Datalex

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ACTING CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER ("CEO") STATEMENT

This Annual Report sets out to summarise 2018 as transparently and methodically as possible in what has been the most difficult year in the history of the Group. Events uncovered in early 2019, including the breakdown in internal controls which failed to detect accounting irregularities, were unprecedented. I joined the Board of Datalex on 12 April 2019 at what was a critical time in the Group's evolution, and I did so notwithstanding these events as I believe in the Group's future prospects. Immediate action has been taken; the Group has significantly reorganised its finance function, strengthened the internal controls of the business with plans to further enhance this function, and is engaging in a process to procure an outsourced internal audit service provider. These issues are further dealt with in some detail elsewhere in this Annual Report.

It is extremely disappointing that the auditors have been unable to express an opinion on the financial statements, primarily because of the breakdown in the internal controls. The Board and management of Datalex have been working tirelessly since January to remedy this situation, and work on this continues. The Board, together with myself and the management team, are totally committed to restoring the Group's control procedures and governance throughout the organisation. It will remain a top priority until satisfactorily addressed.

Whilst these events and findings are a disappointment to the entire Board, my role will be to act as a key change agent leading the process of instituting the required remedies subsequent to these events and growing the business for the benefit of Datalex's shareholders, customers, employees and other stakeholders. Since my appointment, priorities have included a review of all the activities of the Group, meetings with several customers, engagement with all staff and effective implementation of the necessary identified changes.

MANAGEMENT CHANGES AND BOARD DEVELOPMENTS

Having joined the Board of Datalex plc as Deputy Chairman on 12 April 2019 and following the departure of Aidan Brogan on 1 May 2019, I also took up executive responsibility as Interim CEO of the Company on 2 May 2019. This is an interim measure, as noted below.

Paschal Taggart resigned as Chairman on 24 June 2019, and I became Acting Chairman. Under the provisions of the 2016 UK Corporate Governance Code, the positions of Chairman and CEO should not be exercised by the same individual. The Board believed at the time, and continues to believe, that this arrangement was appropriate as a short term measure given that it is not realistic to consider the position of Chairman until a permanent CEO is appointed, especially in the light of the challenges and uncertainties currently facing the Group. Accordingly, it is the Board's view that this arrangement was and is required as a short-term measure which is in the best interests of shareholders. The Board is currently undertaking a formal process for segregating these roles in the immediate future with the expectation that the positions of CEO and Chairman will be confirmed by the end of the year.

On 14 May 2019, we announced the appointment of Niall O'Sullivan as our new CFO with effect from 4 June 2019. Prior to Datalex, Niall was the Finance Director for EMEA at Google Inc. Other senior management changes have also taken place with several colleagues departing. Niall and I are currently working together to implement a new organisational structure that is fit for Datalex's business and the future. We will also continue to evaluate the composition of the Board and management team to ensure it has the skills and expertise necessary to drive the Group's future success.

RESTRUCTURING

Over recent years Datalex had significantly increased its cost base to meet the demands of its customers but this has not been sufficiently flexible to deal with the challenges that have arisen over the last twelve months. As a result of this, the Group has undertaken a cost restructuring programme which has impacted outsourced contractors and employees. Our outsource model and improvement of our flexibility to deliver to customers is under scrutiny and will be dealt with fully as part of a wider Transformational Change Programme, termed "RESET". Further details of cost restructuring measures are included in the Financial and Operational Review.

This has been a difficult period for our people. However, the restructuring that has been undertaken is necessary for the Group's future survival and will materially enhance our capability to deliver to customers.

CUSTOMERS

Customers recognise, and articulate with some consistency, that the Datalex core product and technology offering is of considerable value to their businesses. It is also clear in our conversations that improvements are required in the delivery and execution of services. Given our well-publicised challenges, we acknowledge that some customers may consider alternative providers. Datalex will have to regain their confidence in order to have a continuing relationship and we believe we can achieve this. Accordingly, the Directors are committed to ensuring that we get ourselves back on track in terms of what Datalex has executed well in the past and delivering what is of most value to our customers now and into the future.

ACTING CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER (CEO) STATEMENT

As part of our plans we will have a very strong customer focus with a better definition of deliverables and product capabilities, and a cultural shift where we hold our teams responsible for execution and timely delivery against our promises.

PRODUCT DEVELOPMENT

The investment required to support product development and customisation in the year contributed to the financial difficulties facing the Group.

During 2018, the total cash spent on deployment and product investment was c.US$27m. This amount, some of which was funded by our customers making advance payments for 2019, has put enormous strain on the finances of the Group.

FUNDING

The financial performance in the year was extremely disappointing and is dealt with in more detail in the Financial and Operational Review.

The Group finds itself in a tight financial position due to the level of expenditure mentioned previously. We have identified that Datalex will require further funding in the short term. To this end, it is our intention to arrange equity fundraising in the coming months. In the meantime, our largest ultimate beneficial shareholder, Mr. Dermot Desmond, has confirmed he will procure additional financing of up to US$5.5m to enable the Group to continue trading over the remainder of the calendar year. This support is subject to a number of conditions, including agreements of terms. Mr. Desmond has furthermore informed the Company that he will support the equity fundraising and will procure the participation of IIU Nominees Limited in its *pro rata* entitlement and will also work with the Company to secure the necessary underwriting of the equity fundraising. We are very grateful for the continuing support of Mr. Desmond during this challenging period.

STRATEGY

Datalex has a significant market opportunity and a powerful commercial model. It has in the past generated strong free cash flow. The industry is in a time of digital transition and is growing at a significant pace; in this context there is a need for companies such as Datalex. I am therefore confident, as is the Board, that we have a viable business model and that Datalex is in an excellent position to capitalise on this. We will present at the AGM the outcome of our evaluation and detail on our RESET programme which is referenced elsewhere in this report.

2019 OUTLOOK

We will continue to develop and build a strong customer focus, with a better definition of deliverables and product capabilities. We are continuing to extend our business with existing customers while also seeking new opportunities. Talks are ongoing with a number of potential new customers, some of which are at an advanced stage. This demonstrates the strength of Datalex's product as these discussions have continued notwithstanding the recent news. We will present a further update on our outlook for 2019 and beyond at the AGM which will reflect my personal commitment, and that of the team, to re-setting the course for the future of Datalex.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The events of last year are a significant disappointment. The breakdown in internal controls which I have already highlighted is dealt with in more detail elsewhere in this report and in the report of the independent auditors. The delay in publishing accounts as a result of addressing the internal control breakdowns and adopting new accounting standards has resulted in the suspension of trading on Euronext Dublin. Once we have full confidence in the systems and procedures in place, we will seek to have our listing reinstated. The Board is committed to addressing the matters raised in the independent review carried out by PwC in conjunction with McCann FitzGerald, the Group's legal advisors in March 2019, as well as matters arising from the audit. We have made and are making further changes in the finance function and have appropriate resources in place to support this significant transformation. We recognise that confidence has been broken and that trust needs to be regained.

The Board is considering the provisions of the new 2018 Corporate Governance Code (applicable to financial periods commencing after 1 January 2019), which sets a higher standard of corporate governance than that set by the 2016 Corporate Governance Code, and plans to implement a programme of work to ensure compliance with the relevant provisions of the 2018 Code for the financial year ending 31 December 2019.

CONCLUSION

I would like to thank shareholders for their patience, customers for their loyalty in adversity, and to thank our employees for their commitment and resilience. We look forward to presenting our plans for the coming years at the earliest opportunity, at which point we hope you will also share our confidence in the future of Datalex as we successfully deliver on those plans.

Sean Corkery
Acting Chairman and Interim CEO

DATALEX AT A GLANCE

The Datalex Digital Commerce Platform allows our airline customers to optimise the retailing of offers (product, price, promotion) and to complete retail transactions from start to finish across all digital sales channels. These two capabilities represent a significant evolution for airlines in an industry that was designed for a single product (the airline ticket) and a single channel (the travel agency). The Datalex Digital Commerce Platform allows the airline to increase the range and scale of products and services they can offer to passengers across an increasingly digital marketplace.

We estimate over one billion global shoppers use our platform every year to shop for their travel needs. More than US$20 billion of revenue is transacted through the platform as the digital commerce solution of choice for some of the world's leading airlines. Headquartered in Dublin, Ireland, with five office locations across Europe, USA and China, Datalex plc is a publicly listed Company and is listed on Euronext Dublin ("DLE").

VISIT THE DATALEX YOUTUBE CHANNEL

Go to www.datalex.com/platform to watch our Digital Commerce Platform video.

AIRLINE RETAIL EXPANSION AND SHIFT

Demand for travel continues to grow and this provides travel retailers with the opportunity to generate better returns as digital ecommerce retailers. The International Air Transport Association ("IATA") predicts that passenger numbers are forecast to almost double from 4.3 billion in 2017 to 8.2 billion by 2037 (a 3.5% compound annual growth rate).

The digital marketplace drives new revenue and profit opportunities for airlines. For example, airline ancillary sales are projected to reach US$92.9 billion worldwide in 2018 representing a 312% increase from the 2010 figure of US$22.6 billion.

The airline industry is equally in a state of distribution transition. Consumers have become accustomed to new purchasing behaviours and the industry has reacted with methods to simplify and enhance airlines' distribution capabilities. Airlines are operating in a dual state where the legacy distribution model remains in place whilst airlines pivot to embrace new technologies that will allow them to grow their direct and direct-connect distribution channels.

Datalex has a proven technology proposition in this large and growing addressable market. We are well positioned to meet the increasing demand for digital commerce capabilities in the travel retail sector.

DIGITAL COMMERCE FOR TRAVEL RETAIL

Airline revenue and margin expansion demands digital platforms designed for retail agility and pace. Travel retailers are transitioning to open, secure and scalable cloud-based commerce platforms, which enable a competitive offer experience and a consistent view of order across a rapidly evolving digital ecosystem of channels and touchpoints.

IATA's New Distribution Capability ("NDC") technology standard is a key enabler for which Datalex has the highest level of certification and compliance. The IATA ONE Order programme will drive the modernisation of the order management process for airlines. During 2018, Datalex was an active participant in the IATA ONE Order steering group and we continue to develop our order management capabilities at pace.

In 2018, Datalex continued to invest in its programme of platform "componentisation" which will deliver a diversified product portfolio of offerings and will make it easier for the customer to adopt incremental components of the platform.

In 2018, Datalex also continued its investment in cloud-based digital commerce services as well as new innovations in AI-driven dynamic pricing, digital payments and loyalty commerce. We are confident that the evolving platform will help us to scale for future growth.

OUR PEOPLE

2018 and year to date 2019 has been an unsettling period for our people. Late in 2018 the Group commenced an organisational redesign which was followed by a cost restructuring programme initiated in February 2019. Subsequently, whilst a number of people at all levels, including contractors, have left the business, a substantial cohort of key talent remains loyal and committed to Datalex. We are a global team of collaborative, creative and courageous travel commerce experts from over 25 nations, in five office locations across three continents.

PEOPLE SUCCESS

Our People Success framework is key to the development and retention of talent at Datalex. In 2018, we invested in our HR information system and we have begun to leverage more contemporary tools for internal digital communications.

LEARNING AND DEVELOPMENT

In 2018, we invested in several development and training initiatives. We continued to deliver our Leadership Development Programme - 'Leading with Courage and Creativity' - in conjunction with the Irish Management Institute ("IMI"). We sponsored participation on the DIT Postgraduate Diploma in Product Management and Agile and Project Management training was rolled out.

HEALTH AND WELL-BEING

Our 2018 Wellness programme comprised several initiatives including onsite health screening delivered by our healthcare provider.

DIVERSITY PROGRAMME

Datalex is committed to creating an inclusive environment where diversity is valued in all its forms. We are ongoing participants in the Women ReBOOT programme run by Technology Ireland. This programme is designed to encourage women to re-enter the workforce after prolonged absences and has been very successful in attracting great talent to the Group.

COMMUNITY

In 2018, as a sign of our commitment to making a positive impact on the communities in which we operate, we continued our '250 Club' initiative through which our global employees can apply for funding for local charities and good causes. We also continued our support for Temple Street Children's Hospital's 'Techies4TempleStreet'.

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

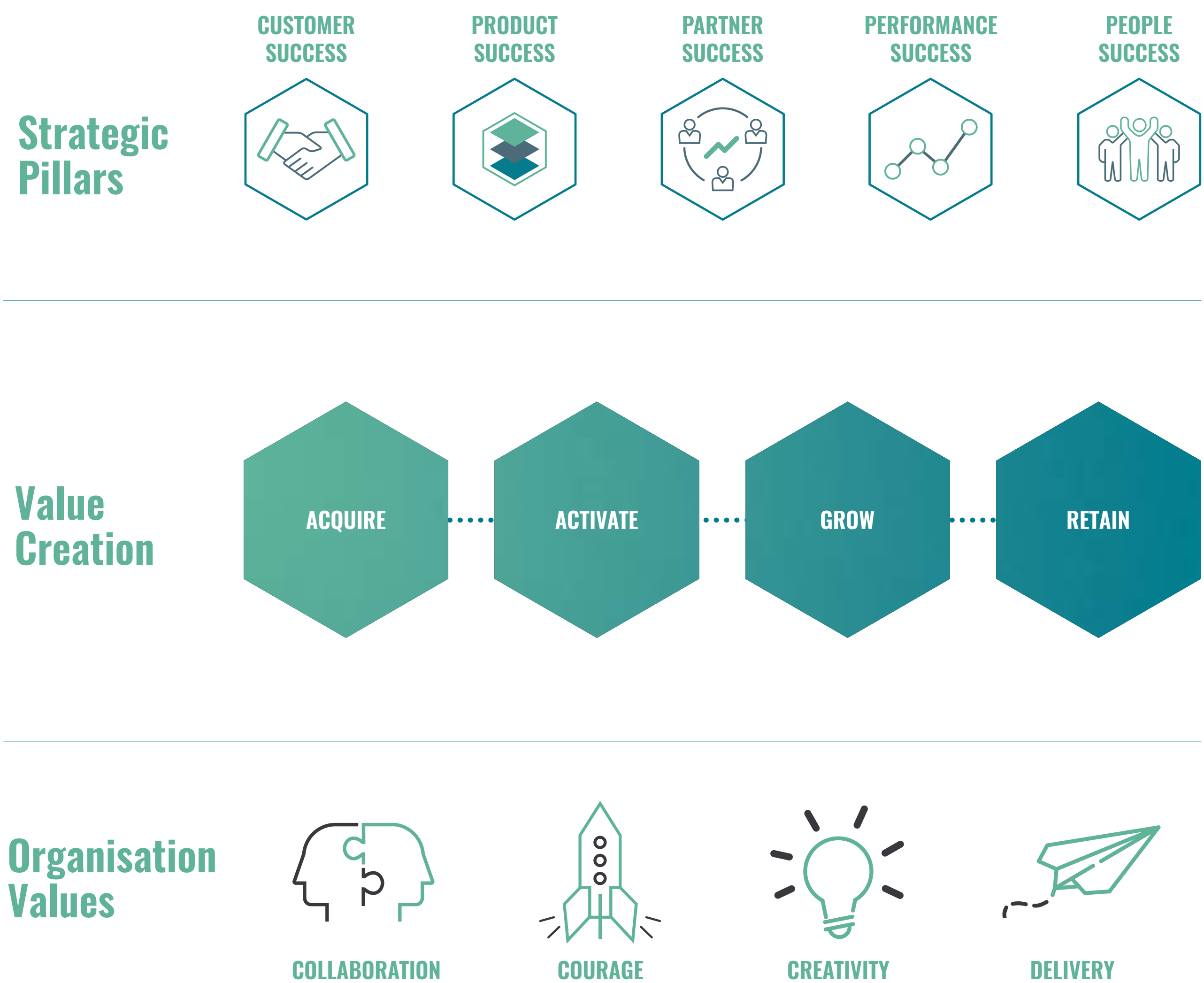
CREATIVITY

We continually seek innovative and creative solutions

OUR BUSINESS MODEL

Customer Success remains the foundation of our business model. Our products and services are critical to the commercial performance of our customers enabling growth in direct and direct-connect distribution channels.

Demand for our Digital Commerce Platform continues to grow, and our installed customer base is an important growth asset. We will continue to execute on this opportunity across global markets.



