\$7.5m to US\$9.6m** (2016: US\$17.1m), reflecting the increase in working capital investment in new deployments, such as the Lufthansa Group.

Trade receivables and accrued income (that is work done in advance of next billing milestones) at 31 December 2017 were **US\$20.0m** (2016: US\$13.3m), of which **US\$13.4m** relates to accrued income (2016: US\$10.0m, increase of **35%**), reflecting work completed on new engagements such as the Lufthansa Group and increasing demand from existing customers. Net working capital at the end of 2017 was **US\$13.7m** (2016: US\$19.9m), reflecting the scale of new customers and deployments. This will unwind as they go live during 2018 and 2019.

Our current liabilities increased by **US\$2.0m to \$21.6m**, mainly due to increases in trade payables, reflecting an increase in contractors' activity.

As outlined in our Chairman's Statement, the Board will recommend to shareholders for approval at the 2018 AGM a dividend of five US cents per share.

The effective rate of tax in the Group remains at zero, as the Group takes advantage of historic tax losses. At 31 December 2017, the Group had recognised deferred income tax assets of **US\$2.4m** (2016: US\$2.1m) 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.

**David Kennedy**  
Finance Director

## Strategy Review

**RISK REPORT****MANAGING RISK**

The Datalex Board of Directors, and the executive leadership team, have developed a comprehensive and integrated business risk management process. This ensures that business risks, whether it be to the integrity of key processes, systems and data, or 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.

**STRATEGIC LINKAGE****PEOPLE SUCCESS**

Scaling for growth across global markets

**CUSTOMER SUCCESS**

Acquire, develop, grow and retain customer base

**PRODUCT SUCCESS**

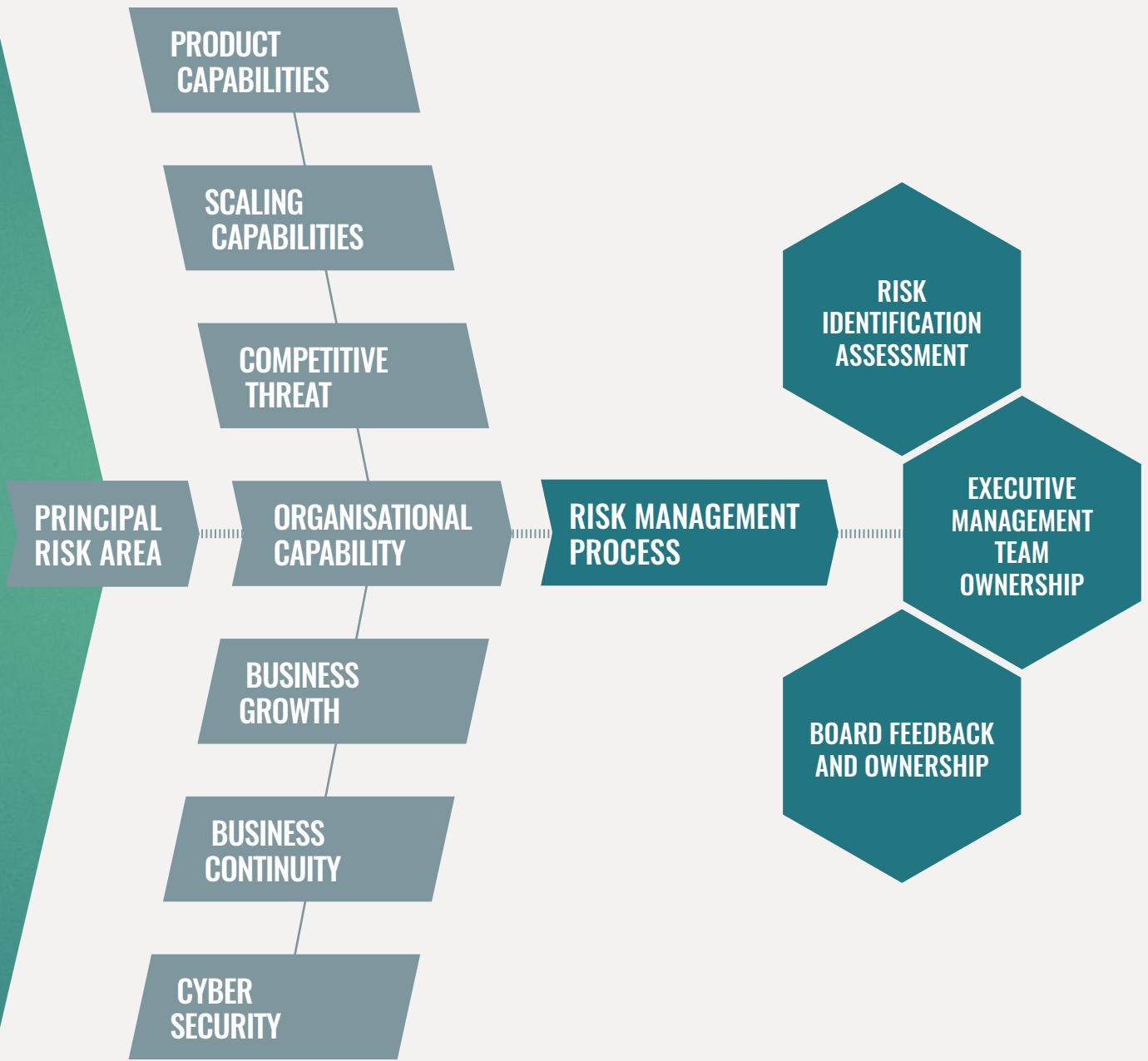
Setting the standard in digital commerce for travel retail





**PARTNER SUCCESS**




Extend product & market reach

**PERFORMANCE SUCCESS**

Financial & operational discipline



PRINCIPAL RISK AREA	BUSINESS IMPERATIVE	MITIGATION
<p><b>PRODUCT CAPABILITIES</b></p> 	<p>Maintain Competitive position</p> <p>Ability to win new business and retain existing customers</p>	<ul style="list-style-type: none"> <li>- Rolling three-year product roadmap developed, incorporating input from customers, external advisors and competitive benchmarking</li> <li>- Investment in our API framework which enables an ecosystem of 3rd party developers and business users to develop against our platform</li> <li>- In-house innovation centre ('Datalex Labs'), established to identify emerging trends and technologies in digital travel</li> <li>- New capabilities being brought to the market (for example, Cloud services, dynamic pricing and loyalty offerings) that enhance our platform's competitive strength</li> </ul>
<p><b>SCALING CAPABILITIES</b></p> 	<p>Ability to service growing customer base</p>	<ul style="list-style-type: none"> <li>- Investment in platform capabilities designed to enable faster delivery and release, including componentisation and cloud-native services</li> <li>- Dedicated regional organisation delivery structure in place</li> <li>- Continued investment in best practice tools, automation and agile methodology</li> <li>- Partner-enabled operating model in place to allow for rapid flexing of resource needs as required</li> </ul>
<p><b>COMPETITIVE THREAT</b></p> 	<p>Ability to retain existing customers and win new business</p>	<ul style="list-style-type: none"> <li>- The Group has an increasingly varied customer base, spread across multiple geographies</li> <li>- Expansion into related travel verticals such as loyalty, and the development of cloud-based component offerings, will further reduce customer concentration and spread competitive risk</li> <li>- A dedicated Customer Success Director is responsible for managing each customer relationship and ensuring our platform delivers significant business value</li> </ul>
<p><b>ORGANISATIONAL CAPABILITY</b></p> 	<p>Attract, develop and retain key resources</p> <p>Effectively manage performance to deliver on growth strategy</p>	<ul style="list-style-type: none"> <li>- Dedicated in-company IMI Leadership development program underway</li> <li>- Succession planning in place for key roles</li> <li>- Comprehensive employee engagement process in place to support retention</li> <li>- Quarterly employee surveys carried out to identify any employee concerns</li> </ul>

PRINCIPAL RISK AREA	BUSINESS IMPERATIVE	MITIGATION
<p><b>BUSINESS GROWTH</b></p> 	<p>Acquire new customers, and execute on our growing market opportunity</p>	<ul style="list-style-type: none"> <li>- Expanded sales organisation now in place</li> <li>- Newly developed cloud enabled component offerings, which are easy to deploy</li> <li>- Focus on business development in related travel verticals, for example, securing our first loyalty commerce customer</li> <li>- Partner relationships (for example, IBM and Neusoft) in place to extend market reach</li> </ul>
<p><b>BUSINESS CONTINUITY</b></p> 	<p>Preserve the integrity and availability of key business processes and systems</p>	<ul style="list-style-type: none"> <li>- Business-wide Continuity Plan, and risk mitigation plans developed, for all key systems</li> <li>- Periodic testing and gap analysis of mission critical capabilities</li> <li>- Program underway to ensure that we meet our data protection obligations, in advance of the introduction of the new EU General Data Protection Regulation (GDPR) requirements, in May 2018</li> </ul>
<p><b>CYBER SECURITY</b></p> 	<p>Protect against security breaches to key systems</p>	<ul style="list-style-type: none"> <li>- Security and monitoring is in place for our hosting facility</li> <li>- Independent assessors perform periodic security and penetration testing of our hosting facility</li> </ul>

**DEVELOPING THE FINANCIAL VIABILITY STATEMENT**

The principal financial viability risks are those which are considered to be the main threats to the successful delivery of the Group’s 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.

Management reviewed the principal risks to the Group and considered if each in isolation 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 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 52, the Directors reviewed and discussed the process undertaken by management to assess the financial viability of the company. The Directors’ Viability Statement is contained in the Directors’ Report on page 44.

A photograph of an airport terminal with rows of brown leather seats in the foreground. The background is blurred, showing people and airport signage. A large teal geometric shape is overlaid on the bottom left, containing white text.

**Our Chinese airline customers are now able to directly optimise offers on leading e-Commerce sites such as Ctrip, Fliggy and Qunar, which is enabled through our platform and is driving a significant revenue uplift for our airline customers.**

Chris Kwok  
General Manager, Datalex China

# GOVERNANCE



## Governance

# DIRECTORS & OTHER INFORMATION

**DIRECTORS**

Paschal Taggart (Chairman)  
Aidan Brogan (Chief Executive Officer)  
David Kennedy (Finance Director)  
John Bateson  
Peter Lennon  
Roger Conan  
Garry Lyons

**SECRETARY**

David Kennedy

**REGISTERED OFFICE**

Block U  
EastPoint  
Clontarf  
Dublin D03 H704

**BANKERS**

Bank of Ireland  
Sutton Cross  
Dublin 13  
D13 K253

**SOLICITORS**

McCann FitzGerald  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
D02 X576

**AUDITORS**

Ernst & Young  
Harcourt Centre  
Harcourt Street  
Dublin 2  
D02 YA40

**REGISTERED NUMBER**

329175

## Governance

**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 held the position of Chairman in 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).



**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 companies leading product and market position. 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 held a variety of roles with Westinghouse in Dubai, UAE, in its airline and travel business, such as Regional Sales Manager and a range of support and development roles.



**DAVID KENNEDY**  
Finance Director  
& Company Secretary

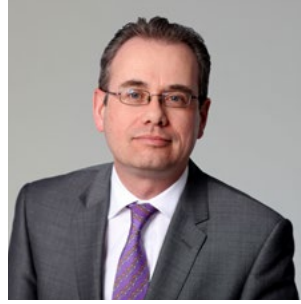
David Kennedy joined Datalex as Chief Financial Officer and Company Secretary in October 2007 and was appointed to the Board as Finance Director in December 2008. Prior to joining Datalex, David was Financial Controller at ESB International, the international engineering and consultancy Group based in 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.



### 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. Garry 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.



### 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 Ronan Daly Jermyn, 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.

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

	Datalex plc Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>JOHN BATESON</b>	20 November 2006 (11 years 1 month)	5 February 2007 (10 years 11 months)	21 April 2010 (7 years 8 months)	21 April 2010 (7 years 8 months)
<b>ROGER CONAN</b>	30 May 2011 (6 years 7 months)	15 December 2011 (6 years 1 month)	6 February 2012 (5 year 11 months)	6 September 2012 (5 year 4 months)
<b>DAVID KENNEDY</b>	15 December 2008 (9 years 1 month)	-	-	-
<b>PETER LENNON</b>	4 August 2000* (17 years 5 months)	3 December 2009 (8 years 1 month)	4 August 2000 (17 years 5 months)	-
<b>PASCHAL TAGGART</b>	24 September 2001 (16 years 3 months)	-	24 September 2001 (16 years 3 months)	24 September 2001 (16 years 3 months)
<b>AIDAN BROGAN</b>	25 June 2012 (5 years 6 months)	-	-	-
<b>GARRY LYONS</b>	21 June 2013 (4 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.

## Governance

**DIRECTORS'  
REPORT****The directors present their Annual Report, together with the audited Consolidated Financial Statements, for the year ended 31 December 2017.****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.

As a result, the Group has delivered double-digit growth in its Adjusted EBITDA for the eighth consecutive 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 of 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 2018" section which summarises the future developments of the Group, with a focus on the next financial year. The business model and strategy sections include future developments and the related strategy beyond 2018.

**CORPORATE GOVERNANCE**

The Directors' Statement on Corporate Governance, on pages 48 to 57, 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 April 2016 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. A summary of these risks, together with details of how they are managed, are set out on pages 30 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 page 55.

Details of the financial risks which the Group's operations are expose, to and an understanding of how these risks are managed, are set out in Note 26 to the financial statements, including the Group's hedging policy to manage foreign exchange risk.

**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 working environment. Please see Note 16 to these financial statements, for details of our average number of employees.

**RESULTS AND TOTAL ASSETS**

The consolidated Balance Sheet at 31 December 2017 and the consolidated Income Statement for the year are set out on pages 74 and 75 respectively.

## DIVIDENDS

The Board of Directors is recommending payment of a dividend of five US cents per share, in line with 2016.

## SUBSIDIARY COMPANIES

The information required by the Companies Act 2014 in relation to subsidiary undertakings is given in Note 22 to these financial statements.

## 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
- 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

## SHARE CAPITAL AND CONTROL

As at 31 December 2017, 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 below.

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.

## SUBSTANTIAL SHAREHOLDINGS

The Company had been notified of the following interests in its issued share capital at 31 December 2017 and 21 March 2018 respectively:

Name Of Holder	31 December 2017		21 March 2018	
	Number of US\$0.10 ORDINARY SHARES	% of Issued SHARE CAPITAL	Number of US\$0.10 ORDINARY SHARES	% of Issued SHARE CAPITAL
<b>IIU Nominees Limited</b>	20,644,981	26.83%	20,644,981	26.75%
<b>Capital Group</b>	6,106,000	7.94%	6,106,000	7.91%
<b>Kabouter Management LLC</b>	4,653,130	6.05%	4,653,130	6.03%
<b>Highclere Investments</b>	2,916,743	3.79%	3,086,743	4.00%
<b>Mr. Paschal Taggart</b>	2,470,092	3.21%	2,470,092	3.20%

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

## SHARE CAPITAL AND CONTROL (continued)

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 **808,302** shares (2016: 940,000 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 2017 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 2018. 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 37 and 38.

## DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary (including the interests of spouses and minor children), who were in office at 31 December 2017, and their families, had the following beneficial interests in the share capital of Datalex plc at 31 December 2017 and 31 December 2016.

Director	2017 Ordinary Shares of US\$ 0.10 each	2017 Options over Ordinary Shares of US\$0.10 each	2016 Ordinary Shares of US\$0.10 each	2016 Options over Ordinary Shares of US\$0.10 each
John Bateson	-	-	-	-
Aidan Brogan <sup>(1) (2)</sup>	223,644	1,200,000	223,644	1,200,000
Roger Conan	266,900	-	266,900	-
David Kennedy <sup>(2)</sup>	41,246	900,000	41,246	1,007,000
Peter Lennon	325,935	-	325,935	-
Garry Lyons	328,044	-	328,044	-
Paschal Taggart	2,470,092	-	2,528,329	-

(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 are fully vested and have not yet been exercised.

(2) The share options for Aidan Brogan and David Kennedy are fully vested at 31 December 2017 and 2016.

In January 2018, David Kennedy exercised 183,000 options, which were due to expire on 1 February 2018. There have been no other changes to the directors' interests outlined above between the year-end date and the date of approval of the financial statements.

A man in a dark suit and glasses is looking down at a smartphone. The background is a blurred outdoor setting with other people. Overlaid on the image are several digital interface elements: a large teal arc on the left, a white circular graphic with radiating lines in the center, and a teal geometric shape at the bottom left containing text.

**The Datalex and Neusoft partnership represents a market leading proposition for Chinese travel retailers. Neusoft and Datalex are ideally positioned to address the growing market opportunity in digital commerce for travel retail.**

|||||||

**Jun Li**

SVP of Sales & Marketing, Neusoft

## 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).

## 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 15 to 19. Principal risks are detailed on pages 30 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 26. 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

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 2018 to 2020, 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 2018 and early 2019. In considering the Group's 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 30 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 51 to 52.

## 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	Remuneration Report and Note 23
4	Details of long-term incentive scheme	Remuneration Report
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 2017 financial statements up to the date of this report other than the dividends disclosed in Note 27.

### POLITICAL DONATIONS

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

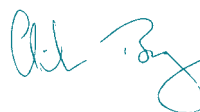
### DEVELOPMENT ACTIVITIES

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

The auditors, Ernst & Young, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On Behalf of the Board



**Aidan Brogan**  
22 March 2018



**Paschal Taggart**

Governance

# 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
- 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
- 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' STATEMENT PURSUANT TO TRANSPARENCY REGULATIONS

Each of the directors, whose names and functions are listed on pages 37 and 38 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
- 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**  
22 March 2018



**Paschal Taggart**

Governance

# CORPORATE GOVERNANCE STATEMENT

This statement forms part of the Directors' Report set out on pages 40 to 45. The Group has adopted the provisions of the 2016 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 Code can be accessed from the following website address: <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

The Irish Stock Exchange requires Irish listed companies to make a statement on how they have applied the principles of the Code. This is in addition to preparing a statement on how they have complied, throughout the accounting period, with the provisions set out in the Code, and the accompanying 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 provision C.1.1. of the Code, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable. The report 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, included in the Code, which apply to the Company for 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 37 to 39.

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 our airline customers. The Digital Commerce Platform is the primary enterprise system for customer engagement, and in 2017, the Group has seen continued growth in its business. 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 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 2017, 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 balance of experience amongst the non-Executive Directors and the composition of non-Executive Directors versus Executive Directors is reasonable. 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.

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 ten 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 54. 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 2016 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?
- 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
- 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 nine 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

To ensure that the performance, and skills, of each director is appropriate to the needs of the Group as the business develops, a number of reviews are carried out annually. The Board conducts a review of its own performance, identifying any developmental needs, for example, training and development. During 2017, 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.

## 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 58 to 61. Details on directors' beneficial interests in the share capital of the Company are set out in the Directors' Report on page 42.

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 page 42, 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 ten times. Details of directors' attendance at these meetings are set out on page 54.

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 2017, 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. 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 eleven times during the year, and at 31 December 2017 comprised John Bateson (Chairman) – who has recent and relevant financial experience, Peter Lennon and Roger Conan. The Committee members attended all the meetings during 2017. 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 2017 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 March 2018, the Committee reviewed in detail the 2017 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 15 to the financial statements. The Group has also monitored the effectiveness of the audit process, advising on the re-appointment of the external auditors. At the conclusion of each year's audit, the committee evaluates the performance of the external auditors.
- 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 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

## 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 the 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 one large balance which accounts for 66% 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 2017, this included platform revenue recognised on one customer terminations and revenue recognised on delivery of an early release of the Datalex Digital Commerce Platform to a 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 2017. 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 2017. The Committee also reviewed a detailed working paper prepared by management outlining the process and areas capitalised in 2017. 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 to the platform from investment carried out arising from customer driven requirements. In the current year, the Committee noted the investment in Offer and Order Management, digital payments and cloud capabilities. 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 roadmap 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 2017. 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 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 materiality; selection of areas of focus and related audit approach including the applicable key audit evidence tailored to the Group's operations and systems
  - The fulfilment of the agreed external audit plan and any variations from this plan
  - The auditor's understanding of the Group'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
  - 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.

**NOMINATIONS COMMITTEE**

The Nominations Committee met once during the year and, at 31 December 2017, 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 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. More than 20 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 2017, women made up 23% of total employees and 26% 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 2018.

## REMUNERATION COMMITTEE

The Remuneration Committee met twice during the year and, at 31 December 2017, comprised Peter Lennon (Chairman), John Bateson, Paschal Taggart and Roger Conan.

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 37 and 38, 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.

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance at Board and Committee meetings during the year ended 31 December 2017 is set out below:

Name	Appointed	Board		Audit Committee		Remuneration Committee		Nomination Committee	
		A	B	A	B	A	B	A	B
John Bateson	2006	10	10	11	11	2	2	1	1
Roger Conan	2011	10	10	11	11	2	2	1	1
David Kennedy	2008	10	10	-	-	-	-	-	-
Peter Lennon	1993	10	10	11	11	2	1	-	-
Paschal Taggart	2001	10	9	-	-	2	2	1	-
Aidan Brogan	2012	10	10	-	-	-	-	-	-
Garry Lyons	2013	10	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.

## 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
- The systems accord with the FRC guidance on risk management, internal control and related financial and business reporting

During 2017, 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.

During the year, the Committee continued its evaluation of key risks in areas such as IT security and business continuity strategies, by receiving presentations from Group functional heads. An example of this includes the Head of Security presenting on preparations for

the introduction of the new EU General Data Protection Regulation (GDPR) and management of cyber-security risks.

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 15 to 19.

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 30 to 33
- There is a comprehensive annual planning and budgeting system in place, cascading from the Group's three year strategic plan. Progress against the annual plan is assessed on a monthly basis, by management and the Board, through 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 Statement;
- 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
- 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 2017, 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. 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 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 and follow on improvements have been made over the course of 2017.

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
- 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 pages 51 to 52, 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 two trading updates 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](http://www.datalex.com) provides the full text of the Annual Report, interim management statements, trading update and any stock exchange announcements.

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:

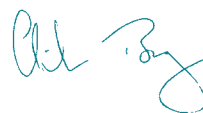
- election of directors
- payment of dividends
- appointment of external auditors
- amendments of the Constitution
- measures to increase or reduce the share capital
- authority to issue shares

### 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 2017, 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
- As at 31 December 2017, the Chief Executive Officer and the Finance Director had 1,200,000 and 900,000 exercisable share options remaining respectively. The Finance Director exercised 183,000 share options in January 2018, which were due to expire on 1 February 2018. These share options, were granted under the 2000 Share Option scheme which were due to expire on 1 February 2018. 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 €185,000 and €75,000, respectively of variable performance (short term cash) bonuses in 2017. 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**  
22 March 2018



**Paschal Taggart**

## Governance

# REMUNERATION REPORT

This report deals with directors' remuneration for the year ended 31 December 2017. 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 37 and 38, 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 **€350,000** (2016: €285,000) and **€230,000** (2016: €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 (2016: €48,000) in respect of their services as directors. The Chairman is paid an annual fee of **€96,000** per annum (2016: €96,000). Non-executive Directors' fees of **US\$95,944** (2016: US\$134,924) were accrued at the year-end.