STRATEGIC PILLAR		2018 STRATEGY IN ACTION
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 – Maintain customer satisfaction – Focus on customer retention – Provide highest customer service and support levels	– A new customer contract was signed with Scandinavian Airlines ("SAS") for deployment in 2019 – Delivered valuable new platform capabilities to our customers to drive their commercial goals – Whilst we achieved full customer retention in the year there was some decline in revenues which is detailed later in this report – Continued investment in delivering best in class 24/7 customer support to our customers
CUSTOMER SUCCESS	– Improve agility and 'time to value' of software development and delivery – Scale platform for high volume retail: Performance and Cloud Enablement – An open platform to support growing ecosystem of users and channels – Invest in innovation	– Added Loyalty Commerce platform capabilities – Integrated with a number of new third-party providers – Enhanced the Search and Order Management related features in our digital commerce platform in readiness for industry interest in Order Management capabilities – Improved the platform release process – Continued investment in our Application Programme Interface ("API") First delivery strategy
PARTNER SUCCESS	– Partnerships which extend market reach – Partnerships which accelerate scale and operational efficiencies – Partnerships with accelerated innovation in digital commerce	– Our partnership with IBM created a small pipeline of new opportunities and resulted in the down selection to final two vendors for an APAC-based global airline – Our anticipated leverage via our partnership with Neusoft in China was disappointing – Partnered with Propeller Shannon (founded by Shannon Group's International Aviation Services ("IASC") and DCU Ryan Academy for Entrepreneurs, partnering with the Irish Aviation Authority and Boeing and supported by Enterprise Ireland) – Partnered with JetBlue Technology Ventures to work with start-ups within the Silicon Valley based venture firm's portfolio
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	– Our strategic objectives around financial discipline and commercial governance were not achieved in 2018. This is now a critical strategic priority for the Group to address in 2019.
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	– Continued to build on our digital commerce and airline in-house expertise – Invested in our People Success framework with the objective of ensuring that we retain, develop and attract leading talent – Extended implementation of a new employee engagement tool to streamline internal communications and our performance management process – Improved performance management via measured, value-related performance objectives for all our people

2019 STRATEGIC PRIORITIES

2019 is a year of transition for Datalex and in May we launched a Transformational Change Programme ("RESET"). This is well underway in terms of stabilising our business against a backdrop of improved financial discipline and commercial governance. Execution of our cost restructuring programme, which commenced in February is ongoing and is covered in some detail in the Financial and Operational Review section of this report.

We also need to grow the business; Datalex has a significant market opportunity and a viable commercial model. We are developing our pipeline in line with our product capabilities and will focus on opportunities that best fit our delivery model.

We will continue to nurture and develop our people during this time of change, and already, a cohort of new Datalex employees is infusing our activity with fresh energy and perspective.

Above all, the success of our customers continues to be core to our strategy, our values and our proposition. Whilst we initiated cost restructuring in 2019, we are confident of our ability to minimise any impact to customer deployments, customer quality and customer support levels as we move towards a leaner, more efficient Datalex.

FINANCIAL AND OPERATIONAL REVIEW

FINANCIAL REVIEW

In the spirit of transparency set out by our Acting Chairman and Interim CEO, Sean Corkery, it is my view that 2018 has seen an unacceptable level of breakdown in corporate financial controls in the Group with associated negative consequences.

The Group's financial results were deeply disappointing and significantly below expectation in 2018. The Group encountered severe difficulties in a number of areas relating to its services business such as incurring exceptional delivery costs, which are unlikely to be recovered in full, and extensive operating inefficiencies, which are being addressed in 2019. The Group has also incurred a number of once-off costs and expenses in the year which have been presented as exceptional items and which are explained more fully below.

It is also disappointing that there have been significant delays in publishing the Annual Report for 2018 and to see a disclaimed audit opinion on the financial statements. The delay in the publication of the Annual Report and financial statements has resulted not only in the prolonged suspension of the Company's shares on Euronext since 1 May 2019 but also in increased uncertainty amongst the Company's shareholders, customers and other stakeholders as they await this publication.

The management team, the Board and the finance team have been determined, since the events caused by the breakdown in controls came to light, to ensure that the financial statements are as materially accurate and as transparent as possible. We fully engaged with the external audit process and confirm that all the necessary actions have and continue to be taken to address the matters referenced in the audit report.

In our statement to the market on 27 March 2019, we outlined the breakdown in internal controls and accounting irregularities uncovered following a detailed investigation of the facts. As a result of such a breakdown in controls and accounting irregularities, the audit process has proven to be particularly onerous, consuming a considerable amount of work and resources to bring it to a conclusion. The effect has been that valuable resources have been diverted to investigating the past rather than helping to enhance the internal control environment and to appraise current business performance and its future prospects.

The disclaimed audit opinion stems from two primary sources - the breakdown in internal controls and the accounting irregularities. An additional contributing factor has been the lack of preparation for the implementation of the new accounting standard IFRS 15, which for Datalex had major implications due to the complexity of certain contractual relationships. Since January the Board and Group management have put extensive time and effort into facilitating the audit and the provision of all possible information to the auditors.

A disclaimer of audit opinion is a very serious matter, which has had consequent effects on the section of the audit opinion relating to Other Matters Prescribed by the Companies Act 2014. As a result of the overall disclaimed opinion, the auditors are required to state that, inter alia, they have been unable to form an opinion on whether the information given in the directors' report is consistent with the financial statements and whether the directors' report has been prepared in accordance with the Companies Act 2014. They are also required to state that they cannot assess if the Company statement of financial position is in agreement with the accounting records and that they cannot form a view on the disclosures in the report to shareholders by the Board of Directors' remuneration.

In our opinion, we have exercised strict diligence to ensure that the directors' report is consistent with the financial statements and in compliance with the Companies Act 2014, that the statement of financial position is in agreement with the accounting records and that the disclosures in relation to Directors' remuneration are complete and accurate and in compliance with the Companies Act 2014.

Having specialised in finance transformation within large global companies for much of my career, it is clear to me what needs to be done, and while improvements have been made, considerable work is still required which will continue in 2020. Many studies have confirmed the strong correlation between highly successful businesses and world class finance functions, and we need to rebuild from the ground up. We operate in a high-tech environment delivering complex projects for very large customers. Our product lies at the core of their businesses and is mission critical. A finance function that can deliver fast, accurate and reliable information to the management team, the Board and the shareholders is vital for the future of Datalex. I have the full support of the Board in doing whatever is necessary to build such a function as quickly as possible.

In the short term, the objectives will be to ensure that immediate internal control improvements are implemented to seek a relisting of our shares on Euronext. In addition, a process has commenced to procure an outsourced internal audit service provider. While the Board is satisfied it has taken the appropriate immediate action, it has significantly increased its oversight in 2019 to date and is continuing to assess the Group's material risks and the effectiveness of internal controls.

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future. To this end, it is our intention to arrange equity fundraising in the coming months. In the meantime, our largest shareholder Mr. Dermot Desmond, has confirmed that he will procure additional funding to enable the Group to continue trading over the remainder of the calendar year. As noted in the Acting Chairman and Interim CEO's statement, certain terms and conditions are attached to this support, and Note 2.3 to the financial statements more fully details these conditions and the impact they have on the going concern assessment undertaken by management. Mr. Desmond has informed the Company that he will support the equity fundraising and will procure the participation of IIU Nominees Limited in its *pro rata* entitlement and will also work with the Company to procure the necessary underwriting of the equity fundraising. We are very grateful for the continuing support of Mr. Desmond in this challenging period. The Directors

FINANCIAL AND OPERATIONAL REVIEW

are of the strong opinion that this is a viable business and this funding will enable the Group to return to sustainable profitability. As part of the finance function reorganisation and internal control improvement outlined above, there has been a drive to enhance the internal processes that ensure accurate financial information is provided to the Board on a timely basis which allows for correct funding decisions to be made going forward.

COST RESTRUCTURING PROGRAMME

The Group commenced a cost restructuring programme in February 2019. As part of this programme several initiatives were identified including a number to improve internal controls. Several of these initiatives have already commenced, with further work ongoing. These include:

- Reorganising the finance function and adding to its capability with a new Head of Finance and Head of Commercial Finance appointed.
- Implementing new accounting processes in relation to revenue recognition, including the engagement of PwC to support IFRS 15 implementation.
- Establishing a new budgeting and reforecasting process in respect of 2019 and 2020.
- Establishing a new process in relation to the decisions on and controls over product development expenditure.
- Employing an external accounting firm to review the effectiveness of the Group's finance function and to recommend improvements.
- The introduction of a new internal audit function, which will be performed by an outsourced provider. The process to select this provider by the Audit Committee is well advanced and it is anticipated that the appointment will be made in the second half of 2019.
- A project has commenced to identify the Group's financial and operating information needs with a view to enhancing our financial and time recording systems.

KEY FINANCIAL RESULTS

	2018 As reported US$'M	2018 IFRS 15 adjustments US$'M	2018 Before IFRS 15 adjustments US$'M	2017 As reported US$'M
Platform revenue [(1)]	***23.5***	***(2.0)***	***25.5***	*27.2*
Services revenue	***19.4***	***2.7***	***16.7***	*34.6*
Consultancy revenue	***1.9***	***-***	***1.9***	*2.0*
Other revenue	***0.3***	***0.1***	***0.2***	*0.2*
Total revenue	**45.1**	**0.8**	**44.3**	63.9
Operating costs [(2)]	**54.9**	**(1.9)**	**56.8**	56.6
Exceptional costs (including income tax)	**37.1**	**-**	**37.1**	-
Adjusted EBITDA [(3)]	**(1.9)**	**2.8**	**(4.7)**	14.2
(Loss)/ Profit after tax	**(47.2)**	**2.8**	**(50.0)**	7.1
Cash and cash equivalents	**8.4**	**-**	**8.4**	16.2
Cash (used in)/ generated from operations	**(3.7)**	**-**	**(3.7)**	9.6
Intangible assets	**0.1**	**-**	**0.1**	26.6
Net working capital [(4)]	**(11.7)**	**(3.7)**	**(8.0)**	13.7
EPS – basic (cent)	**(61.47)**	**3.58**	**(65.05)**	9.32
EPS – diluted (cent)	**(61.47)**	**3.58**	**(65.05)**	8.94

(1) Platform revenue is earned from the use of the Group's Digital Commerce Platform by our customers. See also Note 17.

(2) Operating costs include cost of sales, selling and marketing costs, administrative expenses, net impairment losses on financial and contract assets and other gains/(losses) (see Note 18 and Note 21). They are stated before separately disclosed exceptional items.

(3) Adjusted EBITDA is defined as earnings from operations before (i) interest income and interest expense, (ii) tax expense, (iii) depreciation and amortisation expense, (iv) share-based payments cost and (v) exceptional items (see Note 22).

(4) Net working capital is calculated as current assets less current liabilities. The current assets and current liabilities subtotals can be found in the Consolidated Statement of Financial Position on page 52. Narrative reconciling the movement in the net working capital is detailed in the "Cash and Financial Position at 31 December 2018" commentary on page 12.

REVENUE

The Group implemented IFRS 15, *Revenue from Contracts with Customers*, on 1 January 2018 and our revenues have been accounted for under that standard for 2018. The implementation of IFRS 15 incurred a very significant level of investment in time, resources and associated advisory costs. A large-scale implementation exercise was completed. Recent commercial changes negotiated with customers added further considerations to what was an already complex implementation exercise.

In line with the provisions of IFRS 15, we have not restated comparative financial information, and 2017 numbers in this report are reported under the previous standard, IAS 18, *Revenue*. For comparability purposes, we have also presented our revenue numbers for 2018 under IAS 18 and these are discussed below. Further information on the impact of the transition from IAS 18 to IFRS 15 on our reported financial numbers is given in Note 33 to the financial statements.

REVENUE AS REPORTED UNDER IAS 18

Total revenue of US$44.3m was US$19.6m or 31% lower than that recorded in 2017. This was primarily driven by poor services revenue performance.

Services revenue

Services revenue of US$16.7m (as reported in accordance with IAS 18) was down US$17.9m or 52% on 2017, predominantly due to material reductions in respect of a concentrated number of specific customer accounts where the Group encountered difficulties during the year.

Particularly in the case of one large customer account, there was a very significant increase in the overall estimated delivery effort throughout 2018 due to the increased scope of the required deployment. As a result of the continuous upward revisions in contract completion estimates over the course of 2018, the state of completion did not materially change. This resulted in no revenue recognised for this customer account in 2018.

Platform revenue

Platform revenue of US$25.5m (as reported under IAS 18) was down year-on-year by US$1.7m or 6%. No new customers were deployed onto the Group's digital commerce platform during the year.

REVENUE IMPACT FROM THE IMPLEMENTATION OF IFRS 15

As a result of the implementation of IFRS 15 on 1 January 2018, total 2018 revenue increased by US$0.8m as compared to the amount that would have been reported under IAS 18. The impact on services, platform and other revenue is presented below:

	2018 As reported US$'M	2018 IFRS 15 adjustments US$'M	2018 Before IFRS 15 adjustments US$'M
Platform revenue	**23.5**	(2.0)	25.5
Services revenue	**19.4**	2.7	16.7
Consultancy revenue	**1.9**	-	1.9
Other revenue	**0.3**	0.1	0.2
Total revenue	**45.1**	**0.8**	**44.3**

The key impacts on reported 2018 revenue of the application of the new revenue recognition standard were:

- Free man days included in customer contracts have been valued and reallocated from platform to services revenues. This resulted in a reduction in platform revenue of US$2.0m and an increase in services revenue of US$2.7m in 2018.
- Discounts provided to customers under the terms of the related contracts have been assessed and allocated to services revenue.

As noted above, in line with the provisions of the standard, prior year figures have not been restated and the cumulative effect of applying IFRS 15 up to the date of transition has been accounted for as an adjustment to opening 2018 equity. This adjustment was a reduction in retained earnings of US$5.8m, comprising a revenue deferral to future periods of US$15.9m net of related cost deferrals of US$10.1m. Both deferrals have arisen primarily from one major customer contract, where the revenue is expected to be recognised under IFRS 15 from the date of completion of the installation and customisation of the platform for that customer.

We note also that the audit opinion states in relation to the implementation of IFRS 15 that they were unable to ascertain the appropriateness of the carrying amount or recoverability of deferred contract fulfilment costs of $11.5 million. We point out that there is a related amount of $10.8 million within Contract Liabilities in the Statement of Financial Position, which reduces the Group's net exposure, in this regard, to $0.7 million, which the directors are satisfied will, as a minimum, be realised.

POST BALANCE SHEET EVENTS

As referenced in Note 32, on 23 May 2019, the Group received a notice of termination from Multiplus S.A. in respect of the Master Agreement entered into between the parties on 27 April 2018. This followed the acquisition of Multiplus by LATAM Group. The Group is currently assessing the implications of this notice and is in dialogue with LATAM on the termination arrangements and potential future business relationships.

On 4 September 2019, the Group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter.

OPERATING COSTS

Our operating costs before IFRS 15 adjustments and exceptional items grew marginally by US$0.2m to US$56.8m (2017: US$56.6m). The main cost increases were in respect of amortisation of development costs which were US$1.3m or 25% higher than in 2017, higher professional and consulting costs of US$0.7m reflecting some once-off review work, and increases of US$0.7m in other costs, primarily driven by business growth. Offsetting these cost increases, contractor and outsource partner costs of US$22.1m (before capitalisation) were US$3.5m or 14% lower than recorded in 2017 and there was a US$0.7m reduction in the share-based payments cost in 2018 due to the non-vesting of awards in 2018 and staff departures.

The implementation of IFRS 15 in 2018 resulted in a reduction of US$1.9m in costs in the year. This was primarily due to the deferral of staff and contractor/outsource partner costs. Contract fulfilment costs incurred of US$2.1m are related to future revenues, and there was a net deferral of sales commission costs of US$0.2m.

	2018 As reported US$'M	2018 IFRS 15 adjustments US$'M	2018 Before IFRS 15 adjustments US$'M
Operating costs [1]	**54.9**	**(1.9)**	**56.8**
Net finance charge	**0.4**	**-**	**0.4**
Exceptional costs	**37.1**	**-**	**37.1**
Total costs	**92.4**	**(1.9)**	**94.3**

(1) Operating costs include cost of sales, selling and marketing costs, administrative expenses, net impairment losses on financial and contract assets and other gains/(losses) (see Note 18 and Note 21).

Contractors and outsource partners accounted for 43% of our total resource costs in 2018, compared to 48% in 2017. The reduction in the contractor/outsource partner percentage primarily reflected an activity-driven lower level of contractor hours in 2018 versus 2017, some cost savings achieved and a change in the mix of contractors used during the year.

The use of contractors and outsource partners generally provides us with a more flexible operating model.