### SHARE PERFORMANCE

The price range during the period from 1 January 2017 to 31 December 2017 was €2.85 to €4.10.

## 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.

### RENUMERATION OF DIRECTORS

The following table sets out the remuneration of the directors during their period on the Board in 2017:

Directors	Basic salary	Performance bonus	Other benefits	Defined pension contribution scheme	Share awards gain on exercise <sup>(2)</sup>	2017 Total	2016 Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
John Bateson	54	-	-	-	-	54	53
Roger Conan	54	-	-	-	-	54	53
David Kennedy <sup>(1)</sup>	235	85	16	18	413	767	446
Peter Lennon	54	-	-	-	-	54	53
Paschal Taggart	109	-	-	-	-	109	106
Aidan Brogan	366	210	17	27	-	620	532
Garry Lyons	54	-	-	-	-	54	53
<b>Total</b>	<b>926</b>	<b>295</b>	<b>33</b>	<b>45</b>	<b>413</b>	<b>1,712</b>	<b>1,296</b>

<sup>(1)</sup> The market price at the date of exercise of David Kennedy's shares during the year was €4.00. The exercise price was €0.54.

<sup>(2)</sup> There was no IFRS 2 share awards charge in 2017 (2016: US\$60,891).

### 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 2017, Aidan Brogan earned a bonus of **€185,000** (2016: €160,000) and David Kennedy earned a bonus of **€75,000** (2016: €60,679).

### 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 2017 were **US\$45,112** (2016: US\$38,152).

The total contributions accrued for Aidan Brogan and David Kennedy under the scheme at the year ended 31 December 2017 were **US\$5,247** (2016: US\$3,755) and **US\$3,448** (2016: US\$2,306).

## 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.

	At 1 January 2017	Granted during the year	Exercised during the year	Expired during the year	At 31 December 2017	Exercise price range	Date from which exercisable	Expiry Date
<b>David Kennedy</b>	1,007,000	-	107,000	-	900,000	€0.48 - €0.54	2011 / 2015	2018 <sup>(1)</sup> / 2022
<b>Aidan Brogan</b> <sup>(2)</sup>	1,200,000	-	-	-	1,200,000	€0.13 - €0.84	2013 / 2016	2020 / 2023

<sup>(1)</sup> David Kennedy exercised 183,000 share options in January 2018, which were due to expire on 1 February 2018.

<sup>(2)</sup> 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 are fully vested.

### 2012 SHARE OPTION PLAN

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 in respect of revised targets of Adjusted EBITDA and cash performance were achieved and have vested for the year 2017.

### JOINT SHARE OWNERSHIP PLAN

The Board approved the establishment of the Datalex Joint Share Ownership Plan ("JSOP") 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 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 60, vesting has been achieved for the financial year 2017.

## LONG TERM INCENTIVE PLAN

A 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, with further grants made in 2017. At 31 December 2017, 22 key employees (2016: 25 key employees) have been granted US\$1.98m (2016: US\$1.78m) - see Note 12 and Note 2.11 (F). As noted on page 60, vesting has been achieved for the year 2017.

On Behalf of the Remuneration Committee



**Peter Lennon**  
22 March 2018

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX PLC



## OPINION

We have audited the financial statements of Datalex plc ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2017, which comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2017;
- 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, including the summary of significant accounting policies set out in note 2.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) 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.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company 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.

## BASIS FOR OPINION

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

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue recognition (US\$63.9m) and accrued income (US\$13.4m)</b></p> <p>Refer to the Audit Committee Report (page 52); Accounting policies (pages 83 and 85); and Note 7 and 14 of the Consolidated Financial Statements.</p> <p>The Group derives a significant portion of its revenues from fixed fee professional service projects. The timing of the recognition of revenue in respect of fixed fee professional services is calculated using the percentage of completion method. Such contracts involve key project milestones and ongoing uncertainties around expected costs to complete. 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 percentage of the total estimated labour hours to service the project. Therefore, the revenue, cost and gross profit realisation can vary substantially during the execution and reassessment of these projects against the contracted project milestones.</p> <p>Platform Revenue is earned from the use of the Group's Digital Commerce Platform by its customers. Revenue is principally recognised based on the contractual rate applied to bookings or other underlying transactions and also on a fixed fee basis for some customers</p>	<p>We performed detailed procedures on professional services projects such as substantiating transactions with underlying documents and performing recalculations of management's estimates to determine project revenue recognition. We used contracts, work orders, client correspondence and internal revenue and cost forecasts. In addition, we discussed and challenged the progress of individual projects with non-finance personal including senior product developers and project managers. We also considered client correspondence to the extent available and relevant.</p> <p>We obtained an understanding of the process by which management determines the percentage of completion and evaluated the judgments made by management regarding the expected costs to complete estimate by reviewing correspondence with customers, where available, and considering management's historical record of previous estimates. We 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.</p> <p>In respect of Platform Revenue, for hosted customers we agreed transaction information to invoices and subsequent cash.</p>	<p>Our observations included an outline of the audit procedures performed, the judgements we focused on, an overview of the risk, our assessment of the level of subjectivity and the results of our testing.</p> <p>We communicated to the Audit Committee that the Revenue Recognition and Accrued Income process for professional services projects is manual. As a result there is a high degree of accounting complexity in determining the appropriate accounting for these arrangements.</p> <p>We communicated to the Audit Committee that management's process for estimating percentage of completion calculations are dependent on a number of internal information sources.</p> <p>We further highlighted to the Audit Committee that the budgeted days for the Group's largest project increased significantly during the year and as a result there was a heightened degree of subjectivity applied by management in determining an appropriate percentage of completion calculation for this project.</p> <p>We noted the importance of management completing a comprehensive analysis of the expected impact of IFRS 15 <i>Revenue from Contracts with Customers</i> and the potential for significant change in reported revenue under the new standard.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue Recognition (US\$63.9m) and accrued income (US\$13.4m) (continued)</b></p> <p>Transaction data is sourced from the Group's own internal IT system for 'hosted' customers and from transaction data reported from customers for 'non-hosted' customers. Platform Revenue also includes revenue recognised for customer terminations and the delivery of beta software. For both fixed fee professional services and platform revenue we identified a risk that these may be recorded on a basis inconsistent with the contractual terms agreed with a customer or not in accordance with the Group's accounting policy or that revenue may not be recognised in the correct year.</p> <p>Accrued revenue arises on fixed fee professional services where the percentage of completion is ahead of payment milestones and in situations where platform revenue is billed in arrears.</p>	<p>For non-hosted customers, we verified transaction information received from third party customer transaction reports. We agreed the contractual rates to underlying contracts.</p> <p>Where revenue was recognised for delivery of beta software we reviewed the agreement and correspondence with the customer in assessing if the criteria for recognition under IAS 18 were met.</p> <p>In respect of termination payments recognised as revenue during the year, we tested management's calculation of termination fees and ensured that the terms and conditions for the calculation of the fee was in line with the underlying agreement with the customer.</p> <p>Where accrued income balances were 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 also obtained contractual agreements, assessed the Group's past history of collections with customers and considered the credit risk with those customers.</p> <p>We evaluated the adequacy of the Group's disclosures regarding revenue and accrued income on projects as disclosed in note 7 and note 14 of the consolidated financial statements.</p> <p>We also tested manual revenue journal entries focusing on unusual or irregular items.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Measurement of deferred tax assets (US\$2.4m)</b></p> <p>Refer to the Audit Committee Report (page 52); Accounting policies (pages 83 and 85); and Note 6 of the Consolidated Financial Statements.</p> <p>The Group has recognised net deferred tax assets of US\$2.4m. We focused on this area because there is significant judgment exercised by the Directors when determining the quantum of operating loss carry-forwards and temporary differences the Group has available and which can be utilised in future periods.</p> <p>The estimate of future taxable income is based on Board approved three year plans supplemented by management by a further two years. The recognition of deferred tax assets is therefore sensitive to changes in the budget and these plans. The recoverability of the recognised deferred tax assets are dependent on the future profitability of the Irish and US operations in particular.</p>	<p>We reviewed the Group's Board approved three year plans and management's two year supplement. At an individual entity level we reviewed management's projected taxable profits which was underpinned by a number of assumptions including growth in platform revenue.</p> <p>With the support of our own tax specialists and their knowledge of tax legislation, including US tax reform, we also assessed projected taxable profits, including the Group's assumptions about how accumulated tax losses and other associated tax attributes can be utilised within the Group against taxable profits.</p> <p>We also assessed whether the Group's disclosure regarding the application of judgment in estimating recognised and unrecognised deferred tax assets reflect the Group's deferred tax position (within note 6). We considered whether the Group had appropriately netted deferred tax assets and deferred tax liabilities in the same jurisdiction where the criteria to do so was met.</p>	<p>Our observations included an outline of the audit procedures performed, the judgements we focused on, an overview of the risk, our assessment of the level of subjectivity and the results of our testing.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Capitalisation of product development costs (additions US\$13.1m) and related impairment</b></p> <p>Refer to the Audit Committee Report (page 52); Accounting policies (page 84); and Note 5 of the Consolidated Financial Statements.</p> <p>Development expenditure is capitalised where the relevant criteria set out in IAS 38 are met. Considerable judgement is exercised in determining what type of expenditure meets the criteria for capitalisation including the appropriate amount of directly attributable management time and other costs. Estimates are also utilised in determining an appropriate labour and overhead rate to apply in calculating the product development costs eligible for capitalisation. The Group has developed an in-house model that is used to calculate an overall hourly rate per department, using inputs from the payroll records and the financial management information systems.</p> <p>The Group has a time recording system which is used to identify the time inputs by staff and contractors on development projects. A percentage 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.</p>	<p>Our audit procedures included, among other things, assessing the recognition criteria for intangible assets, challenging the key assumptions used or estimates made in capitalising development costs, including the authorisation of the stage of the project in the development phase and the accuracy of costs included and assessing the useful economic life attributed to the asset.</p> <p>We met with product developers to gain an understanding of the projects, their relevant status and phases and their technical feasibility.</p> <p>We also considered the accounting papers prepared by the Group setting out the considerations and judgements made by management in relation to costs capitalised in the year.</p> <p>We tested the hours charged to individual capital projects by the qualifying personnel. We tested the Group's in-house model that is used to calculate the overall hourly rate per department against payroll and other financial records. We also confirmed hours charged to individual capitalised projects with project managers. We reviewed management's analysis of the allocation of a percentage of management time to projects.</p> <p>We tested overheads capitalised to determine if they are directly attributable to the cost of product development, agreed the calculations to supporting documentation and determined if they are appropriately and consistently applied.</p>	<p>Our observations included an outline of the audit procedures performed, the judgements we focused on, an overview of the risk, our assessment of the level of subjectivity and the results of our testing.</p> <p>We communicated to the Audit Committee that there is a high degree of judgement and estimation in management's determination of allowable expenditure and that management's process for capturing the inputs required to compute what is capitalised for a financial year is manual and complex.</p> <p>In relation to the impairment review, we have evaluated the Directors' future cash flows including comparing them against the latest approved budgets and 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.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Capitalisation of product development costs (additions US\$13.1m) and related impairment (continued)</b></p> <p>As the intangible assets are an integral part of the E-Business Cash Generating Unit (“CGU”), these assets are assessed for impairment as part of the overall E-Business CGU at 31 December 2017. This assessment of impairment requires management judgment and assumptions which are affected by market or economic developments.</p> <p>We focused on this area due to:</p> <ul style="list-style-type: none"> <li>– the significance of the amount capitalised and the increase in the amount capitalised compared to the prior year (US\$13.1m in the current year as set out in Note 5);</li> <li>– the complexity of the model used;</li> <li>– the judgements required in relation to the criteria for capitalisation and certain estimates used in determining the amount of costs to capitalise; and</li> <li>– the judgments required in relation to the impairment test, as set out in Note 5.</li> </ul>	<p>We evaluated the commercial feasibility of capitalised development projects by reference to expected future benefits underpinned by current and prospective customer contracts. We also considered the Group’s Platform Roadmap when evaluating this.</p> <p>We considered whether the useful economic lives remained appropriate for capitalised projects.</p> <p>Finally we reviewed the Group’s impairment testing and tested the key assumptions applied by management in the value in use calculation.</p>	

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US\$272,000, which is approximately 2% of earnings before net finance costs, income tax expense, depreciation and amortisation (“EBITDA”). In their prior year audit, PwC adopted a materiality of US\$292,000 based on 2.5% of EBITDA. We believe that EBITDA provides us with the most appropriate performance metric on which to base our materiality calculation as we consider it to be the most relevant performance measure to the stakeholders of the Group.