The majority of the Group's cost base is comprised of headcount (staff and contractor) costs. During 2018, the Group's cost base reached levels in excess of 100% of Group revenues which was neither efficient nor sustainable. This increase in the cost base was caused by the rapid growth of the business in recent years and significant investment in its digital commerce platform, especially in the context of a major customer implementation.

Given the Group's high cost base entering 2019, a cost restructuring programme has been undertaken which has impacted outsourced contractors and employees. This process commenced during H1 2019. It is expected that the programme will deliver cost savings of c.US$9m in 2019. The Group expects to incur once-off programme implementation costs in 2019 of c.US$2m. From 2020, the Group expects to generate annualised cost savings of c.US$13m.

ADJUSTED EBITDA, EXCEPTIONAL ITEMS, (LOSS)/ PROFIT AFTER TAX

RECONCILIATION OF (LOSS)/PROFIT AFTER TAX TO ADJUSTED EBITDA

	2018 As reported US$'000	2018 IFRS 15 adjustments US$'000	2018 Before IFRS 15 adjustments US$'000	2017 As reported US$'000
(Loss)/ profit after tax	**(47,233)**	**2,751**	**(49,984)**	**7,060**
Adjustments:				
Tax charge/ (credit)	**2,537**	**-**	**2,537**	(77)
Interest expense	**408**	**-**	**408**	305
Interest income	**(10)**	**-**	**(10)**	(23)
Depreciation and amortisation expense	**7,789**	**-**	**7,789**	6,330
Share-based payments (credit)/ cost	**(147)**	**-**	**(147)**	599
Total adjustments before exceptional items	**10,577**	**-**	**10,577**	7,134
Exceptional costs (before income tax)	**34,746**	**-**	**34,746**	-
Total adjustments after exceptional items	**45,323**	**-**	**45,323**	7,134
Adjusted EBITDA	**(1,910)**	**2,751**	**(4,661)**	**14,194**

We recorded an Adjusted EBITDA loss of US$4.7m in 2018 (before IFRS 15 adjustments) which compares to a profit of US$14.2m in 2017. The implementation of IFRS 15 in 2018 reduced the EBITDA loss by US$2.8m compared to what would have been reported under IAS 18 (US$4.7m). Depreciation and amortisation expense of US$8.0m (2017: US$6.3m) includes amortisation of product development costs of US$6.3m (2017: US$5.0m).

We invested US$12.4m (US$13.2m gross less US$0.8m R&D tax credit) in our platform during 2018. This was similar to the US$13.1m spent in 2017. Our 2018 platform investment largely represented a continuation from 2017 activity and reflected core platform development work as well as customer specific enhancements. Investment was across areas such as Offer Management, Order Management, Omni-Channel Management, Dynamic Pricing, Digital Payments, Cloud capabilities, Componentisation and API First strategy. In 2018, product development costs amounted to 52% of platform revenue on a pre-IFRS 15 implementation basis (2017: 48%).

We are currently reviewing our approach to market and our platform development activities with a view to focusing on our core platform product rather than on customer-specific customisation activity. In reviewing the platform investment in 2018 we concluded that the spend did not meet the recognition criteria of the relevant accounting standard, IAS 38, in particular the requirement to demonstrate that the 2018 expenditure incurred would generate probable future economic benefits. Similar to the operating inefficiencies that arose in our services business described earlier, inefficiencies were identified in our product investment. Accordingly, the net product development costs of US$12.4m incurred in the year has been treated as an expense. Given the significance of this balance, it has been disclosed as an exceptional item (see Note 22 to the financial statements).

Furthermore, we have decided that an impairment charge of US$20.0m against capitalised product development costs should be recognised in 2018, as it is uncertain to whether our platform investment will be realised through future revenues, and whether the intangible asset will generate future economic benefits. Future expenditure incurred in respect of these product development activities will be recognised as an expense until such time that it is probable that future economic benefits that are attributable to the asset will flow to the Group.

The Group also recorded a number of other exceptional costs and expenses in 2018 amounting to US$4.8m (see also Note 22), as follows:

- Derecognition of deferred tax assets of US$2.4m. The Directors have determined that it is not appropriate to recognise deferred tax assets in respect of past tax losses as they do not consider that there is convincing evidence to meet the necessary test of recognition of a deferred tax asset.
- Accrual of professional costs and expenses of US$1.5m relating to the implementation of IFRS 15 and other accounting standards required for the first time in 2018.
- Accrual of professional costs of US$0.7m and expenses associated with the review of accounting and other irregularities that occurred in 2018.
- The recognition of an onerous contract under IFRS 15 of US$0.2m in relation to one customer contract.

CASH AND FINANCIAL POSITION AT 31 DECEMBER 2018

Our cash and short-term investments at 31 December 2018 totalled US$8.4m (2017: US$16.2m), a decrease of US$7.8m or 48% year-on-year. Cash used in operations was US$3.7m (2017: US$9.6m cash generated from operations), the disimprovement of US$13.3m reflecting the continued working capital investment in new deployments and in ongoing platform development. The Group anticipates a significant reduction in development expenditure in 2019 reflecting the maturity level of the Group's Digital Commerce Platform.

Net current liabilities at 31 December 2018 were US$11.7m (2017: US$13.8m net current assets) which represents a year-on-year decrease of US$25.5m in working capital. This decrease is primarily due to a reduction in contract assets (presented as accrued income in 2017) of US$8.8m, an increase of US$7.7m in current contract liabilities (presented as deferred income and customer advances in 2017) and a reduction in the year end cash balance of US$7.8m.

FINANCING COMPLETED IN 2019 AND FURTHER FINANCING REQUIREMENTS

The Group remains focused on returning to profitability and anticipates the completion, by early 2020, of a number of customer deployments which, the Board believes, are set to generate platform revenue growth in 2020. In addition, negotiations are ongoing with one such customer regarding the recovery of some significant deployment costs incurred. In this context, the Directors, in early 2019, identified a near-term funding requirement for working capital.

The Board, with its financial and legal advisers, considered a number of alternative funding options to meet the Group's near-term funding requirement including an equity placing with new and existing shareholders and bank financing, and concluded that successful execution of any such option on acceptable terms would be challenging principally given the uncertainty surrounding the Group's financial position. The Board also entered into discussions with and provided information to IIU Nominees Limited ("IIU"), our largest shareholder, a company ultimately owned and controlled by Mr. Dermot Desmond and Tireragh Limited ("Tireragh"), a company ultimately owned and controlled by Mr. Desmond, a related party, which culminated in the Company agreeing the terms of a share placing and secured loan facility (the "Facility"). The Board concluded that the most appropriate short-term financing arrangements were those with Tireragh as, given Tireragh's knowledge of the Group and the business, they were able to offer the best available financing option to the Group.

The share placing, which completed on 14 March 2019, raised proceeds of €3.859m at €1.00 per ordinary share (representing a premium of 42.9% to €0.70, the closing market price per Datalex plc ordinary share on Euronext Dublin on 11 March 2019, the day before the Company announced that it was in discussions with IIU in relation to the placing).

The Facility was approved by shareholders at an EGM held on 26 April 2019. The Facility provides for a maximum drawdown aggregate amount of €6.141m which may be utilised by the Company by way of one or more advances, giving the Group valuable funding flexibility. Interest will be charged on each amount drawn down by the Company at a rate of 10% per annum, accruing from the date of drawdown, and compounding monthly with interest payment deferred until maturity or repayment by the Company. The Facility has a term of 18 months and is secured by a fixed and floating charge over the Company's and other Group assets. The Group commenced drawing down the facilities in June 2019.

The Board is keeping the issue of funding under ongoing review and has identified that the Group will require further funding in the short term. To this end, it is our intention to arrange equity fundraising in the coming months. In the meantime, our largest ultimate beneficial shareholder, Mr. Desmond, has confirmed he will procure additional funding to enable the Group to continue trading over the remainder of the calendar year. This support is subject to a number of conditions, including agreement of terms. Mr. Desmond has furthermore informed the Company that he will support the equity fundraising and will procure the participation of IIU in its *pro rata* entitlement and will also work with the Company to secure the necessary underwriting of the equity fundraising.

DIVIDENDS

The Board is not recommending that a dividend be paid in respect of 2018. A dividend of five US cents per share was paid to shareholders during 2018 amounting to US$3,837,000 (2017: US$3,775,000).

As more fully described in Note 26 to the financial statements, the 2018 dividend payment was funded primarily via a US$4.0m dividend from its principal subsidiary undertaking, Datalex (Ireland) Limited ("Datalex Ireland"). Management subsequently identified that Datalex Ireland did not in fact have sufficient distributable profits to legally make the dividend payment to the Company under the relevant provisions of the Companies Act 2014. The amount of US$4.0m received by the Company by way of this unlawful distribution has, in accordance with legal advice received, been presented in its financial statements at 31 December 2018 as an intercompany balance repayable due to Datalex Ireland and has been derecognised as dividend income in the Company's statement of profit or loss.

The Group is considering with its legal advisers whether it would be in the best interests of the Group and its stakeholders to take actions against former executives to recover value and will take such action if advised that it is appropriate to do so. Any decision to take such action will require careful consideration, having regard to amongst other things, the chances of success and recovery, the likely form of proceedings and the collateral implications for any regulatory inquiries involving the Group.

TAXATION

The effective rate of tax in the Group remains at zero due to the significant losses incurred in 2018. The Group also has historic tax losses. At 31 December 2017, the Group had recorded a net deferred income tax asset of US$2.4m, which included US$5.7m of tax losses and credits recognised as a result of the-then expected increase in future profitability of the business. As a result of the issues experienced in 2018 and the more uncertain environment in which the Group is now operating, the Board has decided that recognition of these deferred income tax assets is no longer appropriate, and the deferred tax balance was derecognised at 31 December 2018.

ACCOUNTING REVIEW AND INTERNAL CONTROL FINDINGS

As a result of the detection of serious breakdown in our internal financial controls in early 2019, PwC, in conjunction with McCann FitzGerald, the Group's legal advisors, was engaged to perform an independent review which confirmed that accounting irregularities and material internal control failures had in fact occurred during 2018. Revenues, adjusted EBITDA and profit for the six months to 30 June 2018 were misstated and were not properly reported under IFRS 15, and the full year guidance given to the market in November 2018 was incorrect. In addition, as noted above, the dividend paid by the Company to shareholders of US$3.8m in September 2018 was made on the basis of an unlawful distribution from a subsidiary company. The results of the review are more fully outlined in the Accounting Review and Internal Controls Findings section of the Directors' Report.

The findings of the review are extremely disappointing. The Board, senior management and I are fully committed to taking the necessary steps to ensure that a proper and effective internal financial control system is in place for the future. This is being achieved through the hiring of suitably qualified staff, improved financial planning and reporting processes and the implementation of more robust financial processes and controls. We are also looking at ways to automate processes and introduce enhanced reporting capabilities through improvements in systems. Some of these initiatives have already been achieved as outlined in the cost restructuring programme above, while others are currently a work in progress. PwC was engaged to perform an assessment of the finance function in May 2019 and the findings of the report are providing a roadmap for remediation.

I am confident that the corrective actions taken to date will prevent a future reoccurrence.

CONCLUSION

The various events and issues uncovered in early 2019, which have been outlined in detail above, are a major disappointment to the entire Board. Having joined Datalex as CFO in June 2019 at what was a very difficult time for the Group and its financial position, I see my appointment as part of the process to solve the significant internal control failings that occurred in 2018. Actions we take will benefit from my previous experience and will strengthen processes and disciplines throughout the business. The Board has been unstinting in its support in implementing these required changes and is wholly committed to restoring shareholder, customer and employee confidence. This report demonstrates our intent to be fully transparent in our communications with all our shareholders now and into the future. Finally, I would like to thank the Board and employees for their support since my appointment.

Niall O'Sullivan
Finance Director

5 September 2019

RISK REPORT

The Board of Directors and the executive leadership team are responsible for ensuring that the Group has an effective system of internal controls and risk management in place to identify, measure, mitigate and monitor significant risks that may impact the achievement of the Group's strategic objectives. This includes setting the Group's risk appetite. The Board has delegated the monitoring of the internal controls and risk management systems to the Audit Committee.

The intention of the Board is that our risk management systems ensure that business risks, whether it be to the integrity of key processes, systems and data, or the successful execution of our growth strategy, are incorporated into decision making and performance reporting on an ongoing basis.

As set out separately in the Corporate Governance Statement, a serious breakdown in internal controls during 2018 has been identified and reported on.

RISK REGISTER

The Group maintains a comprehensive risk register, which records identified risks across Service Delivery, Product Performance, Customer Success, Organisation Development, Financial, Cyber Security and Business Continuity, and Business Growth. Each risk is measured in terms of financial impact and probability. Mitigating actions are listed which inform the residual risk rating. This is reviewed and updated twice a year.

INTERNAL AUDIT

As set out in the report of the Audit Committee, no internal audit resource was in place in 2018. The Group has commenced a process to appoint a suitably qualified, independent third party to provide internal audit services on an outsourced basis.

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 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 two-year time horizon should be used in line with the financial forecasts currently available. Management reviewed the principal risks to the Group and considered if each in isolation might threaten the Group's viability. It was determined that the underestimation of resources required on our major deployment together with the working capital investment that arose has threatened the Group's viability. As set out in detail in the going concern section on pages 22 to 23, our largest shareholder Mr. Dermot Desmond has provided a commitment that he will procure further financial support that will enable the Group to continue as a going concern.

As set out in the Audit Committee's report on pages 30 to 33, the Directors reviewed and discussed the process undertaken by management to assess the financial viability of the Group. The Directors' Viability Statement is contained in the Directors' Report on pages 23 to 24.

PRINCIPAL RISKS

A summary of the Group's principal risks is set out below:

Risk Area	Potential impact	Mitigation	Direction
Quality of service delivery to customers	Cost overruns. Brand damage. Customer loss.	A new organisation structure has been put in place in late 2018 and early 2019 to separate delivery from product development. An improved partner led operating model is in deployment. Our investment roadmap includes development of test automation programmes and continued implementation of Agile methodology to ensure service delivery.	*Increased* We have had significant challenges on deployment which has impacted all customers. Specifically, we underestimated the resources required to service new contracts which are broader in scope. This has had severe financial consequences in terms of the additional costs that have been incurred in the year.
Working capital investment	Our investments in technology and platform in 2018 has reduced our liquid resources significantly as evidenced by the US$12.4m of net development expenditure incurred in 2018 which is presented in exceptional items (Note 22) in the financial statements.	New funding received in 2019 (€10m). A restructuring has been undertaken that is expected to yield savings of c.US$9m in 2019, an annualised c.US$13m in 2020. We are developing solutions that are easier to sell and deploy.	*Increased* There have been significant financial consequences arising from the deployment overruns referred to above as well as the spend on 2018 platform development
Capabilities to service the business	Ability to execute on serving our customer base and to serve new customers.	A new organisation structure has been put in place to separate delivery from product development. Development of management team including the engagement of external consultants. An improved partner led operating model is in development.	*Increased* Our capabilities have also been impacted by the deployments mentioned above.
Business growth	Financial performance and brand.	A new sales strategy and organisation was put in place in 2018. Development of cloud enabled components that are easier to sell and deliver. Pursue opportunities in other travel verticals. Competitive brand positioning as the leading provider of digital commerce for travel across sales, customer and partner networks.	*Increased* Given the financial challenges facing the Group it is inevitable that some customers may look to alternative providers. We will have to regain their confidence to have a continuing relationship. We have paused any plans to pursue opportunities in other verticals. We have increased our diligence around choosing opportunities to pursue.
Business interruption and IT Systems Security and Compliance	Financial performance and brand.	Maintain PCI and GDPR compliance. Develop alternatives for single site location systems.	*Stable* The Group has not encountered any IT system or security issues. We continue to invest in infrastructure in these areas

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Sean Corkery
(Acting Chairman and Interim Chief Executive Officer)

Niall O'Sullivan
(Chief Financial Officer and Finance Director)

John Bateson
(Non-Executive Director)

Roger Conan
(Senior Independent Non-Executive Director)

Peter Lennon
(Non-Executive Director)

Garry Lyons
(Independent Non-Executive Director)

COMPANY SECRETARY

Neil McLoughlin

REGISTERED OFFICE

Block U EastPoint
Clontarf
Dublin 3
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

EY
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40

REGISTERED NUMBER

329175

DATE OF APPOINTMENT (AND LENGTH OF SERVICE TO DATE OF THIS ANNUAL REPORT) TO THE BOARD AND COMMITTEES OF DATALEX PLC

Name	Datalex plc Board	Audit Committee	Remuneration Committee	Nominations Committee
John Bateson	20 November 2006 *(12 years 9 months)*	5 February 2007 *(12 years 7 months)*	21 April 2010 *(9 years 4 months)*	21 April 2010 *(9 years 4 months)*
Roger Conan	30 May 2011 *(8 years 3 months)*	15 December 2011 *(7 years 8 months)*	6 February 2012 *(7 years 7 months)*	6 September 2012 *(7 years)*
Sean Corkery	12 April 2019 *(4 months)*	-	-	-
Peter Lennon [1]	4 August 2000* *(19 years 1 month)*	3 December 2009 *(9 years 9 months)*	4 August 2000 *(19 years 1 month)*	-
Garry Lyons	21 June 2013 *(6 years 2 months)*	-	-	-
Niall O'Sullivan	4 June 2019 *(3 months)*	-	-	-

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

BOARD OF DIRECTORS

SEAN CORKERY
ACTING CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER
Sean Corkery was appointed as Non-Executive Director and Interim Chief Executive Officer of Datalex in April 2019, and subsequently appointed as Acting Chairman in June 2019. Sean has more than 37 years of experience and has held multiple senior positions in the technology industry including; Vice President of Global Supply Chain Operations at Dell Inc, COO at Esat Telecom, Vice President of Global Operations at AST Computers and Director of Pacific Region Operations at Apple. Prior to joining Datalex, Sean was Chairman and CEO at Actavo. Sean is a Non-Executive Director of Actavo, CTI Global, Hibernia College, Digicel Group and Nualtra.