During the course of our audit, we reassessed initial materiality and the only change in final materiality was to reflect the actual reported performance of the Group in the year.

In our 2017 audit of the Parent Company we applied the same materiality as the group as we did not consider it appropriate to set our materiality at a higher level than the materiality applied to the Consolidated Financial Statements in our first year as Datalex’s auditor. Any balances in the Parent Company financial statements that were relevant to our audit of the consolidated group were audited using group performance materiality.

### PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely US\$136,000. We have set performance materiality at this percentage due to our assessment of the risk of misstatements, both corrected and uncorrected, with the current year being our first year as auditor.

## REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$13,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT REPORT

### TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In determining those components in the Group at which we perform audit procedures, we utilised size and risk criteria in accordance with ISAs (Ireland).

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we selected all components covering entities which represent the principal business units within the Group.

The Group is structured into two business segments being "E-business" and "TPF Consulting". The Group financial statements are a consolidation of six individual components, comprising four components for the E-business segment, Ireland, the United States of America, the United Kingdom and China; the TPF Consulting component is centralised in the Netherlands and the centralised Group head office function is in Ireland.

We performed an audit of the complete financial information for Ireland, the United States of America, the United Kingdom, and the Netherlands ("full scope components") which were selected based on their size or risk characteristics. For the remaining component in China ("specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% of the Group's EBITDA, 100% of the Group's Revenue and 100% of the Group's Total assets. For the current year, the full scope components contributed 98% of the Group's EBITDA, 99% of the Group's Revenue and 99% of the Group's Total assets. The specific scope component contributed 2% of the Group's EBITDA, 1% of the Group's Revenue and 1% of the Group's Total assets. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

## CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 30 to 33 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 55 in the annual report that they have carried out a robust assessment of the principal risks facing the Group and the parent company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 44 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 6.8.3(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 44 in the annual report as to how they have assessed the prospects of the Group and the parent company, 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 and the parent company 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.

## OTHER INFORMATION

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the parent company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee or is materially inconsistent with our knowledge obtained in the audit; or
- *Directors' statement of compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex* – the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex containing provisions specified for review by the auditor in accordance with Listing Rule 6.8.6 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code and the Irish Corporate Governance Annex.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

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

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

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company balance sheet is in agreement with the accounting records.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Based on the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

The Listing Rules of the Irish Stock Exchange require us to review:

- the Directors' statement, set out on page 44, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 48 to 57 relating to the Group's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board on Directors' remuneration.

## RESPECTIVE RESPONSIBILITIES

### RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the form and content of external financial and corporate governance reporting including company law, tax legislation and employment law and regulatory compliance with data protection agencies in the European Union and the United States.
- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of the Group's Compliance Policy, board minutes, papers provided to the audit committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered the Group's employment benefit schemes as disclosed in Note 9 of the consolidated financial statements for the potential for management to influence earnings or the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the audit committee on compliance with regulations, enquiries of internal general counsel and management.

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

### OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the Audit Committee following the AGM held on 23 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. This is our first year of engagement.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

### THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

**George Deegan**  
for and on behalf of  
**Ernst & Young Chartered Accountants and Statutory Audit Firm**

**Dublin**  
**22 March 2018**

Notes:

1. The maintenance and integrity of the Datalex plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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# CONSOLIDATED BALANCE SHEET

## As at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	2,286	2,275
Intangible assets	5	26,630	19,178
Deferred income tax assets	6	2,397	2,076
Trade and other receivables	7	2,994	329
Restricted cash	8	500	-
<b>Total non-current assets</b>		<b>34,807</b>	<b>23,858</b>
<i>Current assets</i>			
Trade and other receivables	7	19,205	15,153
Cash and cash equivalents	8	16,153	24,320
<b>Total current assets</b>		<b>35,358</b>	<b>39,473</b>
<b>TOTAL ASSETS</b>		<b>70,165</b>	<b>63,331</b>
<b>EQUITY</b>			
<i>Capital and reserves attributable to the equity holders of the Company</i>			
Ordinary share capital	9	7,693	7,596
Other equity share capital	9	262	262
Other reserves	10	7,000	5,888
Retained earnings		32,378	29,093
<b>TOTAL EQUITY</b>		<b>47,333</b>	<b>42,839</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Borrowings	11	274	458
Provision	12	714	326
Trade and other payables	13	208	113
<b>Total non-current liabilities</b>		<b>1,196</b>	<b>897</b>
<i>Current liabilities</i>			
Trade and other payables	13	21,139	19,142
Borrowings	11	334	336
Current income tax liabilities		163	117
<b>Total current liabilities</b>		<b>21,636</b>	<b>19,595</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>70,165</b>	<b>63,331</b>

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

On Behalf of the Board



Aidan Brogan  
22 March 2018



Paschal Taggart

## CONSOLIDATED INCOME STATEMENT

### For the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Revenue	14	63,894	55,321
Cost of sales	15	(47,112)	(41,374)
<b>GROSS PROFIT</b>		<b>16,782</b>	<b>13,947</b>
Selling and marketing costs	15	(5,375)	(4,826)
Administrative expenses	15	(4,211)	(3,579)
Other gains/(losses)	17	69	(291)
<b>OPERATING PROFIT</b>		<b>7,265</b>	<b>5,251</b>
Finance income	18	23	26
Finance costs	18	(305)	(56)
<b>PROFIT BEFORE INCOME TAX</b>		<b>6,983</b>	<b>5,221</b>
Income tax credit	6	77	172
<b>PROFIT FOR THE YEAR</b>		<b>7,060</b>	<b>5,393</b>
<b>PROFIT PER SHARE (in US\$ cents per share)</b>			
Basic	19	9.32	7.22
Diluted	19	8.94	6.84

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

#### On Behalf of the Board



Aidan Brogan  
22 March 2018



Paschal Taggart

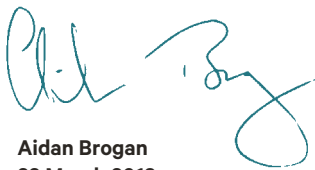
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 31 December 2017

	Notes	2017 US \$'000	2016 US \$'000
<b>Profit for the financial year</b>		<b>7,060</b>	<b>5,393</b>
<b>Other comprehensive income:</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Foreign currency translation adjustments:			
- Arising in the year	10	18	(65)
<b>Total movement in items that may subsequently be reclassified to profit or loss</b>		<b>18</b>	<b>(65)</b>
<b>Comprehensive income for the year</b>		<b>7,078</b>	<b>5,328</b>

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

#### On Behalf of the Board



**Aidan Brogan**  
22 March 2018



**Paschal Taggart**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2017

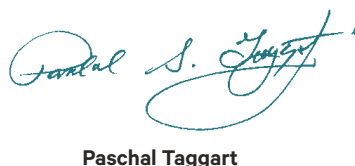
	Equity share capital	Other equity share capital	Other reserves	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2016</b>	<b>7,535</b>	<b>262</b>	<b>5,107</b>	<b>26,662</b>	<b>39,566</b>
Profit for the year	-	-	-	5,393	5,393
Other comprehensive income	-	-	(65)	-	(65)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(65)</b>	<b>5,393</b>	<b>5,328</b>
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 21)	-	-	-	(2,962)	(2,962)
<b>Balance at 31 December 2016</b>	<b>7,596</b>	<b>262</b>	<b>5,888</b>	<b>29,093</b>	<b>42,839</b>
<b>Balance at 1 January 2017</b>	<b>7,596</b>	<b>262</b>	<b>5,888</b>	<b>29,093</b>	<b>42,839</b>
Profit for the year	-	-	-	7,060	7,060
Other comprehensive expense	-	-	18	-	18
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>7,060</b>	<b>7,078</b>
Share based schemes charge (Note 10)	-	-	599	-	599
Issue of ordinary shares on exercise of options (Note 10)	97	-	439	-	536
Decrease in treasury shares due to exercise of JSOP awards (Note 10)	-	-	56	-	56
Dividends paid (Note 21)	-	-	-	(3,775)	(3,775)
<b>Balance at 31 December 2017</b>	<b>7,693</b>	<b>262</b>	<b>7,000</b>	<b>32,378</b>	<b>47,333</b>

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

On Behalf of the Board



**Aidan Brogan**  
22 March 2018



**Paschal Taggart**

## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	20	9,633	17,105
Income tax paid		(104)	(149)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>9,529</b>	<b>16,956</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(946)	(1,408)
Additions to intangible assets		(13,170)	(9,429)
Short term investments decrease		-	4,577
Interest received		23	26
Restricted cash		(500)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(14,593)</b>	<b>(6,234)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (including share premium)		536	342
Proceeds from exercise of JSOP awards	10	56	41
Dividends paid to shareholders	21	(3,775)	(2,962)
Decrease in finance lease liabilities		(300)	(701)
Interest paid		(30)	(56)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(3,513)</b>	<b>(3,336)</b>
Net (decrease)/increase in cash and cash equivalents		(8,577)	7,386
Foreign Exchange gain/(loss) on cash and cash equivalents		410	(297)
Cash and cash equivalents at beginning of year		24,320	17,231
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>16,153</b>	<b>24,320</b>

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

On Behalf of the Board



Aidan Brogan  
22 March 2018



Paschal Taggart

## COMPANY BALANCE SHEET

As at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Investments in subsidiaries	22	48,868	48,269
<b>Total non-current assets</b>		<b>48,868</b>	<b>48,269</b>
<i>Current assets</i>			
Trade and other receivables	7	5,953	5,276
Cash and cash equivalents	8	202	252
<b>Total current assets</b>		<b>6,155</b>	<b>5,528</b>
<b>TOTAL ASSETS</b>		<b>55,023</b>	<b>53,797</b>
<b>EQUITY</b>			
<i>Capital and reserves attributable to equity holders of the Company</i>			
Ordinary share capital	9	7,693	7,596
Other equity share capital	9	262	262
Other reserves	10	45,960	44,922
Retained earnings		1,007	1,017
<b>TOTAL EQUITY</b>		<b>54,922</b>	<b>53,797</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables	13	101	-
<b>Total current liabilities</b>		<b>101</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55,023</b>	<b>53,797</b>

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

As permitted by section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate income statement in these Financial Statements and from filing it with the Registrar of Companies. The company's profit for the financial year is US\$3,765,142 (2016: profit of US\$1,986,983). This includes dividends received from Datalex (Ireland) Limited of US\$3,521,911 (2016: US\$2,000,000).