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 Limited ("IIU"), the latter being a related party.

ROGER CONAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Roger Conan was appointed a Non-Executive Director of Datalex in May 2011. He is a private investor and company director. He qualified as a Chartered Accountant with KPMG where he worked in General Practice and then in Corporate Finance. In 1984 he joined National City Brokers, the forerunner of the NCB Group and then worked with associated companies concluding in 2000, with a role in the development and management of the Dublin International Financial Services Centre.

PETER LENNON
NON-EXECUTIVE DIRECTOR
Peter Lennon has been a Non-Executive Director of Datalex since 1993. He was the Company Secretary from 18 February 2019 to 23 August 2019. He brings 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 and airlines on liability claims matters.

Peter Lennon's appointment as Company Secretary in 2019 has been considered in the context of his role as Non-Executive Director on page 28 within the Corporate Governance Statement.

GARRY LYONS
INDEPENDENT NON-EXECUTIVE DIRECTOR
Garry Lyons was appointed as a non-executive director of Datalex in June 2013. Mr. Lyons is Chief Executive Officer of Shipyard Technology Ventures. Garry is a technologist by training, with a B.Sc. in Computer Applications from Dublin City University. He has nearly 20 years' experience in the software and financial services industries, primarily focused on innovation and on the technology and business development aspects of deploying complex, large scale payment systems to some of the largest financial institutions in the world. Prior to Shipyard Technology Ventures, Mr. Lyons was the Chief Innovation Officer of Mastercard, the Chief Executive Officer of Orbiscom and he also held various senior technology positions in Cognotec, Credo and ICL.

NIALL O'SULLIVAN
CHIEF FINANCE OFFICER
Niall O'Sullivan was appointed as Chief Financial Officer and Director of Datalex plc in June 2019. Niall is highly experienced in finance strategy, accounting and compliance in high tech industries. Prior to joining Datalex, Niall was Finance Director (EMEA) at Google Inc. where he had full responsibility for accounting, financial compliance and controls for the EMEA region. Niall has led global finance operations and executed complex finance transformation projects for technology PLCs such as Pearson plc, Vodafone plc and with corporations such as Oracle and Dell. In Vodafone, Niall was CFO for Eircell, Vodafone Ireland and Vodafone Portugal before going on to lead Global Finance Transformation and Operations for all Vodafone worldwide subsidiaries.

PASCHAL TAGGART
NON-EXECUTIVE DIRECTOR (RESIGNED 24 JUNE 2019)
Paschal Taggart was appointed as a non-Executive Director in 2001 and was appointed Chairman of the Board in December 2009. Paschal resigned as Chairman and from the Board on 24 June 2019. A very experienced finance professional, with significant commercial expertise, he was formerly Chairman of Orbiscom plc and held the position of Chairman in a number of major Irish and international businesses, including ITG plc, Ireland on Sunday (1998-2001) and Jervis St. Shopping Centre (1995-1999). He is a former director of Rosslough Holdings Limited. (1995-1999) and a former partner in Bastow Charleton (1975-1985), Gilmore Taggart (1985-1991) and Cooney Taggart (1991–2012).

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Group (which consists of Datalex plc and its subsidiary companies as listed in Note 27 to the financial statements) 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 fully acknowledge that the developments in the Group's business and its financial position at the year-end were extremely disappointing. The challenges encountered in the year on a significant customer deployment together with the discovery of accounting irregularities are of significant concern to the Directors. As described elsewhere in this Annual Report, the Directors have acted swiftly in seeking to rectify the underlying issues; progress has already been made and this will continue to ensure there is no reoccurrence.

As a result, the Group has incurred significant losses in 2018.

The Financial and Operational Review on pages 8 to 13 includes a discussion and a review of the key financial results.

The Acting Chairman and Interim CEO's statement includes a 2019 Outlook section which summarises the future developments of the Group with a focus on the next financial year. 2019 will be a year of transition; the fundamentals remain strong and the Directors remain confident in the Group's future.

ACCOUNTING REVIEW AND INTERNAL FINANCIAL CONTROL FINDINGS

There was a serious breakdown in our internal financial controls in the year. In a trading update on 15 January 2019, we reported a shortfall in previously anticipated revenue and adjusted EBITDA. The shortfall was identified by management in the preparation of the year-end results for 2018. The Directors appointed PwC, in conjunction with McCann FitzGerald, the Group's legal advisors, to conduct an independent review (the "Review"). We established a Special Committee whose terms were:

- To review the accounting issues identified by the Group and to oversee the review;
- To establish the sequence of events that occurred; and
- To make recommendations to the Board.

The members of the Special Committee were Roger Conan (Chair), John Bateson, Peter Lennon and Dónal Rooney (up to the date of his resignation on 12 February 2019).

The Review confirmed accounting irregularities and material internal control failures.

The following were the key findings, including information from the Board's own analysis, which were published in a market announcement on 27 March 2019:

- The Board has concluded that the Group's revenue, adjusted EBITDA and profit for the half-year ended 30 June 2018 (announced on 28 August 2018) were misstated;
- The Review confirmed that the Group's recognition of services revenue for the half-year ended 30 June 2018 was not in line with the Group's accounting policy and was materially overstated;
- The Review found that the Group failed to apply IFRS 15 appropriately in its results for the half-year ended 30 June 2018;
- The Review found that the Group incorrectly recognised approximately US$3.5m of services revenue associated with a significant customer deployment (the "Deployment") in its results for the half-year ended 30 June 2018 (this was corrected at 31 December 2018 and reflected in the Group's 2018 guidance published on 15 January 2019);
- The Deployment is a fixed fee contract and initial estimates of time to completion of the Deployment were significantly underestimated, with estimates of time to completion being significantly increased over the period which resulted in a reduction in the completion percentages for IAS 18 revenue recognition purposes for 2018;
- The Review identified approximately US$2.9m of other services and platform revenue that was incorrectly recognised in H1 2018, of which c.US$0.7m has been determined not to be recoverable, with the balance being revenue that has been recognised in H2 2018 and will be recognised in the 2019 financial year;
- The Review identified significant accounting irregularities during the period as the underlying cause for the Group's overstatement of revenues, noting material weaknesses in the internal control environment; the Group's accounting process in this area has been largely manual, dependent on individual judgement, and not subject to internal audit oversight; and there had been a failure by the Group to track sufficiently operational and financial performance on the Deployment and to retain sufficient supporting documentation for accounting entries; and
- The Review confirmed that the Board was not informed of these revenue recognition issues until January 2019.

The Group will publish restated results for the six months ended 30 June 2018 as soon as is practical.

The Special Committee has overseen the response to the Review including the following immediate corrective actions:

- New senior personnel employed in finance (a new CFO who has significant experience in transformation of financial controls in large businesses, a new Head of Finance and a new Head of Commercial Finance);
- A new accounting process implemented for revenue recognition which includes an accounting paper prepared for each customer contract (refer to Note 2.6 in the financial statements for further detail); and an enhanced budgeting and forecasting process in respect of the 2019 and 2020 financial years-ends was introduced;

- The Group has drawn up, and is currently implementing, plans to further reorganise its finance function that will involve the creation of several new roles to enhance and strengthen the Group's accounting and financial control capability. In addition, a process has commenced to procure an outsourced internal audit service.

While the Board is satisfied it has taken the appropriate immediate action, it has also significantly increased its oversight in 2019 to date and is continuing to assess the Group's material risks and effectiveness of internal controls. The ongoing development of risk management and internal controls to ensure that they remain effective is a priority for the Board.

CORPORATE GOVERNANCE

The Directors' Statement on Corporate Governance on pages 27 to 38 sets out the Group's application of the principles and compliance with the provisions of the 2016 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 Euronext Dublin, is applicable for companies with a listing on Euronext Dublin for financial periods commencing on or after 18 December 2010. The Annex includes additional recommendations to the Code. The Group has applied these recommendations, details of which are also set out in the Corporate Governance Statement on pages 27 to 38.

The Board is considering the provisions of the new 2018 Corporate Governance Code (applicable to financial periods commencing after 1 January 2019), which sets a higher standard of corporate governance than that set by the 2016 Corporate Governance Code, and plans to implement a programme of work to ensure compliance with the relevant provisions of the 2018 Code for the financial year ending 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

Under Irish Company Law (Regulation 5(4)(c)(ii) of the Transparency Directive (2004/109/EC) Regulations 2007), the Company is required to give a description of the principal risks and uncertainties which it faces. The principal risks and uncertainties reflect our competitive environment and the operating characteristics of our industry and a summary of these risks, together with details of how they are managed, is set out on pages 14 to 15.

In our 2017 Annual Report, we stated that "We are satisfied that we have the systems, processes and expertise in place to effectively manage our business risk environment." Unfortunately, events discovered earlier this year have indicated a serious breakdown in our internal controls, and to a lesser extent in our risk management. Further details are included above in the Accounting Review and Internal Financial Control Findings section. The mechanisms through which the principal risks and uncertainties are managed are addressed in the Accounting Review and Internal Financial Controls section of the Corporate Governance Statement on page 31.

Details of the financial risks to which the Group's operations are exposed and an understanding of how these risks are managed are set out in Note 31 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 is of particular importance to the Board. The Group provides its employees with a safe and healthy work environment. Please see Note 19 to these financial statements for details of our average number of employees.

As announced on 14 February 2019, we have undertaken a cost restructuring programme which has impacted outsourced contractors and employees. This process is ongoing with expected cost savings to be realised in the region of US$9m in 2019 and US$13m in 2020.

RESULTS AND TOTAL ASSETS

The consolidated statement of financial position at 31 December 2018 and the consolidated statement of profit or loss for the year are set out on pages 52 and 53 respectively.

DIVIDENDS

The Board of Directors is not recommending that a dividend be paid in respect of the year ended 31 December 2018 (2017: five US cents per share).

As more fully described in Note 26 to the financial statements, the 2018 dividend payment of US$3.8m from the Company was funded primarily via a US$4.0m dividend from its principal subsidiary undertaking, Datalex (Ireland) Limited ("Datalex Ireland"). Management subsequently identified that Datalex Ireland did not in fact have sufficient distributable profits to legally make the dividend payment to the Company under the relevant provisions of the Companies Act 2014 (an "unlawful distribution"). The amount of US$4.0m received by the Company by way of this unlawful distribution has been presented in its financial statements at 31 December 2018 as an intercompany balance repayable to Datalex Ireland and has not been recognised as income therein.

SUBSIDIARY COMPANIES

The information required by the Companies Act, 2014 in relation to subsidiary undertakings is provided in Note 27 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 audit report has indicated that the accounting records of the Company were not sufficient to permit the financial statements to be readily and properly audited. Accordingly, the auditors have advised us that they are obliged to file notification of this to the Companies Registration Office.

In 2019, we have significantly bolstered the strength of the finance organisation to address this matter.

The accounting records are kept at the Company's registered office in Block U, EastPoint, Clontarf, Dublin 3. D03 H704.

INFORMATION TO AUDITORS

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

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

SUBSTANTIAL SHAREHOLDINGS

The Company had been notified of the following interests in its issued share capital:

	At 31 December 2018		At 5 September 2019	
Name of holder	**Number of US$0.10 ordinary shares**	**% of issued share capital**	**Number of US$0.10 ordinary shares**	**% of issued share capital**
IIU Nominees Limited	20,644,981	26.43%	24,503,981	29.89%
Kabouter Management LLC	7,263,988	9.30%	7,263,988	8.86%
Pageant Investments Limited (1)	-	-	3,275,000	3.99%
The Capital Group Companies, Inc.	6,106,000	7.82%	-	-
Highclere International Investors LLP	4,003,610	5.13%	4,003,610	4.88%
Mr. Paschal Taggart (2)	2,385,092	3.05%	2,385,092	2.91%

(1) At 31 December 2018, Pageant Investments Limited's holdings of Datalex plc ordinary shares was below the 3% notification limit.

(2) At 5 September 2019, Mr. Paschal Taggart's holdings of Datalex plc ordinary shares was below the 3% notification limit.

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

As at 31 December 2018 and 2017, the Company's authorised share capital comprised US$10,494,000, divided into 100,000,000 ordinary shares of US$0.10 each, representing 95.3% of the total share capital value, 3,000,000 'A', and 1,500,000 'B' convertible redeemable shares of US$0.10 each, representing 4.3% of the total share capital value and 30,000 deferred shares of €1.269738 each, representing 0.4% of the total share capital value. At 5 September 2019, the Company had 81,983,842 ordinary shares in issue, including 590,000 ordinary shares that were held by The Datalex Employee Benefit Trust at that date (see further under Own Shares Held below). The ordinary shares are listed on Euronext Dublin.

As a result of the non-publication of the Company's financial statements for the year ended 31 December 2018 by 30 April 2019 (as required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) (the "Transparency Regulations")), trading in Datalex plc shares was temporarily suspended on 1 May 2019. This suspension will be in force up to and until such time as the financial statements are duly published in compliance with the Transparency Regulations and any other Euronext Dublin requirements for lifting of the temporary suspension are complied with.

The Company announced a placing of 3,859,000 new ordinary shares of US$0.10 each with IIU Nominees Limited on 14 March 2019 at a price of €1.00 per share, which were admitted to trading on 20 March 2019.

The rights attaching to these shares are set out in the notes to these financial statements, in particular Note 11.

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

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

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

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

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid. The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's Employee Share Option Schemes and Long-Term Incentive Plan may cause options and cash awards, respectively, granted to employees under such schemes to vest in the event of a takeover.

OWN SHARES HELD

The Datalex Employee Benefit Trust holds 590,000 shares (2017: 808,302 shares) in relation to certain share-based payment schemes as described in Note 11 to the financial statements. These shares have no entitlement to dividends. The relevant movements in respect of these interests, which are treated as treasury shares for accounting purposes, are disclosed in Note 12 to the financial statements.

DIRECTORS AND SECRETARY

The names of the persons who were Directors at any time during the year ended 31 December 2018, and up to the date of this report, are set out below. Unless indicated otherwise, they served as Directors for the entire year.

John Bateson*
Roger Conan**
David Kennedy (resigned 5 December 2018)
Peter Lennon*
Dónal Rooney (appointed 5 December 2018;
resigned 18 February 2019)
Paschal Taggart* (resigned 24 June 2019)
Aidan Brogan (resigned 1 May 2019)
Sean Corkery (appointed 12 April 2019)
Niall O'Sullivan (appointed 4 June 2019)
Garry Lyons**

Neil McLoughlin (Company Secretary, appointed 23 August 2019)

(denotes a Non-Executive Director)*
*(** denotes an Independent Non-Executive Director)*

David Kennedy resigned as Company Secretary on 5 December 2018, and Dónal Rooney was appointed Company Secretary on that date. On 18 February 2019, Dónal Rooney resigned as Company Secretary and Peter Lennon was appointed Company Secretary on that date. Peter Lennon resigned as Company Secretary on 23 August 2019 and Neil McLoughlin was appointed Company Secretary on that date.

REAPPOINTMENT OF DIRECTORS

In accordance with the Company's policy, all Directors will retire and will offer themselves for re-election in 2019. Resolutions will be proposed at the Annual General Meeting to reappoint them.

Biographical detail of all Directors can be found on page 17 and on the Company's website.

DIRECTORS' AND SECRETARY'S INTERESTS

The Directors and Secretary (including the interests of spouses and minor children), who were in office at 31 December 2018, and their families, had the following beneficial interests in the share capital of Datalex plc at 31 December 2018 and 2017:

Director	2018 ordinary shares of US$0.10 each	2018 options over ordinary shares of US$0.10 each	2017 ordinary shares of US$0.10 each	2017 options over ordinary shares of US$0.10 each
John Bateson	-	-	-	-
Aidan Brogan (1) (2) (3)	223,644	1,200,000	223,644	1,200,000
Roger Conan	266,900	-	266,900	-
Peter Lennon	325,935	-	325,935	-
Garry Lyons	328,044	-	328,044	-
Paschal Taggart	2,385,092	-	2,470,092	-
Dónal Rooney (4)	-	850,000	-	-
Neil McLoughlin	-	-	-	-

(1) Aidan Brogan also holds an interest in 260,000 (2017: 260,000) ordinary shares under the Company's Joint Share Ownership Plan, implemented in January 2012 (see Note 11), which is fully vested and has not yet been exercised.
(2) The share options for Aidan Brogan were fully vested at 31 December 2018 and 2017.
(3) Under the terms of Aidan Brogan's resignation on 1 May 2019, his outstanding options at 31 December 2018 will remain exercisable until the earlier of (1) the first anniversary of the date of lifting of the temporary suspension of the Company's share trading on Euronext Dublin and (2) the tenth anniversary of the date of grant of the share options. He will also retain his interest in vested JSOP shares.
(4) These option grants lapsed upon Dónal Rooney's resignation on 18 February 2019.

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

DIRECTORS' COMPLIANCE STATEMENT

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

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

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

i. a compliance policy statement has been drawn up by the Company in accordance with Section 225(3)(a) of the Act setting out the Company's policies (that, in the Directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
ii. appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and
iii. a review of these arrangements was not carried out during the financial year. The review is typically scheduled for the end of each year. In 2018 our Finance Director resigned on 5 December and the review was deferred to allow for the integration of our new Finance Director. A review has since been carried out.

GOING CONCERN STATEMENT

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future.

The Group incurred a loss of US$47.2m in 2018 (2017: profit of US$7.1m). At 31 December 2018, the Group had net liabilities of US$9.4m (2017: net assets of US$47.3m) and net current liabilities of US$11.7m (2017: net current assets of US$13.7m). Operating cash outflows in the year were US$3.7m (2017: US$9.6m inflow). The total decrease in cash was US7.8m (2017: US$8.6).

The Group continues to operate in a very competitive environment. A number of significant events occurred during the 2018 financial year and in 2019 to date (detailed below) that have given rise to material uncertainties for the business that may cast significant doubt on the Group's ability to continue as a going concern.

In 2018, the Group incurred a considerable amount of additional time on a significant customer deployment which has continued in 2019. Time was incurred on both the customer-specific configuration and on the necessary enhancements and changes to our platform. A shortfall in services revenue billings arose in 2018 due to a failure to recover these additional costs. The related customer negotiations are ongoing. In respect of a separate customer we have also had to incur additional time to meet their commercial requirements, and in this situation the customer has agreed to fund the additional time required.

On 14 March 2019, following discussions and the provision of forecasts by the previous management, the Group announced that it had raised proceeds of €3.86m by way of a placing of 3.86m new ordinary shares with IIU (our largest shareholder and a company ultimately beneficially owned by Mr. Dermot Desmond). On 26 April 2019, a secured loan facility of €6.14m with Tireragh Limited, (a company ultimately beneficially owned by Mr. Desmond) was approved. As of the date of this report, €3.0 million of this facility has been drawn down, with the balance to be drawn down by the end of September.

In evaluating our cash flow needs for the remainder of 2019, we have taken into account our commitments to customers in both deployment and ongoing services commitments. Given our well-publicised financial challenges, we acknowledge there is a high risk that some customers may look to alternative providers. On 4 September 2019, the Group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter. There could also be material negative financial consequences if we do not meet our obligations on other customer deployments.

Furthermore, one of our customers has changed ownership and there may be either a positive future outcome in additional revenue opportunities, or this customer may terminate, in which case, the Group would be entitled to a termination payment.

To prepare financial forecasts for the business is challenging in this background, as there are a number of different outcomes, both positive and negative which could arise.

The latest Group cashflow forecasts indicate that further funding of approximately US$10m will be required over the next twelve months to 30 September 2020. Of this, approximately US$5m is required to meet the short-term cash flow needs of the Group over the remainder of 2019 with the balance attributable to the Group's working capital needs in 2020. In preparing these forecasts, the Directors have assumed prudent downside scenarios, including provision for the scenario of a significant customer loss. While the Directors can give no assurance that these forecasts will be met, the Directors believe that these forecasts form a reasonable basis for their estimation of the future cash needs of the business.

If all various customer discussions are positive, and we deliver on our contractual commitments, we will not require all of the identified further funding. In the worst-case scenario of multiple customer losses and/or Datalex not delivering on contractual commitments, further funding may be required. The estimation of the funding requirement in this worst-case scenario is not possible but the Directors believe that this worst-case scenario is not a likely outcome. Notwithstanding this, the Directors recognise that the possibility that this worst-case scenario might be realised represents a material uncertainty.

Due to the significance of the potential funding requirement and uncertainty surrounding the outcome of the Group's contractual discussions and contractual performance, the Group sought and received confirmations of financial support from its largest ultimate beneficial shareholder, Mr. Dermot Desmond. Mr. Desmond has confirmed he will procure additional funding subject to a number of conditions and on terms to be agreed, to meet the short-term cash flow needs of the Group over the remainder of the calendar year. The Company anticipates that the provision of such finance to the Group will require independent shareholder approval as a related party transaction under Euronext Dublin's Listing Rules.

The Directors intend to arrange an equity fundraising to raise, net of expenses, sufficient proceeds for the repayment of its loans and the funding of the working capital needs of the business in 2020 and beyond. Mr. Desmond has informed the Company that he will support the equity fundraising and procure the participation of IIU Nominees Limited in its *pro rata* entitlement and will also work with the Company to secure underwriting of the equity fundraising.

The successful completion of an equity fundraising nevertheless remains subject to significant third party, internal and external risks. The commitment of Mr. Desmond and his associated companies is subject to a number of conditions, including agreement of terms. An equity fundraising, depending on its structure, may require publication of a prospectus and/or the convening of an extraordinary general meeting at which shareholder approval of the arrangements would be sought. There is a risk that one or more of these steps may not be completed, or may not be completed in time, and the equity fundraising may not successfully complete.

The Directors recognise that the combination of the circumstances described above represents a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Nevertheless, on the basis of Mr. Desmond's support, the Directors have a reasonable expectation that the Group will be able to successfully navigate the present uncertainties and are satisfied to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would be required if the Group were unable to continue as a going concern.

FINANCIAL VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the remainder of 2019 and for 2020. This period, shorter than used in previous years, has been chosen for the purpose of this viability statement as it is in line with the immediate planning horizon of the new management team and in line with the period considered by the Board. It is intended that the Group will revert to a three-year planning cycle in 2020 to enable the preparation of the financial viability statement on a three-year basis for the 2019 Annual Report.

The Group incurred a loss of US$47.2m in 2018 (2017: profit of US$7.1m). At 31 December 2018, the Group had net liabilities of US$9.4m (2017: net assets of US$47.3m) and net current liabilities of US$11.7m (2017: net current assets of US$13.7m). Operating cash outflow in the year was US$3.7m (2017: US$9.6m inflow). The total decrease in cash was US7.8m (2017: US$8.6m). The Group had a cash balance of US$8.4m at 31 December 2018 (2017: US$16.2m).

On 14 March 2019, following discussions and the provision of forecasts by the previous management, the Group announced that it had raised proceeds of €3.86m by way of a placing of 3.86m new ordinary shares with an existing shareholder. On 26 April 2019, a secured loan facility of €6.14m with a related party was approved. This reflects the confidence of the largest ultimate beneficial shareholder in the business and provides it with financial flexibility in terms of working capital and change.

As set out elsewhere in this Annual Report, following the outturn of 2018, the new management team are working together to develop a new organisation structure and to prepare a new strategy for the business. In the interim period, immediate restructuring and management changes have been implemented. The priority areas identified by customers are of immediate focus.

As set out in some detail in the Going Concern section above and within Note 2.3 to the financial statements, preparing a financial plan for the remainder of 2019 and for 2020 is challenging as there are a number of possible outcomes. The Group has a small number of significant customers. The loss of any customer could result in a significant impact on the Group's financial position, and the loss of a number of customers would threaten the Group's viability. As a result of the short-term funding requirement the new management team has been very focused on the management actions that are necessary for 2019 and 2020.

As set out in detail in that note, the latest Group cashflow forecasts indicate that further funding of US$10m will be required, of which US$5.5m is required to meet the needs of the Group to enable it to continue to trade in the remainder of 2019 with the balance attributable to working capital needs in 2020.

The Directors' assessment has been made with reference to the Group's 2018 year-end cash position, the funding of €10m, arranged to date in 2019 and the further funding need of US$10m that has been identified. The financial viability is dependent on the satisfactory outcome of the assumptions underlying the going concern assertion. 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 14 to 15. The Directors are satisfied that appropriate disclosures have been included on the basis on which the Viability Statement is supported.

AUDIT COMMITTEE

Details in relation to the Audit Committee of Datalex plc have been included on pages 30 to 33.

INFORMATION REQUIRED TO BE DISCLOSED BY EURONEXT DUBLIN LISTING RULE LR 6.1.77

For the purposes of LR.6.1.77, the information required to be disclosed by LR 6.1.77 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 28
4	Details of long-term incentive schemes	Remuneration Report and Note 14
5	Waive of emoluments by Directors	Remuneration Report
6 - 14	Sections 6 – 14 of listing rule 6.1.77	Not applicable

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

SUBSEQUENT EVENTS

In finalising its 2018 financial results, the Group identified a number of accounting irregularities, which are disclosed in the Accounting Review and Internal Financial Controls Findings section on pages 18 to 19. The Group announced a restructuring on 14 February 2019 which has impacted employees and outsourced contractors. New aggregate equity and debt funding of €10m from IIU Nominees Limited and Tireragh Limited, both related parties, was announced on 14 March 2019. This funding was provided by means of a share placing of €3.9m (completed in March 2019) and a secured loan facility of €6.1m. The first draw down from the facility occurred in June 2019.

On 18 February 2019, Dónal Rooney resigned from his position as Finance Director. On 12 April 2019, Sean Corkery was appointed as a Non-Executive Director and Deputy Chairman of the Company. The CEO of the Group, Aidan Brogan, resigned his position and his Company Directorship on 1 May 2019, and Sean Corkery subsequently assumed the role of Interim CEO of the Group on 2 May 2019. Niall O'Sullivan joined the Group as Chief Financial Officer and was appointed Director on 4 June 2019. On 24 June 2019, Paschal Taggart resigned as Chairman and member of the Board and Sean Corkery was subsequently appointed as Acting Chairman.

Trading in the Company's shares was temporarily suspended on and from 1 May 2019 as a consequence of the non-publication by the Company of its annual financial statements by the deadline of 30 April 2019 as required by the provisions of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended).

On 23 May 2019, the Group received a notice of termination from Multiplus S.A. in respect of the Master Agreement entered into between the parties on 27 April 2018. This followed the acquisition of Multiplus by LATAM. The Group is currently assessing the implications of this notice and is in dialogue with LATAM on the termination arrangements and potential future business relationships.

On 4 September 2019, the Group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter.

The Company has been required by the Office of the Director of Corporate Enforcement ("ODCE") to produce a copy of the report of the independent review of accounting issues that was the subject of the Company's announcement on 27 March 2019. The report is the outcome of an independent review of accounting issues that was conducted by PwC in conjunction with the Company's legal advisers, McCann FitzGerald, and is legally privileged. The Company has assured the ODCE of its full co-operation with it in its inquiries, subject to appropriate legal protection of its privileged material, and is engaging with the ODCE with respect to the requirement. A requirement from the ODCE to produce books and records is a procedural matter that does not involve any conclusion that there has been a breach of law by the Company or its officers. The Company takes its corporate governance responsibilities very seriously and seeks to comply at all times with all relevant laws and regulations.

There have been no other subsequent events that impact on the 2018 financial statements up to the date of this report.

POLITICAL DONATIONS

The Group and the Company did not make any political donations during the year ended 31 December 2018 (2017: US$nil).

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 Acting Chairman and Interim CEO Statement and the Financial and Operational Review.

AUDITOR

The statutory auditors, EY, have informed us that they will not be seeking reappointment as the statutory auditor. The directors will now conduct a process to appoint an auditor for the year ending 31 December 2019.

On Behalf of the Board

Sean Corkery
Niall O'Sullivan
5 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The Directors consider that the Annual Report and Financial Statements, 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 16 and 17 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 loss of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

On Behalf of the Board

Sean Corkery
Acting Chairman and Interim CEO

Niall O'Sullivan
Finance Director

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement forms part of the Directors' Report set out on pages 18 to 25. 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 the high standards of corporate governance as set out in the Code. The 2016 Code can be accessed from the following website address:

https://www.frc.org.uk/Directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

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

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

On page 26 of the Annual Report, as required by the Code provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 16 to 17.

The Board recognises that in 2018 the Group incurred a considerable amount of additional time on a significant customer deployment that has continued in 2019. A shortfall in services revenue billings arose in 2018 due to a failure to recover these additional costs. Customer negotiations in regard to recovering these additional costs are ongoing.

On pages 18 to 19, we have set out in detail the breakdown in our internal financial controls in the year, and details of the special Board committee that was established and its terms of reference.

At 31 December 2018, the Board comprised of seven Directors: two Executive Directors and five Non-Executive Directors. At the date of publication of this Annual Report, the Board comprised of six Directors: two Executive Directors and four Non-Executive Directors, two of whom are further considered Independent Non-Executive Directors under the interpretative provisions of the 2016 UK Corporate Governance Code and the Irish Annex (see below).

Collectively, the Non-Executive Directors possess a wide range of financial, commercial and general management experience, investment expertise and software industry expertise. The Nominations Committee will continue to 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 growth plans. Currently the role of CEO is being fulfilled on a temporary basis by the Acting Chairman.

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 CEO were separate during 2018, and there regularly was clear division of responsibilities between them. As a temporary measure, the Interim CEO currently also holds the position of Acting Chairman (see below).

The Board met eleven times during the year, and, in advance of each Board meeting, the Directors are provided with information to enable them to discharge their duties. Any additional information requested by the Directors is readily provided. Details of Directors' attendance at Board and Committee meetings is set out on page 34. 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 ex-Chairman's significant commitments during the year. The commitments of the Acting Chairman are referred to in the Chairman section below. The current Finance Director does not hold any Directorships in public companies outside of the Datalex Group. The Board is aware of the other commitments of its Directors and is satisfied these did not or do not conflict with their duties as Non-Executive Directors of the Company.

CHAIRMAN

Mr. Paschal Taggart was Chairman of the Group from December 2009 to June 2019. 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 was satisfied that he met all other independence criteria set out in the 2016 Code, and that he continued up to the date of his resignation to demonstrate his independence in the manner in which he carried out his role as Chairman. Consequently, the Board was of the view that Mr. Taggart as Chairman was independent. Mr. Taggart resigned from the Board and as Chairman on 24 June 2019.

As a result of Mr. Taggart's resignation, Sean Corkery, already holding the position of Interim CEO, was appointed Acting Chairman of the Company. Under the provisions of the Code, the positions of Chairman and CEO should not be exercised by the same individual. The Board is fully aware of this issue and believes that this arrangement was required as a short-term interim measure which was in the best interests of shareholders. The Board is actively seeking to remedy the situation through the appointment of separate individuals to the two roles on a permanent basis. Progress on this is well underway and an announcement will be made in due course. Despite his role as Interim CEO prior to his appointment as Acting Chairman, the Board is satisfied that Sean Corkery was independent on first appointment to the Board on 12 April 2019, and that his independence was not duly impaired prior to his appointment as Acting Chairman due to the brief period of time between such appointments.

Sean Corkery has confirmed, and the Board is satisfied, that his other significant commitments do not impact or impair his ability to exercise his role as Acting Chairman and Interim CEO of the Group. In accordance with 2016 UK Corporate Governance Code, these significant commitments are outlined on page 17.

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, CEO 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.