On Behalf of the Board



Aidan Brogan  
22 March 2018



Paschal Taggart

## COMPANY STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2017

	Equity share capital	Other equity share capital	Other reserves	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2016</b>	<b>7,535</b>	<b>262</b>	<b>44,117</b>	<b>1,992</b>	<b>53,906</b>
Profit for the year	-	-	-	1,987	1,987
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,987</b>	<b>1,987</b>
Share based schemes charge (Note 10)	-	-	524	-	524
Issue of ordinary shares on exercise of options (Note 10)	61	-	281	-	342
Dividends paid (Note 21)	-	-	-	(2,962)	(2,962)
<b>Balance at 31 December 2016</b>	<b>7,596</b>	<b>262</b>	<b>44,922</b>	<b>1,017</b>	<b>53,797</b>
<b>Balance at 1 January 2017</b>	<b>7,596</b>	<b>262</b>	<b>44,922</b>	<b>1,017</b>	<b>53,797</b>
Profit for the year	-	-	-	3,765	3,765
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,765</b>	<b>3,765</b>
Share based schemes charge (Note 10)	-	-	599	-	599
Issue of ordinary shares on exercise of options (Note 10)	97	-	439	-	536
Dividends paid (Note 21)	-	-	-	(3,775)	(3,775)
<b>Balance at 31 December 2017</b>	<b>7,693</b>	<b>262</b>	<b>45,960</b>	<b>1,007</b>	<b>54,922</b>

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

#### On Behalf of the Board



Aidan Brogan  
22 March 2018



Paschal Taggart

## COMPANY STATEMENT OF CASH FLOWS

### For the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<b>Cash used in operations</b>	<b>20</b>	<b>(500)</b>	<b>(412)</b>
Dividends received		3,522	2,000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>3,022</b>	<b>1,588</b>
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investments decrease/(increase)		-	1,271
Interest received		-	-
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>1,271</b>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		536	342
Dividends paid to shareholders		(3,775)	(2,962)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(3,239)</b>	<b>(2,620)</b>
Net (decrease)/increase in cash and cash equivalents		(217)	239
Foreign exchange gain/(loss) on cash and cash equivalents		167	(21)
Cash and cash equivalents at beginning of year		252	34
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>8</b>	<b>202</b>	<b>252</b>

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

On Behalf of the Board



**Aidan Brogan**  
22 March 2018



**Paschal Taggart**

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2017

### 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 22 March 2018.

### 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 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.

#### 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 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. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### 2.4 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 can also be earned from delivery of an early release platform prior to go-live.

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.

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. When actual bookings processed are in excess of the minimum level of transaction fees, revenue is earned on a variable basis under the relevant contractual terms. When platform revenue is below the minimum threshold, 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 SEGMENT REPORTING

The Group has identified two reportable segments, E-business and TPF Consulting under IFRS 8. 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.

### 2.6 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.

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 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 over five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

### 2.7 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.

### 2.8 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 tax 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.

### 2.9 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.

### 2.10 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.

### 2.11 ACCRUED INCOME

Accrued income are amounts due from customers for services performed, generally recognised under the stage of completion method as noted in 2.4, or transactions processed in the Group's software which have not yet been invoiced under existing agreements. Accrued income is recognised at fair value.

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.

### 2.12 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 administrated pension fund.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold 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 and cash are included in assumptions about the number of options that are expected to become exercisable.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 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 and cash 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 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 2017, 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 and cash 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 12, 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.

#### 2.13 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group can have guarantees in place from time to time, which can take the form of restricted cash. Restricted cash is held separately to cash and cash equivalents.

### 2.15 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.

### 2.16 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 interest 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 19).

### 2.17 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.

### 2.18 TRADE PAYABLES

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

### 2.19 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 2.4.

### 2.20 FINANCE INCOME AND COSTS

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

### 2.21 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 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.

### 2.22 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 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.

### 2.24 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.

## 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). 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 2.6 and the related intangible assets are set out in Note 5. 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\$0.9m and US\$1.1m respectively (2016: US\$0.7m and US\$1.0m 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. The directors have reviewed all contracts and no bonus or malus provisions have been enforced.

### (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\$2.4m as at 31 December 2017 (2016: US\$2.1m) (see Note 6).

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 2017

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Fixtures & Fittings US\$'000	Computer Equipment US\$'000	Leasehold Improvements US\$'000	Total US\$'000
<b>At 1 January 2016</b>				
Cost	354	5,780	142	6,276
Accumulated depreciation	(251)	(4,562)	(2)	(4,815)
<b>Closing Net Book Value</b>	<b>103</b>	<b>1,218</b>	<b>140</b>	<b>1,461</b>
<b>Year Ended 31 December 2016</b>				
Opening net book value	103	1,218	140	1,461
<b>Costs</b>				
Additions	269	957	749	1,975
Disposals	(18)	-	-	(18)
<b>Depreciation</b>				
Depreciation charge	(104)	(934)	(123)	(1,161)
Disposals	18	-	-	18
<b>Closing Net Book Value</b>	<b>268</b>	<b>1,241</b>	<b>766</b>	<b>2,275</b>
<b>At 31 December 2016</b>				
Cost	605	6,737	891	8,233
Accumulated depreciation	(337)	(5,496)	(125)	(5,958)
<b>Closing Net Book Value</b>	<b>268</b>	<b>1,241</b>	<b>766</b>	<b>2,275</b>
<b>Year ended 31 December 2017</b>				
Opening net book value	268	1,241	766	2,275
<b>Costs</b>				
Additions	171	506	383	1,060
Disposals	-	-	-	-
<b>Depreciation</b>				
Depreciation charge	(96)	(767)	(186)	(1,049)
Disposals	-	-	-	-
<b>Closing Net Book Value</b>	<b>343</b>	<b>980</b>	<b>963</b>	<b>2,286</b>
<b>At 31 December 2017</b>				
Cost	776	7,243	1,274	9,293
Accumulated depreciation	(433)	(6,263)	(311)	(7,007)
<b>Closing Net Book Value</b>	<b>343</b>	<b>980</b>	<b>963</b>	<b>2,286</b>

Depreciation of US\$800,141 (2016: US\$965,049) has been charged in cost of sales, US\$136,872 (2016: US\$112,567) in selling and marketing costs and US\$111,504 (2016: US\$83,481) in administrative expenses in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 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:

	2017 US\$'000	2016 US\$'000
Cost	4,198	4,084
Accumulated depreciation	(3,790)	(3,407)
Net Book Value	408	677
Depreciation charge for the financial year	383	593

#### 5 INTANGIBLE ASSETS

	Software US\$'000	Product Development US\$'000	Total US\$'000
<b>At 1 January 2016</b>			
Cost	2,053	51,391	53,444
Accumulated amortisation	(1,451)	(36,556)	(38,007)
<b>Closing Net Book Value</b>	<b>602</b>	<b>14,835</b>	<b>15,437</b>
<b>Year Ended 31 December 2016</b>			
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)
<b>Closing Net Book Value</b>	<b>555</b>	<b>18,623</b>	<b>19,178</b>
<b>At 31 December 2016</b>			
Cost	2,256	60,210	62,466
Accumulated amortisation	(1,701)	(41,587)	(43,288)
<b>Closing Net Book Value</b>	<b>555</b>	<b>18,623</b>	<b>19,178</b>
<b>Year ended 31 December 2017</b>			
Opening net book value	555	18,623	19,178
Additions	43	13,127	13,170
Government grant R&D tax credit assistance	-	(437)	(437)
Amortisation charge	(235)	(5,046)	(5,281)
<b>Closing Net Book Value</b>	<b>363</b>	<b>26,267</b>	<b>26,630</b>
<b>At 31 December 2017</b>			
Cost	2,299	72,900	75,199
Accumulated amortisation	(1,936)	(46,633)	(48,569)
<b>Closing Net Book Value</b>	<b>363</b>	<b>26,267</b>	<b>26,630</b>

Included within the income statement is product development amortisation costs of US\$5.0m (2016: US\$5.0m). The weighted average remaining amortisation period of the product development is 52 months (2016: 50 months). In the year research and development expenditure of US\$2.4m (2016: US\$1.5m) was recognised as an expense in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 5 INTANGIBLE ASSETS (continued)

As at 31 December 2017, there were product development assets of US\$12.9m (2016: US\$7.4m) which are currently under development and are not yet ready for use. The amortisation of these assets had not started as at 31 December 2017.

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 2017.

Given that there were platform development costs for which amortisation had not yet started at 31 December 2017, an impairment test was carried out at 31 December 2017 and at 31 December 2016 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 2018 to 2020, together with management forecasts for 2021 and 2022. 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 customer go lives during 2018 and new customers contracted in 2018 that will go live during 2018, 2019 and 2020 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 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 47.6% (2016: 42.3%), average growth rate of 7.4% (2016: 2.2%), a discount rate of 10.1% (2016: 9.1%) and future capital expenditure to be incurred in relation to product development in progress at the year-end of 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 2017

#### 6 INCOME TAX

##### (A) INCOME TAX

	2017	2016
	\$000's	\$000's
<b>Current tax</b>		
Corporation tax for the year	-	-
Foreign tax for the year	104	173
Foreign withholding tax	140	-
<b>Total current tax</b>	<b>244</b>	<b>173</b>
<b>Deferred tax</b>		
Recognition of deferred tax asset <sup>(1)</sup>	(321)	(345)
<b>Income tax credit</b>	<b>(77)</b>	<b>(172)</b>

<sup>(1)</sup> Recognition of deferred tax assets comprises a net increase in the deferred tax credit in respect of current year tax losses of US\$517,584 (2016: US\$Nil) plus previously unrecognised tax losses carried forward of US\$758,452 (2016: US\$819,000) less an increase in the deferred tax liability generated on capitalised development expenditure in Ireland of US\$955,474 (2016: US\$474,000).

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:

	2017	2016
	US\$'000	US\$'000
Profit before income tax	6,983	5,221
Profit before tax multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	873	653
Expenses not deductible/income not taxable	(212)	126
Utilisation of previously unrecognised tax losses	42	(36)
Difference in effective tax rates on overseas earnings	448	460
Movement of deferred tax asset on tax losses forward	(1,277)	(1,363)
Tax losses for which no deferred tax asset was recognised	-	-
Other	49	(12)
<b>Income tax credit</b>	<b>(77)</b>	<b>(172)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 6 INCOME TAX (continued)

##### (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:

	2017 US\$'000	2016 US\$'000
Deferred tax asset on losses carried forward and R&D tax credits	5,680	4,404
Deferred tax liability on capitalised development expenditure	(3,283)	(2,328)
<b>Total<sup>(1)</sup></b>	<b>2,397</b>	<b>2,076</b>

<sup>(1)</sup> The amount of the recognised deferred tax asset relating to losses carried forward and R&D tax credits expected to be recovered after more than one year is circa US\$5.2m (2016: circa US\$3.9m). The amount of the deferred tax liability expected to be settled after more than one year is circa US\$2.6m (2016: circa US\$1.9m).