The Board has given due consideration to Peter Lennon's role of Company Secretary from the period 18 February 2019 to 23 August 2019, The Board considered if this appointment could be considered a move from a Non-Executive to an Executive position within the Group, but has concluded that this does not justify a reclassification for the following reasons:

- Peter Lennon's appointment as Company Secretary was only considered an interim appointment, following the successive resignations of David Kennedy and Dónal Rooney in 2018 and early 2019. Peter Lennon retired as Company Secretary on 23 August 2019 and Neil McLoughlin was appointed Company Secretary on that date; and
- Peter Lennon did not receive a salary for the provision of his services as Company Secretary in this interim period.

Assessment of Peter Lennon's independence as a Non-Executive Director is considered further below.

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?

The Board has concluded that while Peter Lennon and John Bateson were considered and remain Non-Executive Directors both in 2018 and at the date of publication of this Annual Report, neither are deemed to be Independent under the considerations outlined above and in accordance with the provisions of B.1.1 of the 2016 UK Corporate Governance Code. Specifically:

- Peter Lennon has served on the Board since 1993, and is a partner of the firm Ronan Daly Jermyn, which is a legal advisor to the Group. In addition, Peter Lennon served as Company Secretary on temporary basis from 18 February 2019 until 23 August 2019.
- John Bateson has served on the Board since 2006 and is a representative of the largest shareholder in the Group, IIU Nominees Limited.

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 actively seeking suitable new Directors to join the Board.

Under the interpretative provisions of the 2016 UK Corporate Governance Code and 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. Under the "smaller company" requirements of B.1.2 of the Code, the Group is required to have at least two Independent Non-Executive Directors. The Board is satisfied that Roger Conan and Garry Lyons continue to be considered Independent Non-Executive Directors at the date of publication of this Annual Report.

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 at the Company's 2019 AGM. Mr. Paschal Taggart stepped down from his position of Chairman and from the Board on 24 June 2019.

PERFORMANCE EVALUATION

No formal evaluation of the Board performance was conducted in respect of 2018. The position of Chairman is currently not confirmed. Due to the significant number of resignations and appointments to the Board both prior to and subsequent to year-end and the serious breakdown in the Group's financial controls identified in early 2019, a formal and rigorous evaluation of the Board was not considered practical. This has been disclosed as a divergence from the 2016 UK Corporate Governance Code on pages 37 to 38. The Board recognises the extremely disappointing performance of the Group in 2018, and that the appointment of new Directors continues to be required to ensure that the composition of the Board has the skills and expertise necessary to drive the Group's future success. Due to the performance of the Group in 2018, the Board unanimously agreed that there would be no performance-based remuneration for the year, this is further addressed within the Remuneration Report.

The Board has committed to undertaking an externally facilitated evaluation of the Board's performance for its 2019 year-end and will report on these findings in its 2019 Annual Report.

The Board is committed to appointing new Directors at the earliest opportunity and is currently reviewing, identifying and recommending suitable candidates for appointment as Directors, including the requirement to appoint separate individuals to the roles of Chairman and CEO. Both of these are disclosed as a divergence from the UK Corporate Governance Code on pages 37 to 38.

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 39 to 42. Details of Directors' beneficial interests in the share capital of the Company are set out in the Directors' Report on page 21.

It is a requirement of the Irish Annex that any share awards to Directors must have a minimum vesting period of three years from the date of grant. The Board notes that, in January 2012, Aidan Brogan was granted 260,000 shares under the Company's Joint Share Ownership Plan, as described on pages 41 and 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 eleven times. Details of Directors' attendance at these meetings are set out on page 34.

The Chairman sets the agenda for each meeting in consultation with the CEO 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 his 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. An update to the strategic review will be undertaken in 2019.

GENERAL MEETINGS

The Company's Annual General Meeting ("AGM") 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 clear 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.

The Company's Annual General Meeting will be held on 17 September 2019 to transact the business to be conducted at the meeting, other than Resolution 1, and then adjourned until a future date, when the financial statements will have been in members' hands for the 21 day period prescribed by Company Law, to consider Resolution 1.

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 five percent 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 three percent 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.

As set out on pages 18 to 19, in response to a report prepared in January 2019 that identified a shortfall in previously anticipated revenue and adjusted EBITDA, the Board established a special investigation committee ("Special Committee"). Further details are set out in the Accounting Review and Internal Financial Controls Findings section of the Director's Report.

AUDIT COMMITTEE

The Audit Committee has been charged by the Board with the task of overseeing the accounting, financial reporting, internal control and risk management processes of the Group, and the audit of the financial statements. The Committee has written terms of reference which set out its role, responsibilities and duties. These can be obtained on request from the Company Secretary.

The Audit Committee met eight times during the year, and, at 31 December 2018, comprised John Bateson (Chairman), who has recent and relevant financial experience, Peter Lennon and Roger Conan. At the date of publication of this Annual Report, the Audit Committee did not consist of a minimum of two Independent Non-Executive Directors, as required under the smaller company provisions of C.3.1 of the 2016 UK Corporate Governance Code. This has been disclosed as a divergence from the UK Corporate Governance Code on pages 37 to 38. Further details on the relevant experience of the Committee members is included in the Board of Director's section on page 17. The Committee members attended all the meetings during 2018. 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 judgments contained therein. In particular, the Committee's review incorporates a review of the consistency of, or any changes to, significant accounting policies; significant judgmental areas; and disclosure and compliance requirements. In advance of the year-end, the Committee reviewed the external auditor's 2018 year-end audit plan. Throughout 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. In September 2019, the Committee considered the formal 2018 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 18 to the financial statements. The Group has also monitored the effectiveness of the audit process, advising on the appointment, re-appointment and removal of the external auditors. At the conclusion of each year's audit, the Committee evaluates the performance of the external auditors.
- 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 systems arising from provision C.2.3 of the 2016 UK Corporate Governance Code. In this regard, the Audit Committee reviews the Group Internal Risk Register twice yearly. 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.

ACCOUNTING REVIEW AND INTERNAL CONTROL FINDINGS

As set out on pages 18 to 19, there was a serious breakdown in our internal financial controls in the year. The members of the Audit Committee were each appointed as members of the Special Committee established by the Board. The Review confirmed accounting irregularities and material internal control failures. Our consideration of the effectiveness of risk management and internal control is set out on pages 35 to 36.

As a consequence of the breakdown in internal controls, the Audit Committee has instigated active oversight over the finance function:

- The Audit Committee has a regular schedule of meetings with the CFO and Head of Finance.
- The Audit Committee considered the proposed new finance structure and its implementation.
- The Audit Committee considered the PwC finance function assessment, issued in May 2019.
- The Audit Committee has received regular updates on the progress of the external audit.
- The Audit Committee is overseeing the tender process for the appointment of an internal audit resource.
- 12 meetings have been held to date in 2019, at which all members attended.

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, CONTRACTS BALANCES AND ACCRUED INCOME:

IFRS 15

The significant change for the Group in the year was the implementation of the new revenue accounting standard, IFRS 15, *Revenue from Contracts with Customers*, with effect from 1 January 2018. The implementation of IFRS 15 is complex and particularly so for the software industry. Management had commenced a project on the implementation in 2017 and engaged with PwC for support on specific technical inputs. Following the interim audit report received from our external auditors, in December 2018 we considerably expanded the scope of support from PwC to include a review of all significant individual contracts. In January and February 2019, the Committee received detailed presentations from PwC on the impact of IFRS 15, key judgments and a review of the impact of IFRS 15 by contract and by revenue type.

The key judgments considered by the Committee included:

- Determining contract term, considering renewal/ termination clauses;
- Identification of performance obligations (performed at contract inception);
- Assessing whether performance obligations are distinct;
- Establishing standalone selling prices for each performance obligation;
- Determining transaction price, inclusion of "variable consideration", bonuses, penalties; and
- Recognition of revenue for each performance obligation.

PwC in their work on IFRS 15 also identified some specific control and business observations which the Committee has requested management to address.

IAS 18

The Committee also notes that revenue recognition under the previous accounting standard remains relevant (in respect of comparative balances), both as a required disclosure for users of the financial statements and as it was used as the basis for market forecasts.

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 under IAS 18, 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 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 judgment 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 judgments and estimates supporting the accrued income calculation with management and concur with management's assessment thereof.

The Audit Committee has also discussed the increase in the balance of accrued income at year end with a focus on two large balances which account for 87% 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 and the key contractual provisions applicable to each 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.

Product development expenditure

The Committee reviewed the process and value of product development expenditure during 2018. Their review included meetings with management and members of the finance team involved in the development process and a review of the key elements of spend in 2018.

We invested US$13.2m (less R&D credit of US$0.8m giving a total net spend of US$12.4m) in our platform during 2018. This was similar to the US$13.1m spent in 2017. Our 2018 platform investment largely represented a continuation from 2017 activity and reflected core platform development work as well as customer-specific enhancements. Investment was across areas such as Offer Management, Order Management, Omni-Channel Management, Dynamic Pricing, Digital Payments, Cloud capabilities, Componentisation and API First strategy.

The Committee reviewed a detailed working paper prepared by management which addressed the five criteria that need to be met for the capitalisation of development expenditure. The paper concluded that in respect of 2018, the spend identified by the time records as development activity did not meet all the criteria, and accordingly such expenditure has been expensed in the statement of profit or loss. Due to the significance of the expenditure and the consequent variance year-on-year, the Committee determined that for the benefit of the users of the financial statements, the expenditure be separately disclosed on the face of the statement of profit or loss as an exceptional item.

Intangible assets impairment

The Committee reviewed the intangible assets impairment review. The Committee concluded that the approach recommended by management was in line with the relevant IFRS requirements, being IAS 38.

The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have decided that an impairment charge of US$20.0m should be recognised, which represents the net book value of the product development intangible asset at the statement of financial position date.

Future expenditure incurred in respect of these product development activities will be recognised as an expense until such time that it is probable that future economic benefits that are attributable to the asset will flow to the Group.

Deferred tax

The Committee reviewed the assumptions underlying the amount of the deferred income tax assets recognised at 31 December 2018. Having considered the uncertainties as to the future profitability of the Group and its trading subsidiaries, it was determined that it is not appropriate to recognise deferred tax assets in respect of losses carried forward and R&D tax credits. Accordingly, an amount of US$2.4m has been derecognised in the year ended 31 December 2018 and charged to income tax expense in the consolidated statement of profit or loss. The classification of this derecognition as an exceptional item in 2018 reflects its materiality and size.

INDEPENDENCE OF EXTERNAL AUDITORS

Our external auditor, EY, was appointed in 2017 following a tendering process. They were reappointed in 2018. Our lead engagement partner since 2017 is George Deegan.

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

The external auditors would not be invited to provide any non-audit services where it was felt that this could conflict with their independence or objectivity. Such services would include the provision of internal audit and management consulting services. The policy exists to ensure that the external auditors do not audit their own work, participate in activities that would normally be undertaken by management, have a mutuality of financial interests with the Group or act in an advocacy role to the Group. The 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 external audit. The Committee monitored the conduct and effectiveness of external audit during the year through a review of:

- The 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;
- Interaction between management and the auditor, including ensuring that management dedicates sufficient time to the audit process;
- Communication with, and support to, the Committee including their assessment of new accounting and corporate governance developments;
- The content of external reports and their ability to raise potential issues as they become aware thereof;
- Independence, objectivity and scepticism; and
- The auditors' recommendations on internal controls.

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

Against the backdrop of the accounting issues identified in January 2019 during the internal preparation of the Group's full year results for 2018 and the conclusion of the independent review of this issue by PwC that there were significant accounting irregularities during 2018 together with material weaknesses in the internal control environment, the Board acknowledged that the audit of the financial statements for the year ended 31 December 2018 was always going to be challenging.

Notwithstanding certain complexities in these financial statements such as the adoption of IFRS 15, the Board is disappointed at the length of time it has taken to publish our Annual Report.

New senior personnel were recruited into the finance team with no link to, or responsibility for, the underlying causes of the accounting irregularities and breakdown in internal controls, and who have worked diligently to try to provide all available analysis, evidence, information and explanations, as required by the auditors. The Board has also acted in a fully proactive, open and transparent manner at all times since the accounting regularities first came to light in January.

NOMINATIONS COMMITTEE

The Nominations Committee met once during the year and, at 31 December 2018, comprised Paschal Taggart (Chairman, resigned 24 June 2019), John Bateson and Roger Conan (Chairman since 24 June 2019). All Committee members attended the meeting.

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 does not currently have a Board diversity policy under S.I. No. 360/2017 - European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017. The Board is currently finalising a diversity policy which will be approved and implemented in the near future. The objective of the policy will be to help achieve the optimum Board composition of skills and experience. When implemented the policy will ensure all Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The proposed policy statement will also acknowledge that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately. Furthermore, the Group recognises the importance and benefit of ensuring diversity throughout the organisation. Throughout the Group, a total of 25 nationalities are represented within our workforce, and we strive to ensure that our culture promotes and respects everyone, irrespective of nationality or gender.

Given the Group did not have a Board diversity policy in place for 2018, this has been disclosed as a divergence to the UK Corporate Governance Code on pages 37 to 38.

The Board also acknowledges the importance of promoting female participation at all levels in the Group. At 31 December 2018, women made up 27% of total employees and 40% 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 Nominations Committee is undertaking a review of Board composition and anticipates making changes to strengthen the Board's experience and expertise during 2019.

Sean Corkery was appointed as Non-Executive Director of Datalex plc in April 2019. Following Paschal Taggart's resignation as Chairman on 24 June 2019, Sean Corkery, already holding the position of Interim CEO at that date, was further appointed Acting Chairman of the Company. Given Mr. Corkery's extensive strategic and operational experience and his previous positions as non-executive director of various IT and telecoms companies, the Board decided that neither an external search consultancy nor open advertising was required for his appointment to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee met three times during the year and, at 31 December 2018, comprised Peter Lennon (Chairman), John Bateson, Paschal Taggart (resigned 24 June 2019) 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 page 17, 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 2016 UK Corporate Governance Code and the Irish Annex relating to the design of performance related remuneration. The Chairman of the Board was 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 2018 is set out below:

Name	**Appointed**	**Board**		**Audit Committee**		**Remuneration Committee**		**Nominations Committee**	
		A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John Bateson	2006	11	11	8	8	3	3	1	1
Roger Conan	2011	11	11	8	8	3	3	1	1
David Kennedy	2008	10	8	-	-	-	-	-	-
Peter Lennon	1993	11	10	8	8	3	3	-	-
Paschal Taggart	2001	11	11	-	-	3	3	1	1
Aidan Brogan	2012	11	11	-	-	-	-	-	-
Garry Lyons	2013	11	10	-	-	-	-	-	-
Dónal Rooney	2018	1	1	-	-	-	-	-	-

- 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 CEO, 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 Directors' Responsibilities Statement 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.

During 2018, 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. The Audit Committee has reported in the past on the risk of manual intervention and process improvements it would like to put in place.

The Board acknowledges its responsibility for reviewing the risk management and the internal control systems and notes the following with regards to the FRC's 2014 "Guidance on Risk Management", "Internal Control and Related Financial and Business Reporting" with respect to 2018:

Statement on risk management and internal control	**Board assessment**
That there is an on-going process for identifying, evaluating and managing the principal risks faced by the Group	Confirmed
That the systems have been in place for the year under review and up to the date of approval of the Annual Report and accounts	See conclusion on the ineffectiveness of the Group's risk management and internal control systems below
That they are regularly reviewed by the Board	Confirmed
The extent to which the systems accord with the guidance in this document	See conclusion on the ineffectiveness of the Group's risk management and internal control systems below

There was a serious breakdown in our internal financial controls in the year. In a trading update on 15 January 2019, we reported a shortfall in previously anticipated revenue and Adjusted EBITDA. The shortfall was identified by management in the preparation of the year end results for 2018. We appointed PwC, in conjunction with McCann FitzGerald, the Group's legal advisors, to conduct an independent review (the "Review"). The Review confirmed accounting irregularities and material internal control failures.

On internal control specifically, the Review identified significant accounting irregularities during the period as the underlying cause for the Group's overstatement of revenues, noting material weaknesses in the internal control environment; the Group's accounting process in this area has been largely manual, and dependent on individual judgement, and not subject to internal audit oversight; and there has been a failure by the Group to track sufficiently operational and financial performance on the Deployment and to retain sufficient supporting documentation for accounting entries.

Accordingly, the Board has concluded, with regret and disappointment, that the risk management and internal control systems were ineffective for the year ended 31 December 2018.