As both Datalex (Ireland) Limited and Datalex US Inc. have tax adjusted losses in the period, the opening Deferred tax asset has not been required to reduce current tax payable in Ireland in respect of taxable profits of Datalex (Ireland) Limited in 2017 (2016: US\$440,707), and the opening deferred tax asset balance related to the US has not been required in our US subsidiary to reduce current tax payable in the US (2016: US\$578,000).

As at 31 December 2017, the Group has recognised an additional deferred tax asset on unutilised tax losses and R&D tax credits in respect of Datalex (Ireland) Limited of US\$890,521 (2016: US\$578,000) and in respect of Datalex USA Inc. of US\$385,515 (2016: US\$241,000). Consequently, as at 31 December 2017 the deferred tax assets on our losses carried forward recognised and R&D tax credits in respect of Ireland is US\$3,965,344 (2016: US\$3,075,000) and US\$1,714,411 in respect of Datalex USA Inc. (2016: US\$1,329,000).

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 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\$2.4m (2016: US\$2.1m) should be recognised. The Group has 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 temporary differences of circa US\$1.6m (2016: US\$1.5m deferred tax asset on timing differences) in Ireland and the directors will continue to evaluate their expectation on realisation of the tax benefit through future taxable profits. There are unrecognised deferred tax assets on losses forward of circa US\$10.6m (2016: US\$10.5m) in the UK and there are also significant losses forward in the US 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 6 INCOME TAX (continued)

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

	2017	2016
	US\$'000	US\$'000
Unused tax losses	14,579	26,693
R&D credits available	2	-
Temporary differences	1,672	1,940
<b>Total</b>	<b>16,253</b>	<b>28,633</b>

The unrecognised deferred income tax assets in respect of losses relate to unused tax losses in Datalex Solutions (UK) Limited and Datalex USA Inc. The movements during the period have arisen in relation to tax efficiencies that have been made at Group level. The movements during the period have arisen in relation to the reduction in the Federal corporate income tax rate in the US from circa 35% to 21%, as and from 1 January 2018, as a result of the introduction of the Tax Cuts and Jobs Act in the US.

#### 7 TRADE AND OTHER RECEIVABLES

	Group 2017 US\$'000	Group 2016 US\$'000	Company 2017 US\$'000	Company 2016 US\$'000
<b>Current Trade and Other Receivables</b>				
Trade receivables	6,521	3,306	-	-
Less: provision for impairment <sup>(a)</sup>	-	(31)	-	-
<b>Trade receivables – net</b>	<b>6,521</b>	<b>3,275</b>	<b>-</b>	<b>-</b>
Amounts owed by Group undertakings	-	-	5,953	5,276
Research and development tax credit	351	257	-	-
Prepayments	967	830	-	-
Accrued income	10,866	9,984	-	-
VAT receivable	500	733	-	-
Other receivables	-	74	-	-
<b>Total Current Trade and Other Receivables</b>	<b>19,205</b>	<b>15,153</b>	<b>5,953</b>	<b>5,276</b>
<b>Non-Current Trade and Other Receivables</b>				
Research and development tax credit	430	329	-	-
Accrued Income	2,564	-	-	-
<b>Total Non-Current Trade and Other Receivables</b>	<b>2,994</b>	<b>329</b>	<b>-</b>	<b>-</b>
<b>Total Trade and Other Receivables</b>	<b>22,199</b>	<b>15,482</b>	<b>5,953</b>	<b>5,276</b>

<sup>(a)</sup> 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 7 TRADE AND OTHER RECEIVABLES (continued)

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

	Ageing analysis of past due						Total US\$'000
	Less than 30 days	Between 30-60 days	Between 61-90 days	More than 90 days	Neither impaired nor past due	Impaired	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 31 December 2017	2,317	732	437	677	2,358	-	6,521
At 31 December 2016	912	215	15	376	1,757	31	3,306

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

	2017 US\$'000	2016 US\$'000
At 1 January	31	36
Provision for receivables impairment	-	7
Receivables written off during the year as uncollectible	(31)	(12)
<b>At 31 December</b>	<b>-</b>	<b>31</b>

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 2017 and 2016, a significant portion of the trade receivables and accrued income of the Group related to a limited number of customers as follows;

	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>
Customer A	47%	31%
Customer B	15%	23%
Customer C	12%	8%
Customer D	8%	0%
Customer E	3%	7%
Customer F	2%	6%

<sup>(1)</sup> 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 2017 or 31 December 2016 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 2017

#### 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 2017 US\$'000	Group 2016 US\$'000
US dollar	9,052	6,979
Euro	10,656	5,693
Sterling	167	35
Chinese Renminbi	76	583
<b>Total</b>	<b>19,951</b>	<b>13,290</b>

#### 8 CASH AND CASH EQUIVALENTS

	Group 2017 US\$'000	Group 2016 US\$'000	Company 2017 US\$'000	Company 2016 US\$'000
Cash at bank and in hand	14,453	21,768	202	252
Short-term bank deposits less than 90 days	1,700	2,552	-	-
<b>Cash and cash equivalents</b>	<b>16,153</b>	<b>24,320</b>	<b>202</b>	<b>252</b>
Restricted Cash	500	-	-	-

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.

The fair values of the deposits less than 90 days which are part of cash and cash equivalents approximate to the values shown above.

The Group has a bank guarantee in place in the form of a bond for €1.0m (2016: €Nil), in respect of a customer contract, of which US\$0.5m is restricted. The funds will be released to the Group when delivery of this contract has concluded.

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 2017 and 2016 are set out below.

Non-US\$ denominated cash and cash equivalents	Group 2017 US\$'000	Group 2016 US\$'000	Company 2017 US\$'000	Company 2016 US\$'000
Euro	7,850	5,659	202	252
Sterling	148	753	-	-
Chinese Renminbi	321	331	-	-
<b>Total non-US\$</b>	<b>8,319</b>	<b>6,743</b>	<b>202</b>	<b>252</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 9 SHARE CAPITAL

Authorised Share Capital - Group and Company	2017 US\$'000	2016 US\$'000
<b>Equity Share Capital</b>		
100,000,000 ordinary shares of US\$0.10 each	10,000	10,000
<b>Other equity share capital</b>		
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
<b>Total</b>	<b>10,488</b>	<b>10,488</b>

#### Issued Share Capital – Group and Company

	Ordinary Shares No. of shares '000	Ordinary shares US\$'000	Convertible Redeemable shares (‘A’ and ‘B’) No. of shares '000	Convertible Redeemable shares US\$'000	Deferred shares No. of shares '000	Deferred shares US\$'000
<b>At 1 January 2016</b>	<b>75,340</b>	<b>7,535</b>	<b>2,542</b>	<b>254</b>	<b>30</b>	<b>8</b>
Employee share option scheme - proceeds from share issue	613	61	-	-	-	-
<b>At 31 December 2016</b>	<b>75,953</b>	<b>7,596</b>	<b>2,542</b>	<b>254</b>	<b>30</b>	<b>8</b>
<b>At 1 January 2017</b>	<b>75,953</b>	<b>7,596</b>	<b>2,542</b>	<b>254</b>	<b>30</b>	<b>8</b>
Employee share option scheme - proceeds from share issue	972	97	-	-	-	-
<b>At 31 December 2017</b>	<b>76,925</b>	<b>7,693</b>	<b>2,542</b>	<b>254</b>	<b>30</b>	<b>8</b>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 9 SHARE CAPITAL (continued)

##### 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 0.81m ordinary shares (2016: 0.94m). For accounting purposes these shares are treated as treasury shares.

##### 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

	2017	2016
	2000 Group share option scheme	2000 Group share option scheme
Outstanding at beginning of year	1,183,667	1,611,167
Issued during the year	-	-
Exercised during the year	(424,667)	(427,500)
Expired during the year *	(3,000)	-
<b>Outstanding at end of year</b>	<b>756,000</b>	<b>1,183,667</b>

\* 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 2017

#### 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:

	2017	2017	2016	2016
	No. of shares	Weighted average exercise price (US\$)	No. of shares	Weighted average exercise price (US\$)
Outstanding at beginning of year	1,183,667	0.29	1,611,167	0.34
Issued during the year	-	-	-	-
Exercised during the year <sup>(1)</sup>	(424,667)	0.38	(427,500)	0.44
Expired during the year	(3,000)	0.82	-	-
<b>Outstanding at end of year</b>	<b>756,000</b>	<b>0.27</b>	<b>1,183,667</b>	<b>0.29</b>
Exercisable at end of year	756,000	0.27	1,183,667	0.29

<sup>(1)</sup> The weighted average market share price at the day of exercise was US\$4.33 (2016: US\$3.61).

No options were granted during the year (2016: 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	553,000	29
US\$0.51 to US\$0.70	203,000	1
<b>Total</b>	<b>756,000</b>	

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 9 SHARE CAPITAL (continued)

##### Summary of employee share options activity (number of options)

	2017 2012 Group share option scheme	2016 2012 Group share option scheme
Outstanding at beginning of year	3,672,000	3,632,000
Issued during the year	140,000	350,000
Exercised during the year	(547,600)	(185,000)
Forfeited during the year *	(120,000)	(125,000)
<b>Outstanding at end of year</b>	<b>3,144,400</b>	<b>3,672,000</b>

\* Forfeited on departure from the Group before vesting.

	2017 No. of shares	2017 Weighted average exercise price (US\$)	2016 No. of shares	2016 Weighted average exercise price (US\$)
Outstanding at beginning of year	3,672,000	1.15	3,632,000	0.98
Issued during the year	140,000	4.17	350,000	3.19
Exercised during the year <sup>(1)</sup>	(547,600)	0.70	(185,000)	0.76
Forfeited during the year	(120,000)	2.34	(125,000)	1.48
<b>Outstanding at end of year</b>	<b>3,144,400</b>	<b>1.43</b>	<b>3,672,000</b>	<b>1.15</b>
Exercisable at end of year	2,169,400	0.83	2,527,000	0.68

<sup>(1)</sup> The weighted average market share price at the day of exercise was US\$4.21 (2016: US\$3.75).

The fair value of the options granted during the year determined using the Black Scholes model was US\$216,443 (2016: US\$436,931). The weighted average fair value per option was US\$1.55 (2016: US\$1.25). The significant inputs into the model were share prices of €3.35 and €3.75 (2016: €2.88, €2.60 and €3.31) 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% (2016: 1%), risk-free interest rates of 2.5% (2016: 2.5%), expected option life of 4 years (2016: 4 years) and the standard deviations of expected share price returns of 50% (2016: 50%). 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 9 SHARE CAPITAL (continued)

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	102,000	49
US\$0.51 to US\$0.70	767,000	51
US\$0.71 to US\$0.90	75,000	57
Over US\$0.90	2,200,400	78
<b>Total</b>	<b>3,144,400</b>	

The 2017 charge in relation to share options was US\$498,416 (2016: US\$493,759).

#### 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.

	2017 No. of shares	2017 Weighted average exercise price (US\$)	2016 No. of shares	2016 Weighted average exercise price (US\$)
Outstanding at beginning of year	810,000	0.38	910,000	0.42
Issued during the year	-	-	-	-
Exercised during the year <sup>(1)</sup>	(131,698)	0.41	(100,000)	0.38
Forfeited during the year	-	-	-	-
<b>Outstanding at end of year</b>	<b>678,302</b>	<b>0.41</b>	<b>810,000</b>	<b>0.38</b>
Exercisable at end of year	678,302	0.41	810,000	0.38

<sup>(1)</sup> The weighted average market share price at the day of exercise was US\$4.43 (2016: US\$4.02).