Through both its ongoing involvement and overview in risk management and internal control activities, the Board is satisfied that the risk management and internal controls systems, as remediated, are effective at the date of this report. The Audit Committee, in 2019, has significantly increased its oversight, with 12 meetings to date in 2019, and has been reviewing and satisfying itself as to the adequacy of the Group's internal control and risk systems. The Finance Director and new Head of Finance have attended each of these meetings, and outside the formal meetings have been in regular dialogue with the Chair of the Audit Committee.

In response to the Review, the following immediate corrective actions were taken:

- New senior finance personnel were hired (a new Head of Finance and a Head of Commercial Finance);
- A new accounting process was implemented for revenue recognition; and
- An enhanced budget and forecasting process was introduced.

The Group has drawn up, and is currently implementing, plans to further reorganise its finance function that will involve the creation of a number of new roles to enhance the Group's accounting and financial control capability. In addition, a process has commenced to procure an outsourced internal audit service.

While the Board is satisfied it has taken the appropriate immediate action, it has also significantly increased its oversight in 2019 to date and is continuing to assess the Group's material risks and effectiveness of internal controls. The ongoing development of risk management and internal controls to ensure that they remain effective is a priority for the Board.

A new three-year strategic plan will be prepared in 2019.

The main features of the Group's systems of internal controls and risk management which did operate satisfactorily in the period 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 deployed resource on a single customer deployment 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 14 to 15;
- The Group has written procedures and authority limits for all operating and capital expenditure; and
- There is a control process in place in relation to management of the integrity of the Group's software development process.

PwC performed an assessment of the Group's finance function in quarter two 2019. The assessment concluded that Datalex's finance operations were at a relatively low state of maturity.

PwC have provided a clear set of recommendations in their report with a proposed plan for enhancing the finance function. These include:

- Reorganisation of the finance function.
- Design and implementation of policies, procedures, processes and KPIs for all finance and operations staff.
- Implementation of tighter processes and controls for reporting and monitoring of budgets and forecasts.
- Enhanced project governance, business case processes and ongoing project reporting.
- Development of new ERP and contracts management systems.

Management is currently actively implementing the recommendations and are recruiting for additional personnel and resources.

FINANCIAL REPORTING PROCESS

The Directors note that the items of concern were brought to its attention by management in January 2019 on the finalisation of the year end reporting process in its customary timetable for closing the year end. Recognising the serious nature of the matters, PwC, in conjunction with Group's legal advisors, were appointed to conduct a review thereof.

The Audit Committee recognises that Datalex has been growing as measured by employee numbers, that there has been significant effort in a single customer deployment and at the same time significant time devoted to product development.

We have commenced corrective action, both identified by ourselves by PwC in its work and by the external auditors. This includes:

- Reorganising the finance function and addition to its capability with a new Head of Finance and Head of Commercial Finance appointed
- Implementing new accounting processes in relation to revenue recognition.
- Establishing a new budgeting and forecasting process.
- Establishing a new process in relation to the controls over development expenditure.
- Improving the quality of financial information provided to management and to the Board.

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 Non-Executive Directors which reviews key control matters;
- There are policies and procedures in relation to key financial controls, capital expenditure, operational risk and treasury and credit risk management;
- All investment decisions are subject to formal levels of authorisation and approval; and
- Where professional expertise is necessary, professional advisors are engaged.

The Group has also put in place a system to identify and report 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 provided for in the UK Corporate Governance Code. Recognising that an internal audit resource would be a potential defence against the nature of the matters that arose in 2018, the Board has determined that it will put in place a scalable internal audit resource in 2019 and the process to appoint that resource is well advanced.

As outlined on pages 30 to 31, members of the Audit Committee periodically examine the operation of key accounting processes in the business and report back to the Committee.

COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority and there is regular dialogue with individual shareholders, as well as general presentations at the time of the release of the annual and interim results. In addition, an interim management statement and a trading update have been issued to the market during the year. The interim financial statements have been issued in accordance with the requirements under the EU Directive 2004/109/EC (the "Transparency Directive"). As set out in our update statement on 27 March 2019, we have determined that the interim statement contains financial information that was misstated. The Group will re-present restated H1 2018 financial statements with such results also included in the interim financial statements for the six months ended 30 June 2019. The Company's website www.datalex.com provides the full text of the Annual Report, interim management statements, trading update and any stock exchange announcements.

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 11 to these financial statements. Periodically, the CEO 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 a 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 Act, 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 Act or by the Articles required to be exercised by the Company in the general meeting. Matters reserved by the Act to the shareholders in the general meeting include:

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

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The Group has applied the principles and provisions of the UK Code and the Irish Annex throughout the year ended 31 December 2018, with the following exceptions:

- The Group did not maintain a sound internal controls system in the period. Further details are included on page 35. As also set out on page 35, the Board is committed to ensuring that appropriate lessons are learnt, and the necessary actions taken to address the shortcomings in our internal control systems.
- The Group did not have an internal audit function in the period. The Board has approved the provision of an internal audit resource, to be provided on an outsourced basis in 2019. The Board will continue to periodically review this position.
- The ex-Chairman, Paschal Taggart, was a member of the Remuneration Committee up to the date of his resignation in June 2019. 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 had considered this and wanted to take advantage of the Chairman's skills and experience in this area.
- As at 31 December 2018, the previous CEO had 1,200,000 exercisable share options remaining, which were granted under the 2000 and the 2012 Share Options schemes. The previous CEO also had 260,000 Joint Share Ownership Plan awards which have vested in prior years and which were exercisable at year-end. 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.

- The Group did not have a Board diversity policy in place in 2018 and is therefore unable to disclose the measurable objectives set for such policy, or the progress made on achieving objectives under this policy, in accordance with B.2.4. of the Code. The Board is currently finalising a diversity policy which will be approved and implemented in the near future, and the Board fully expects to comply with this provision in its 2019 Annual Report. The process undertaken by the Board to ensure diversity with regards to Board appointments is outlined in the Nomination Committee Report above.
- At the date of publication of this Annual Report, Sean Corkery's role was that of Acting Chairman and Interim CEO. Under A.2.1 of the 2016 UK Corporate Governance Code, the positions of Chairman and CEO should not be exercised by the same individual. The Board sees this as an interim arrangement, following the successive resignations of Paschal Taggart and Aidan Brogan as Chairman and CEO respectively. The Board believes that the appointment of Sean Corkery as Acting Chairman and Interim CEO was necessary, with his extensive strategic and operational experience and his previous positions as non-executive director of various IT and telecoms companies considered critical for the successful implementation of the Group's Transformation Change Programme, particularly in light of the challenges and uncertainties currently facing the Group. The Board is confident that the decision for his appointment was therefore made in the best interest of the Group's shareholders and wider stakeholders. Despite his role as Interim CEO prior to his appointment as Acting Chairman, the Board is satisfied that Sean Corkery was independent on first appointment to the Board on 12 April 2019, and that his independence was not duly impaired prior to his appointment as Acting Chairman due to the brief period of time between such appointments. The Board is currently undertaking a formal process for segregating these roles in the immediate future and fully expects to return to full compliance in 2019, with the expectation that the positions of CEO and Chairman will be confirmed by the end of the year.
- The Board did not undertake a formal evaluation of its own performance in 2018, nor did it perform an evaluation of its committees or individual Directors, as required under B.6.1 of the 2016 UK Corporate Governance Code. Due to the discovery of the serious breakdown of the Group's 2018 financial controls in early 2019, a formal and rigorous evaluation of the Board and its committees was not considered practical. However, the Directors are of the view that the significant number of Board resignations and appointments both prior to and subsequent to year-end reflect the Board's assessment of its own performance and that of the Group. The Board fully recognises the disappointing performance of the Group in 2018, and the appointment of new Directors was and continues to be required to ensure that the composition of the Board has the skills and expertise necessary to drive future success. Furthermore, the Board unanimously agreed that there would be no performance-based remuneration for the Directors in 2018. The Directors have committed to undertaking an externally facilitated evaluation of the Board's performance for its 2019 year-end in conjunction with the committees and individual Directors and will report on these findings in its 2019 Annual Report.
- At the date of publication of this Annual Report, the Audit Committee did not consist of a minimum of two Independent Non-Executive Directors, as required under the smaller company provisions of C.3.1 of the 2016 UK Corporate Governance Code. This was the result of Peter Lennon and John Bateson no longer being considered Independent for the reasons outlined on page 28. The Board is committed to rectifying this and fully expects to return to full compliance in 2019.

On Behalf of the Board
Sean Corkery **Niall O'Sullivan**

5 September 2019

REMUNERATION REPORT

INTRODUCTION

This report deals with Directors' remuneration for the year ended 31 December 2018. The 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 11).

REVIEW

As outlined in the Remuneration of Directors section below, one Executive Director received a bonus in June 2018 in accordance with the terms of his contract of employment. However, as a result of the extremely disappointing results for 2018 there was no other performance-based Remuneration for the year. Furthermore, given the significant losses incurred in 2018 and the current challenges facing the Group, it is the intention of the Board to update the various incentive schemes currently in place, recognising the importance of incentivising employees to achieve Group performance targets in a challenging environment. It is also the intention of the Board that the updated incentive schemes will be in line with the provisions of the 2018 Corporate Governance Code. It is expected that this update will be completed by the end of 2019.

REMUNERATION COMMITTEE

During 2018, the Remuneration Committee comprised of Peter Lennon as Chairman, John Bateson, Paschal Taggart and Roger Conan. Paschal Taggart resigned from the Board on 24 June 2019. As evidenced by the Board member biographies on page 17, 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-directorships. 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

During 2018, Aidan Brogan, David Kennedy and Dónal Rooney (appointed 5 December 2018) were the only Executive Directors and their terms of employment were subject to service contracts in all cases. These contracts had no fixed term and could be terminated by either party giving six months' notice. The basic annual salaries payable under these contracts were €350,000 (2017: €350,000), €230,000 (2017: €230,000) and €260,000 (2017: €nil) 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. Executive Directors are not entitled to Director's fees (Aidan Brogan and David Kennedy agreed to waive their Directors' fees of €48,000 in 2018 and 2017).

Dónal Rooney resigned by mutual agreement from the Board on 18 February 2019, with a waiver of his notice period.

NON-EXECUTIVE DIRECTORS

The Group agreed with its Non-Executive Directors to pay each Non-Executive Director €48,000 per annum (2017: €48,000) in respect of their services as Directors. The Chairman is paid an annual fee of €96,000 per annum (2017: €96,000). Non-Executive Directors' fees of US$91,600 (2017: US$95,944) were accrued at the year-end.

SHARE PERFORMANCE

The price range during the period from 1 January 2018 to 31 December 2018 was €2.13 to €3.40 (2017: €2.85 to €4.10) and was €2.38 at the year-end (2017: €2.85).

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 TO THE FINANCIAL STATEMENTS

RENUMERATION OF DIRECTORS

The following table sets out the remuneration of the Directors during their tenure on the Board in 2018:

Directors	Basic salary	Performance bonus paid	Other benefits	Pension scheme contribution	Share award gain on exercise [(2)]	2018 Total	2017 Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
John Bateson	57	-	-	-	-	57	54
David Kennedy [(1)]	272	39	16	20	2,210	2,557	767
Roger Conan	57	-	-	-	-	57	54
Peter Lennon	57	-	-	-	-	57	54
Paschal Taggart	114	-	-	-	-	114	109
Aidan Brogan	414	-	17	31	-	462	620
Dónal Rooney	25	-	-	2	-	27	-
Garry Lyons	57	-	-	-	-	57	54
Total	**1,053**	**39**	**33**	**53**	**2,210**	**3,388**	**1,712**

(1) The market prices on the dates of exercise of David Kennedy's shares during the year were €3.35 and €2.40. The exercise prices were €0.54 and €0.48.

(2) There was no IFRS 2 share awards charge in 2018 or 2017.

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 2018, Aidan Brogan earned a bonus of €nil (2017: €185,000), David Kennedy earned a bonus (paid in accordance with contract of employment terms) of €33,747 (2017: €75,000) and Dónal Rooney earned a bonus of €nil (2017: €nil).

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 2018 were US$53,343 (2017: US$45,112).

The total contributions accrued for Aidan Brogan, David Kennedy and Dónal Rooney under the scheme at 31 December 2018 were US$4,961 (2017: US$5,247), US$3,260 (2017: US$3,448) and US$1,846 (2017: US$nil), respectively.

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 11 to these financial statements.

	At 1 January 2018	Granted during the year	Exercised during the year	Expired during the year	At 31 December 2018	Exercise price range	Date from which exercisable	Expiry date
David Kennedy	900,000	-	(900,000)	-	-	€0.48-€0.54	2011/ 2015	2018/ 2022
Aidan Brogan (1), (2)	1,200,000	-	-	-	1,200,000	€0.13 - €0.84	2013/ 2016	2020/ 2023
Dónal Rooney (3)	-	850,000	-	-	850,000	€2.34	2021	2028

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

(2) Under the terms of Aidan Brogan's resignation on 1 May 2019, his outstanding options at 31 December 2018 will remain exercisable until the earlier of (1) the first anniversary of the date of lifting of the temporary suspension of the Company's share trading on Euronext Dublin and (2) the tenth anniversary of the date of grant of the share options. He will also retain his interest in vested JSOP shares.

(3) Dónal Rooney resigned as Finance Director on 18 February 2019 and his grant of 850,000 options then expired.

2012 SHARE OPTION PLAN

The Datalex Share Option Plan 2012 ("2012 Plan") 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 plc 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 Adjusted EBITDA and cash performance targets were not achieved in respect of the year ended 31 December 2018 and no vesting of options has occurred for 2018.

JOINT SHARE OWNERSHIP PLAN

The Board approved the establishment of the Datalex Joint Share Ownership Plan ("JSOP") in January 2012. The JSOP was 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 JSOP take the form of restricted interests in ordinary shares of the Company ("Plan Shares"), with interests acquired under the JSOP 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 JSOP, these participants and The Datalex Employee Benefit Trust (administered by independent professional trustees) jointly acquired 1.56 million existing shares at the then open market price (€0.36 per share).

In accordance with the Rules of the JSOP, 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 Datalex 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 member of 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 Datalex Employee Benefit Trust (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. This share award vested in 2018 following the achievement of the relevant performance conditions in respect of 2015, 2016 and 2017.

LONG TERM INCENTIVE PLAN

A new Long-Term Incentive Plan ("LTIP") for key employees was approved by shareholders at the 2015 AGM. The LTIP is intended to enable the retention and reward of key employees who are central to the achievement of the Group's growth strategy in the coming years. The plan 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 over a three-year period. The Group started making awards under the Plan during 2016, with further grants in 2017 and 2018. At 31 December 2018, 22 key employees (2017: 22 key employees) have been granted US$1.98m (2017: US$1.98m) - see Note 14 and Note 2.19 (F). As noted on page 41, vesting has not been achieved for the year ended 31 December 2018.

On Behalf of the Remuneration Committee

Peter Lennon
5 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX PLC

DISCLAIMER OF OPINION

We were engaged to audit the financial statements of Datalex plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2018;
- the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended;
- the Consolidated and Company Statements of Cash Flows 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.

We do not express an opinion on the accompanying financial statements of the Group and Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in the Directors' Report, on 15 January 2019, the Group announced that they had identified a number of accounting issues relating to revenue recognition in closing the Group's accounting records in respect of the year ended 31 December 2018. The Board appointed an independent firm of accountants to conduct a review ("the Review"). The Review focused on the Group's recognition of services revenue during the year ended 31 December 2018, in particular with respect to a fixed fee professional services contract for a significant customer deployment ("the Deployment").

On 27 March 2019, the Group announced that the Review had identified significant accounting irregularities in respect of the year ended 31 December 2018, as the underlying cause for the overstatement of revenue and noting material weaknesses in the internal control environment during the year. The Group's accounting process in this area was largely manual and dependent on significant judgement and there was a failure to track operational and financial performance on the Deployment and to retain sufficient appropriate documentation to support the accounting entries recorded during the year.

We took these circumstances into account when planning and executing our audit procedures. The following four matters arose during our audit and have resulted in an inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Company and the Group. These matters are detailed below. The possible effects on the Group and Company's financial statements of undetected misstatements in respect of these matters, if any, could be both material and pervasive. As a result of these matters, we were unable to determine the nature, timing, and extent of any adjustments which might have been found necessary in order for the Group and Company's financial statements to present a true and fair view, and accordingly we have disclaimed our audit opinion.

1. Going concern

As disclosed in Note 2.3 to the consolidated financial statements, the financial statements of the Group and Company are prepared on the assumption that the Group and Company will continue as a going concern.