The 2017 charge in relation to the JSOP scheme was US\$Nil (2016: US\$Nil).

No awards were made in 2017 or 2016. All awards have vested due to the related performance and service conditions being achieved at 31 December 2014.

The weighted average contractual life is 13 months (2016: 25 months).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 9 SHARE CAPITAL (continued)

##### 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.

	2017	2017	2016	2016
	No. of	Weighted average	No. of	Weighted average
Deferred Share Scheme	shares	exercise price (US\$)	shares	exercise price (US\$)
Outstanding at beginning of year	130,000	1.63	130,000	1.69
Issued during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
<b>Outstanding at end of year</b>	<b>130,000</b>	<b>1.76</b>	<b>130,000</b>	<b>1.63</b>
Exercisable at end of year	-	-	-	-

No awards were made in 2017 and 2016. The weighted average contractual life is 60 months.

The 2017 charge in relation to the Deferred Share Scheme was US\$100,536 (2016: US\$30,435).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 10 OTHER RESERVES

Group	Share premium US\$'000	Other capital reserves US\$'000	Treasury shares reserves US\$'000 <sup>(1)</sup>	Share based payment reserves US\$'000 <sup>(2)</sup>	Other reserves US\$'000 <sup>(3)</sup>	Foreign currency translation US\$'000 <sup>(4)</sup>	Total US\$'000
<b>Balance at 1 January 2016</b>	<b>1,020</b>	<b>134</b>	<b>(482)</b>	<b>3,168</b>	<b>993</b>	<b>274</b>	<b>5,107</b>
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)
<b>Balance at 31 December 2016</b>	<b>1,301</b>	<b>134</b>	<b>(436)</b>	<b>3,692</b>	<b>988</b>	<b>209</b>	<b>5,888</b>
<b>Balance at 1 January 2017</b>	<b>1,301</b>	<b>134</b>	<b>(436)</b>	<b>3,692</b>	<b>988</b>	<b>209</b>	<b>5,888</b>
Share based schemes charge	-	-	-	599	-	-	599
Premium on shares issued	439	-	-	-	-	-	439
Decrease in treasury shares due to exercise of JSOP awards	-	-	61	-	(5)	-	56
Currency translation differences	-	-	-	-	-	18	18
<b>Balance at 31 December 2017</b>	<b>1,740</b>	<b>134</b>	<b>(375)</b>	<b>4,291</b>	<b>983</b>	<b>227</b>	<b>7,000</b>

<sup>(1)</sup> Treasury shares reserves include a debit in respect of 678,302 shares (2016: 810,000) held by the Datalex Employee Benefit Trust at year-end in the context of the JSOP and 130,000 awards (2016: 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).

<sup>(2)</sup> 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).

<sup>(3)</sup> 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 Conduvive 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 page 60). 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 (2016: US\$5,000) has been debited to other reserves due to foreign exchange losses on exercise of JSOP awards which reduced the number of treasury shares.

<sup>(4)</sup> 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 10 OTHER RESERVES (continued)

Company	Share premium US\$'000	Other reserves <sup>(1)</sup> US\$'000	Total US\$'000
<b>Balance at 1 January 2016</b>	<b>40,949</b>	<b>3,168</b>	<b>44,117</b>
Share based schemes charge	-	524	524
Premium on shares issued	281	-	281
<b>Balance at 31 December 2016</b>	<b>41,230</b>	<b>3,692</b>	<b>44,922</b>
<b>Balance at 1 January 2017</b>	<b>41,230</b>	<b>3,692</b>	<b>44,922</b>
Share based schemes charge	-	599	599
Premium on shares issued	439	-	439
<b>Balance at 31 December 2017</b>	<b>41,669</b>	<b>4,291</b>	<b>45,960</b>

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

#### 11 BORROWINGS

Financial lease liabilities	Group 2017 US\$'000	Group 2016 US\$'000
Non-current	274	458
Current	334	336
<b>Total borrowings</b>	<b>608</b>	<b>794</b>

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	2017 US\$'000	2016 US\$'000
No later than a year	353	360
Later than a year and no later than 3 years	282	481
<b>Total</b>	<b>635</b>	<b>841</b>
Future finance charge on finance leases	(27)	(47)
<b>Present value of finance lease liabilities</b>	<b>608</b>	<b>794</b>
<b>The present value of finance leases, which equates the fair value, is as follows:</b>	<b>2017 US\$'000</b>	<b>2016 US\$'000</b>
No later than a year	334	336
Later than a year and no later than 3 years	274	458
<b>Total</b>	<b>608</b>	<b>794</b>

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 2017

#### 12 LONG TERM INCENTIVE PLAN

A 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. Further grants were made during 2017.

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.

Movements on the LTIP are as follows:

	2017 US\$'000	2016 US\$'000
At 1 January 2017	326	-
Provision for the year	388	326
At 31 December 2017	<b>714</b>	<b>326</b>

The charge has been reflected in the income statement within payroll costs 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.

The maximum potential balance payable at 31 December 2017 was US\$2.0m (2016: US\$1.8m).

#### 13 TRADE AND OTHER PAYABLES

	Group 2017 US\$'000	Group 2016 US\$'000	Company 2017 US\$'000	Company 2016 US\$'000
<b>Current Trade and Other Payables</b>				
Trade payables	7,067	6,964	-	-
Accruals	6,334	5,855	-	-
Deferred income	2,927	2,826	-	-
Customer Advances	3,000	2,475	-	-
Pension contribution	186	132	-	-
Social security and other taxes	1,524	725	-	-
Other payables	101	165	101	-
<b>Total Current Trade and Other Payables</b>	<b>21,139</b>	<b>19,142</b>	<b>101</b>	<b>-</b>
<b>Non-Current Trade and Other Payables</b>				
Lease Incentive	208	113	-	-
<b>Total Non-Current Trade and Other Payables</b>	<b>208</b>	<b>113</b>	<b>-</b>	<b>-</b>
<b>Total Trade and Other Payables</b>	<b>21,347</b>	<b>19,255</b>	<b>-</b>	<b>-</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 13 TRADE AND OTHER PAYABLES (continued)

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

	Group 2017 US\$'000	Group 2016 US\$'000
US Dollar	4,754	5,643
Euro	2,048	865
Sterling	264	446
Chinese Renminbi	1	6
Australian Dollar	-	4
<b>Total</b>	<b>7,067</b>	<b>6,964</b>

#### 14 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 2017 and 2016, 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 14 SEGMENTAL INFORMATION (continued)

The segment information provided to the executive management team for the reportable segments for the year ended 31 December 2017 is as follows:

	2017	2017	2017	2016	2016	2016
	E-Business	TPF Consulting	Total	E-Business	TPF Consulting	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue</b>	61,911	2,713	64,624	53,279	2,706	55,985
Inter-segment revenue	-	(730)	(730)	-	(664)	(664)
<b>External Revenue</b>	<b>61,911</b>	<b>1,983</b>	<b>63,894</b>	<b>53,279</b>	<b>2,042</b>	<b>55,321</b>
Adjusted EBITDA	14,046	148	14,194	12,124	93	12,217
Share options, ownership interests and deferred share awards granted to directors and employees	(599)	-	(599)	(524)	-	(524)
EBITDA	13,447	148	13,595	11,600	93	11,693
Depreciation	(1,047)	(2)	(1,049)	(1,147)	(14)	(1,161)
Amortisation	(5,281)	-	(5,281)	(5,281)	-	(5,281)
Operating profit	7,119	146	7,265	5,172	79	5,251
Finance costs			(305)			(56)
Finance income			23			26
<b>Profit before income tax</b>			<b>6,983</b>			<b>5,221</b>
Income tax credit			77			172
<b>Profit after taxation</b>			<b>7,060</b>			<b>5,393</b>

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

	2017	2016
	US\$'000	US\$'000
Adjusted EBITDA	14,194	12,217
Depreciation	(1,049)	(1,161)
Amortisation - development costs	(5,046)	(5,031)
Amortisation - software	(235)	(250)
Finance income	23	26
Finance costs	(305)	(56)
Share based payments charge	(599)	(524)
<b>Profit before income tax</b>	<b>6,983</b>	<b>5,221</b>

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:

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 14 SEGMENTAL INFORMATION (continued)

	2017	2017	2017	2016	2016	2016
	E-Business	TPF Consulting	Total	E-Business	TPF Consulting	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Reportable segment assets:</b>						
Intangible assets						
- Product development	26,267	-	26,267	18,623	-	18,623
- Software	363	-	363	555	-	555
Other assets	42,893	642	43,535	43,347	806	44,153
<b>Total reportable segment assets</b>	<b>69,523</b>	<b>642</b>	<b>70,165</b>	<b>62,525</b>	<b>806</b>	<b>63,331</b>
<b>Total assets</b>			<b>70,165</b>			<b>63,331</b>

	2017	2017	2017	2016	2016	2016
	E-Business	TPF Consulting	Total	E-Business	TPF Consulting	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Reportable segment liabilities:</b>						
Current	(21,285)	(351)	(21,636)	(19,350)	(245)	(19,595)
Non-current	(1,196)	-	(1,196)	(897)	-	(897)
<b>Total reportable segment liabilities</b>	<b>(22,481)</b>	<b>(351)</b>	<b>(22,832)</b>	<b>(20,247)</b>	<b>(245)</b>	<b>(20,492)</b>
<b>Total liabilities</b>			<b>(22,832)</b>			<b>(20,492)</b>

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

	2017	2016
	US\$'000	US\$'000
Platform revenue <sup>(1) (2) (3)</sup>	27,159	26,372
Professional services	34,588	26,710
Consultancy	1,983	2,042
Other revenue	164	197
<b>Total revenue</b>	<b>63,894</b>	<b>55,321</b>

<sup>(1)</sup> US\$1.7m of platform revenue was recognised based on contracted minimums in excess of actual transactions as at 31 December 2017 (2016: US\$1.2m).

<sup>(2)</sup> US\$0.2m (2016: US\$2.0m) was recognised as platform revenue from termination fees paid by customers.

<sup>(3)</sup> US\$1.5m (2016: US\$0.9m) was recognised as platform revenue in respect of an early release of the Group's Digital Commerce Platform.

The entity is domiciled in the Republic of Ireland. Revenue from customers in the Republic of Ireland is US\$3.0m (2016: US\$3.8m) and the total of revenue from external customers from other countries is US\$60.9m (2016: US\$51.5m).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 14 SEGMENTAL INFORMATION (continued)

The geographical analysis of revenue is set out below:

	2017 US\$'000	2016 US\$'000
Americas	26,892	20,294
Asia – Pacific	14,301	14,296
Other European	18,625	14,960
Ireland	2,961	3,800
UK	1,115	1,971
<b>Total Revenue</b>	<b>63,894</b>	<b>55,321</b>

The total of property, plant and equipment and intangible assets located in the Republic of Ireland is US\$28.1m (2016: US\$20.9m), and the total of these non-current assets located in other countries is US\$0.8m (2016: US\$0.6m).

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:

	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>
Customer A	23%	18%
Customer B	17%	13%
Customer C	9%	6%
Customer D	8%	7%
Customer E	7%	6%
Customer F	6%	7%
Customer G	6%	5%
Customer H	5%	7%

<sup>(1)</sup> Customers whose revenue balance represents 5% or more of the total revenue balance at the 31 December 2017 or 31 December 2016 are disclosed in the note above.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 15 EXPENSES BY NATURE

	2017 US\$'000	2016 US\$'000
Employee Benefit expense (Note 16) - net of capitalisation	23,008	21,308
Consultants and Contractors	25,662	18,762
Capitalisation of consultants and contractors costs	(7,498)	(5,436)
Amortisation - Development Costs (Note 5)	5,046	5,031
Establishment costs	1,632	1,443
Hosting	1,861	1,649
Professional fees	1,191	1,136
Travel	1,497	1,609
Depreciation (Note 4)	1,049	1,161
Bad Debt Expense	26	7
Third Party Services	472	471
Auditors remuneration	145	188
Communication	291	362
Software maintenance and other online charges	291	275
Amortisation - Software (Note 5)	235	250
Other	1,790	1,563
Total cost of sales, selling and marketing costs and administrative expenses	56,698	49,779
Other (gains)/losses	(69)	291
<b>Total Operating costs</b>	<b>56,629</b>	<b>50,070</b>

Disclosed as:

- Cost of sales	47,112	41,374
- Selling and marketing costs	5,375	4,826
- Administrative expenses	4,211	3,579
- Other (gains)/losses (Note 17)	(69)	291
<b>Total Operating costs</b>	<b>56,629</b>	<b>50,070</b>

During the year the Group obtained the following services from the Company's auditors (2017 and 2016 fees in respect of Ernst & Young and PWC respectively):

	2017 US\$'000	2016 US\$'000
Fees payable to the company's statutory auditors for the audit of the parent company and consolidated financial statements: <sup>(1)</sup>	130	138
Fees payable to the company's statutory auditors for other services:		
* The audit of the company's subsidiaries pursuant to legislation	15	6
* Tax services	-	44
<b>Total</b>	<b>145</b>	<b>188</b>

<sup>(1)</sup> Included in the Group's statutory auditors' fees, are fees of US\$5,000 (2016: 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 2017

#### 16 EMPLOYEE BENEFIT EXPENSE

	2017 US\$'000	2016 US\$'000
Wages and salaries	24,414	21,533
Social security costs	2,566	2,086
Pension costs – defined contribution schemes	670	646
<b>Employee benefit expense before capitalisation</b>	<b>27,650</b>	<b>24,265</b>
Capitalised labour	(5,629)	(3,807)
	<b>22,021</b>	<b>20,458</b>
Share options, ownership interests and deferred share awards granted to directors and employees (Note 9)	599	524
Long term incentive plan granted to directors and employees (Note 12)	388	326
<b>Total</b>	<b>23,008</b>	<b>21,308</b>

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

	2017	2016
Product development and delivery	220	181
Sales and marketing	14	12
Administration	27	26
<b>Total</b>	<b>261</b>	<b>219</b>

The total number of persons employed by the Group (including Executive Directors) at 31 December 2017 was 269 (2016: 246).

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 administered funds. The pension charge represents contributions payable by the Group to the schemes and amounted to US\$670,388 in respect of 2017 (2016: US\$646,484) of which US\$185,588 was accrued at the year-end (2016: US\$131,971).

Details of director's remuneration can be found in the Remuneration Report on page 59.

#### 17 OTHER GAINS/(LOSSES)

	2017 US\$'000	2016 US\$'000
Net foreign exchange gains/(losses)	69	(291)
<b>Total</b>	<b>69</b>	<b>(291)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 18 FINANCE INCOME AND FINANCE COSTS

	2017	2016
	US\$'000	US\$'000
Interest income on bank deposits less than 90 days	23	26
Finance lease interest	(30)	(56)
Early settlement discount	(275)	-
<b>Total</b>	<b>(282)</b>	<b>(30)</b>

#### 19 EARNINGS PER SHARE

<b>Basic</b>	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary shareholders (US\$'000)	7,060	5,393
Weighted average number of ordinary shares outstanding	75,763,895	74,719,811
<b>Basic earnings per share (in US cents)</b>	<b>9.32</b>	<b>7.22</b>

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.

<b>Diluted</b>	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary shareholders (US\$'000)	7,060	5,393
Weighted average number of ordinary shares outstanding	75,763,895	74,719,811
Adjustment for share options	3,243,152	4,130,023
Weighted average number of ordinary shares outstanding	79,007,047	78,849,834
<b>Diluted earnings per share (in US cents)</b>	<b>8.94</b>	<b>6.84</b>

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 2017, 130,000 deferred share awards were included in the calculation, where as at the 31 December 2016 they were excluded, as the performance conditions attached to them have not yet been met.

Furthermore 152,178 share options under the 2012 Share option scheme have been excluded from the number of potential dilutive shares as at 31 December 2017 as performance conditions have not yet been achieved (31 December 2016: 490,000).

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 20 CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Profit before income tax	6,983	5,221	3,765	1,987
<b>Adjustments for:</b>				
Dividends received	-	-	(3,522)	(2,000)
Interest received	(23)	(26)	-	-
Interest paid	30	56	-	-
Depreciation	1,049	1,161	-	-
Amortisation	5,281	5,281	-	-
Employee share option charge	599	524	-	-
Foreign currency losses/(gain) on operating activities	(69)	291	(167)	21
LTIP provision	388	326	-	-
Non-current trade and other payables	95	113	-	-
<b>Changes in working capital:</b>				
Trade and other receivables	(7,354)	(3,361)	(677)	(420)
Trade and other payables	2,654	7,519	101	-
<b>Cash generated from/(used in) operations</b>	<b>9,633</b>	<b>17,105</b>	<b>(500)</b>	<b>(412)</b>

#### 21 DIVIDENDS PAID

	2017	2016
	US\$'000	US\$'000
<b>Amounts recognised as distributions to equity holders in the year:</b>		
<i>Equity dividends on ordinary shares:</i>		
Final dividend for the year <sup>(1)</sup>	3,775	2,962
<b>Total</b>	<b>3,775</b>	<b>2,962</b>

<sup>(1)</sup> The dividend paid in 2017 was five US cents (2016: five US cents per share)

The Board of Directors of the Company have proposed a final dividend of five US cents be paid to the shareholders in respect of the full year 2017 (see Note 27).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 22 INVESTMENT IN SUBSIDIARIES

Company only	2017	2016
	US\$'000	US\$'000
Investment in subsidiaries	48,868	48,269

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 2017

#### 23 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 (2016: two Executive Directors), the five Non-Executive Directors (2016: five Non-Executive Directors) and seven members of the senior management team (2016: eight members).

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

	2017	2016
	US\$'000	US\$'000
Emoluments <sup>(1) (2)</sup>	3,008	2,620
Benefits under long-term equity settled incentive schemes <sup>(3)</sup>	307	254
Benefits under long-term cash settled incentive scheme <sup>(4)</sup>	119	64
Contributions to defined contribution schemes <sup>(5)</sup>	124	107
	<b>3,558</b>	<b>3,045</b>

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

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

	2017	2016
	US\$'000	US\$'000
Basic salaries and fees	327	318

<sup>(3)</sup> 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.

<sup>(4)</sup> This relates to the Long Term Incentive Plan described in Note 12.

<sup>(5)</sup> Retirement benefits are accruing to two Executive Directors and seven senior management team members (2016: two Executive Directors and eight members of the senior management team) under a defined contribution scheme.

<sup>(6)</sup> Peter Lennon, non-Executive Director, no longer is employed in Maples and Calder and no services were rendered by Maples and Calder for the year ended 31 December 2017. Peter Lennon provided legal services to the Group through Maples and Calder during 2016; legal services rendered amounted to US\$18,362.

Non-Executive Directors fees of US\$95,944 (2016: US\$134,924) were accrued at the year end.

#### COMPANY

As at 31 December 2017, the Company had a balance of US\$5,952,584 (2016: US\$5,275,603) 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

## 24 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.

## 25 COMMITMENTS

### 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\$1.0m (2016: US\$0.8m) and equipment amounting to US\$0.02m (2016: US\$0.01m) are included in the income statement.

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

	2017	2016
	US\$'000	US\$'000
Within one year	1,181	881
Within two to five years	3,934	3,334
Over five years	2,181	1,859
<b>Total</b>	<b>7,296</b>	<b>6,074</b>

## 26 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.

#### (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 2017 relates to euro monetary assets totalling US\$18.5m (2016: US\$11.4m), sterling monetary assets totalling US\$0.3m (2016: US\$0.8m) and Chinese renminbi monetary assets totalling US\$0.4m (2016: US\$0.9m).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 26 FINANCIAL RISK MANAGEMENT (continued)

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 2017.

At 31 December 2017, 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\$0.7m higher (2016: US\$1.0m higher) mainly as a result of foreign exchange gains/(losses) on translation of euro-denominated trade receivables, trade payables and cash.

#### (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 at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents 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. The interest rate on floating rate deposits (with maturities less than 90 days) of US\$1.7m at 31 December 2017 (2016: US\$2.6m) 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 2017, 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 (2016: US\$0.1m).

#### (III) Price Risk

The Group is not exposed to material price risk.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 26 FINANCIAL RISK MANAGEMENT (continued)

##### 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 2017, a significant portion of the Group's revenue was derived from a limited number of customers (see Note 14).

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings of the counterparties in the following tables (restricted cash of US\$0.5m (2016: US\$Nil) with a credit quality of A- has been excluded):

	2017	2016
	US\$'000	US\$'000
<b>Cash and cash equivalents</b>		
A+	-	1,247
A	1,897	20,754
A-	13,633	2
BBB-	623	1,007
BBB	-	1,310
	<b>16,153</b>	<b>24,320</b>

##### 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, Lease Incentive and Borrowings (Including interest)	Less than 1 Yr	Between 1-2 Yrs	Between 2-5 Yrs	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December 2017	13,754	402	88	14,244
At 31 December 2016	13,179	534	60	13,773

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 26 FINANCIAL RISK MANAGEMENT (continued)

##### 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.

#### 27 SUBSEQUENT EVENTS

At a meeting held on 22 March 2018, the Board of Directors of the Company have proposed a final dividend of five US cents per share (2016: five US cents per share) be paid to the shareholders in respect of the full year 2017. The total dividend to be paid is circa US\$3.9m (2016: US\$3.8m) (see Note 21). In accordance with the accounting policy under IFRS set out in Note 2.24, 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 2017 financial statements up to the date of this report.

#### 28 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 2017, 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 2017 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 2017 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 2017. 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 is effective from 1 January 2018. It 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.

Throughout 2017 the Group performed a detailed analysis of the impact of IFRS 15; including a review of our contracts. Although at this stage, the Group is not yet 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:

##### Professional Services revenue:

- Timing of the recognition of the revenue in certain long-term service elements of services revenue contracts.
- Variable consideration, including termination fees arising on certain professional services revenue contracts.

##### Platform revenue:

- Identification of performance obligations after go-live.
- Accounting for minimum level of transaction fees which may be in excess of actual bookings processed.
- Variable consideration, including termination fees.
- Accounting for fees arising on the early release of the Digital Commerce Platform.

##### Costs:

- Accounting for certain costs which are currently expensed (for example, sales commissions).

The Group will perform more detailed assessments in the coming months, including the choice of the accounting policy to be taken and will provide quantitative data in the half-yearly 2018 Report.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2017

#### 28 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

##### 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 and is currently assessing the impact.

##### LEASES

IFRS 16, 'Leases' issued in January 2017 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\$7.3m at 31 December 2017 (See Note 25).

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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