Management provided us with the Group's cash flow forecast model to support their assessment that the Group and Company will continue as a going concern. In assessing the appropriateness of that model and the assumptions contained therein, we made enquiries of management to which they were unable to provide sufficient appropriate audit evidence to support both the use of the model and the underlying assumptions.

As we were unable to ascertain the appropriateness of the Group's cash flow forecasts, and due to the multiple material uncertainties set out in Note 2.3 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence to support the assumption that the Group and Company will continue as a going concern. This represents a limitation in scope.

The financial statements do not reflect any changes or adjustments that would be required should the Group and Company be unable to continue as a going concern.

2. Information and explanations

As is the case with any audit, we made various enquiries of management and requested supporting information and documentation during the course of our audit. As a result of the material breakdown in internal control during the period under audit, a number of these requests either could not be responded to, or the information provided was not sufficient for the purposes of our audit. We therefore have not received all the information and explanations that we consider necessary for the purpose of our audit. Some of the more significant areas of our audit affected by this are referred to below, although it is possible that additional areas or matters not listed below may have been identified had additional audit evidence been obtained. As a result, we were unable to determine the completeness and accuracy of the disclosures in the financial statements of the Company and the Group. This represents a limitation in scope.

3. Implementation of IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), and revenue recognition

The Group adopted IFRS 15, in the consolidated financial statements in respect of the year ended 31 December 2018, using the modified retrospective approach. The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application (1 January 2018) as an adjustment to the opening balance of retained earnings. We were unable to obtain sufficient, appropriate audit evidence on the initial application of IFRS 15 as well as the revenue recognised in respect of the year ended 31 December 2018. The comparative disclosures and Note 33 to the consolidated financial statements are prepared under IAS 18 – *Revenue,* ("IAS 18"). Five matters arose from our audit procedures in this area:

- The Group derives a significant portion of its revenue from contracts containing multiple performance obligations, including fixed fee elements. Revenue is recognised by determining the Standalone Selling Price ("SSP") of the various performance obligations within a contract, in conjunction with the percentage of completion method which is used as a measure of progress for fixed fee services. This requires that the Group's future performance obligations under customer contracts are determinable at the outset of the arrangement. As a result of the material weakness in internal control noted by the Review, management were not in a position to provide sufficient appropriate audit evidence to support the SSP for the fixed fee element of customer contracts, the percentage of completion for implementation services and fully define the Group's performance obligations under certain customer contracts. This represents a limitation in scope.
- Taking into account the conclusions arising from the Review and a requirement to exercise professional scepticism, we sought as part of our audit procedures, to independently corroborate customer contract terms and conditions directly with five customers. The directors viewed this audit procedure as potentially commercially damaging and also unlikely to result in response, accordingly we were not permitted to perform this audit procedure. This represents a limitation in scope.
- In certain circumstances, the Group provides an Early Release beta version of its software in return for an upfront fee. Due to inconsistencies in the manner in which the Group contracted for the sale of such Early Release beta versions, inconsistencies in the explanations received and evidence obtained, we were unable to ascertain whether the sale of an Early Release beta version represents a distinct performance obligation at 31 December 2018 and 1 January 2018, which is how the Group recognises revenue in respect of such transactions. This represents a limitation in scope.
- As disclosed in notes 6 and 7 to the consolidated financial statements, the Group discloses deferred contract fulfilment and contract acquisition costs of US$11.5 million and US$0.8 million, respectively at 31 December 2018, and US$9.5 million and US$0.6 million, respectively at 1 January 2018 (the latter being the date of transition to IFRS 15), recognised in accordance with IFRS 15. As a result of the material weaknesses in internal control noted in the Review and a lack of available and appropriate support for time recorded and payroll data, we were unable to ascertain the appropriateness of the carrying amount or recoverability of these assets at 31 December 2018 and on the date of transition, 1 January 2018. This represents a limitation in scope.
- As disclosed in Note 9 to the consolidated financial statements, the Group recorded contract assets of US$2.0 million at 31 December 2018. As disclosed in Note 33 to the consolidated financial statements, the Group would have recorded accrued income of US$7.0 million had they continued to apply IAS 18. Both amounts are stated net of expected credit losses under IFRS 9 – *Financial Instruments*, ("IFRS 9"). As a result of the material weaknesses in internal control noted in the Review, we were unable to ascertain the appropriateness or recoverability of the carrying value of such balances at 31 December 2018 and on the date of transition, 1 January 2018. This represents a limitation in scope.

4. Impairments of product development costs, intercompany receivables and investment in subsidiary

As disclosed in Note 5 to the consolidated financial statements, an impairment charge of US$20.0 million, net of credits, was recorded at 31 December 2018 to impair product development intangible fixed assets to US$nil. As disclosed in notes 9 and 27 to the Company Statement of Financial Position, an impairment charge of US$2.9 million and US$48.7 million was recorded at 31 December 2018 to impair the Company's intercompany receivables and investment in subsidiary to US$nil, respectively. We were unable to determine the appropriateness of the carrying amount of the related assets and liabilities as a result of the multiple material uncertainties referred to in the paragraph on going concern above and Note 2.3 to the consolidated financial statements. This represents a limitation in scope.

As disclosed in Note 22 to the consolidated financial statements, product development costs incurred in respect of the year ended 31 December 2018 of US$12.4 million are included as an exceptional item in the consolidated statement of profit or loss. In accordance with the Group's accounting policy for Research and Development Expenditure, expenditure which does not meet the criteria for capitalisation should be expensed in the normal course.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year 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, we do not provide a separate opinion on these matters.

In accordance with International Standard on Auditing (Ireland) 701 – *Communicating Key Audit Matters in the Independent Auditor's Report*, ("ISA (Ireland) 701"), as we have reported the going concern status of the financial statements of the Group and Company in the Basis for Disclaimer of Opinion, going concern is not reported as a key audit matter.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Implementation of IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), and revenue recognition **IFRS 15** **Revenue (US$45.1m), contract assets (US$2.0m at 31 December 2018 and US$4.5m at 1 January 2018), contract liabilities (US$24.6m at 31 December 2018 and US$12.9m at 1 January 2018), deferred contract fulfillment costs (US$11.5m at 31 December 2018 and US$9.5m at 1 January 2018), and contract acquisition costs (US$0.8m at 31 December 2018 and US$0.6m at 1 January 2018)** **IAS 18** **Revenue (US$44.3m), accrued income (US$7.1m) and deferred income (US$14.4m)** *Refer to the Audit Committee Report (page 30; Accounting policies (pages 63 to 68, 70 and 71); and Notes 6, 7, 9, 16, 17 and 33 of the Consolidated Financial Statements.* The Group adopted IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), in the consolidated financial statements in respect of the year ended 31 December 2018, using the modified retrospective approach.	We considered the outcome of our interim audit procedures and the output of the Review in performing our year end audit procedures on revenue for the year. We also involved, as part of the team, internal subject matter experts, as appropriate. We performed detailed procedures on management's accounting position papers and related workings on the transition to IFRS 15. This included a review of all open contracts, the key judgements and accounting policy decisions, including the identification of performance obligations, adopted on transition. We reviewed contracts in respect of the year ended 31 December 2018 and amendments against Group contract narratives and assessments for compliance with IFRS 15 and IAS 18 and consistent application of the IFRS 15 accounting policy as noted on pages 63 to 68. In exercising professional scepticism, we sought as part of our audit procedures, to independently corroborate customer contract terms and conditions.	The board deployed significant internal and external resources to address the Group's transition to IFRS 15. However, as a result of the material breakdown in internal control during the period under audit, explained in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to form a conclusion on revenue, contract assets, accrued income, deferred contract fulfillment costs, and contract acquisition costs nor were we able to perform alternative audit procedures and thus were unable to determine whether any adjustments to revenue, contract assets, accrued income, deferred contract fulfillment costs, and contract acquisition costs were necessary.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The application of IFRS 15 requires judgement in the identification of performance obligations and in attributing appropriate Standalone Selling Prices ("SSPs"), including discounts where relevant, to each performance obligation. Accordingly, this requires the exercise of significant judgement by management in identifying separate and distinct perfomance obligations and in attributing appropriate SSPs. This also requires that the Group's future obligations under the related customer contracts to be determinable at the outset of the arrangement. The Group derives a significant portion of its revenues from contracts containing multiple performance obligations, including fixed fee elements, in accordance with both IFRS 15 and IAS 18 – *Revenue*, ("IAS 18"). The timing of the recognition of revenue in respect of fixed fee professional services is recognised over time using the measure of progress with reference to the percentage of completion method in accordance with both IFRS 15 and IAS 18.	We performed detailed procedures on Services Revenue, such as assessing the performance obligations identified by management, 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 to test the revenue recognised. In addition, we discussed and challenged the progress of individual projects with non-finance personnel. We also considered client correspondence to the extent available and relevant. We obtained an understanding of the process by which management determines the percentage of completion and evaluated the judgements made by management regarding the expected costs to complete estimate. We considered whether the Group appropriately recorded professional services revenue by reference to the SSP in respect of the performance obligations identified by management and the percentage of completion in respect of projects which were in progress at year end and were subject to fixed fee arrangements.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Such contracts involve key project milestones, ongoing uncertainties around expected costs to complete and the Group's future obligations. 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. 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. 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. 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. The application of IFRS 15 requires the recognition of deferred contract fulfillment costs. Such costs represent those already incurred in executing and delivering contractual obligations to customers for which the associated revenue has not been recognised at the balance sheet date. Significant judgement is exercised in determining what type of expenditure meets the criteria for recognition as deferred contract fulfillment costs, in particular the amount of time incurred by staff and contractors on customer contracts and whether these costs are recoverable. The estimates, assumptions and judgements used by management in the application of IFRS 15, including the identification of performance obligations, have been identified as a key audit matter.	In respect of Platform Revenue, for hosted customers we agreed transaction information to invoices and subsequent cash receipts. For non-hosted customers, we obtained transaction information provided by third party customers to the Group. We agreed the contractual rates included in these reports to underlying contracts. Where revenue was recognised for delivery of Early Release beta versions of software, we reviewed the agreement and correspondence with the customer in assessing if the criteria for recognition was met. Where contract assets or 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. We carried out audit procedures in testing the Group's deferred contract fulfillment costs and contract acquisition costs disclosed in the consolidated financial statements for compliance with IFRS 15. We evaluated the adequacy of the Group's disclosures regarding revenue, contract assets, accrued income, deferred contract fulfillment costs, contract acquisition costs and contract liabilities on projects as disclosed in notes 2 and 17, Note 9, Note 33, Note 6, Note 7 and Note 16 of the consolidated financial statements. We also tested manual revenue journal entries focusing on unusual or irregular items.	

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.

During the course of our audit, we continuously reassessed our materiality as a result of the matters referred to in the Basis for Disclaimer of Opinion section above. We determined our final materiality for the Group to be US$225,000 (2017: US$272,000), which is approximately 0.5% of revenue recognised in accordance with IFRS 15 (2017: approximately 2% of earnings before net finance costs, income tax expense, depreciation and amortisation ("EBITDA")). We believe that revenue 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.

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 internal control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely US$113,000 (2017: US$136,000). We have set performance materiality at this percentage due to our assessment of the risk of misstatements, both corrected and uncorrected.

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$11,000 (2017: 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

The identification of significant accounting irregularities and material weaknesses in internal control resulted in the following revisions to our audit approach for the Group and Company:

- Non-reliance on entity level controls within the Group and Company and the adoption of a fully substantive audit;
- Reducing our materiality and testing thresholds;
- Seeking increased independent corroboration of management representations, with a particular focus on key estimates and judgements;
- Appointing appropriate internal specialists as part of the team (i) to audit the Group's transition to IFRS 15 on 1 January 2018; (ii) to review the Group's cash flow model and assumptions utilised for the purpose of the Group and Company's going concern and impairment models; and (iii) shadow the independent firm conducting the Review to evaluate the findings of the investigation. We did not rely on the results of the Review for the purpose of our audit.

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, we take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide internal controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

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 reporting components of the Group, 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.

The Group audit team performed an audit of the available financial information for Ireland, the United States of America, the United Kingdom, the Netherlands and the centralised Group head office function ("full scope components") which were selected based on their size or risk characteristics. For the remaining component

TAILORING THE SCOPE (continued)

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% (2017: 100%) of the Group's revenue disclosed in the consolidated financial statements and 100% (2017: 100%) of the Group's total assets disclosed in the consolidated financial statements. For the current year, the full scope components contributed 99% (2017: 99%) of the Group's revenue disclosed in the consolidated financial statements and 99% (2017: 99%) of the Group's total assets disclosed in the consolidated financial statements. The specific scope component contributed 1% (2017: 1%) of the Group's revenue disclosed in the consolidated financial statements and 1% (2017: 1%) of the Group's total assets disclosed in the consolidated financial statements. 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.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

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 significance of the matters described in the Basis for Disclaimer of Opinion section of our report means that we are unable to form a view on the adequacy or otherwise of:

- the disclosures in the annual report set out on pages 14 to 15 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 35 to 36 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 pages 22 to 24 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 6.1.82(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 22 to 24 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. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have been unable to report as to whether:

- 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 Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- the section describing the work of the audit committee appropriately addresses matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 6.1.85 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have been unable to form an opinion, whether, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Companies Act 2014.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- the accounting records of the Company were not sufficient to permit the financial statements to be readily and properly audited; and
- we cannot assess if the Company statement of financial position is in agreement with the accounting records.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view as to whether there are 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; due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view in this regard.

In respect of the following matters, which the Listing Rules of the Irish Stock Exchange require us to review, due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view on these matters:

- the Directors' statement, set out on pages 22 to 24, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 27 to 38 relating to the Company'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 out on page 26, 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 Company and Group's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (Ireland) and to issue an Auditor's Report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were engaged by the Audit Committee following our appointment at the AGM held on 23 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagements including previous renewals and reappointments of the firm is 2 years. We have indicated to the Audit Committee our intention to resign upon conclusion of our statutory obligations in respect of our audit of the Annual Report and financial statements of the Group and Company for the year ended 31 December 2018.

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 our reporting 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 or have not formed.

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

Dublin
5 September 2019

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 the financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,536	2,286
Intangible assets	5	140	26,630
Deferred contract fulfilment costs	6	10,864	-
Contract acquisition costs	7	792	-
Trade and other receivables	9	685	2,994
Restricted cash	10	-	500
Deferred income tax assets	8	-	2,397
Total non-current assets		**15,017**	**34,807**
Current assets			
Trade and other receivables	9	7,133	19,205
Contract assets	9	2,019	-
Deferred contract fulfilment costs	6	660	-
Restricted cash	10	500	-
Cash and cash equivalents	10	8,380	16,153
Total current assets		**18,692**	**35,358**
Total assets		**33,709**	**70,165**
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Issued ordinary share capital	11	7,810	7,693
Other issued equity share capital	11	262	262
Other reserves	12	7,783	7,000
Retained (loss)/earnings		(25,230)	32,378
Total equity		**(9,375)**	**47,333**
LIABILITIES			
Non-current liabilities			
Borrowings	13	895	274
Provision (long term incentive plan)	14	651	714
Trade and other payables	15	170	208
Contract liabilities	16	10,942	-
Total non-current liabilities		**12,658**	**1,196**
Current liabilities			
Trade and other payables	15	16,094	21,139
Contract liabilities	16	13,626	-
Borrowings	13	366	334
Current income tax liabilities		340	163
Total current liabilities		**30,426**	**21,636**
Total equity and liabilities		**33,709**	**70,165**

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**
5 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Before exceptional items US$'000	2018 Exceptional items (Note 22) US$'000	2018 Total US$'000	2017 Total US$'000
Revenue from contracts with customers	17	45,096	-	45,096	63,894
Cost of sales	18	(45,407)	(12,369)	(57,776)	(47,112)
Gross profit / (loss)		**(311)**	**(12,369)**	**(12,680)**	**16,782**
Selling and marketing costs	18	(5,786)	-	(5,786)	(5,375)
Administrative expenses	18	(3,643)	(2,254)	(5,897)	(4,211)
Net impairment losses on financial and contract assets	9	(140)	-	(140)	-
Impairment of intangible assets	22	-	(19,959)	(19,959)	-
Other income	20	206	-	206	-
Other (losses)/gains	21	122	(164)	(42)	69
Operating (loss)/ profit		**(9,552)**	**(34,746)**	**(44,298)**	**7,265**
Finance income	23	10	-	10	23
Finance costs	23	(408)	-	(408)	(305)
(Loss)/ profit before income tax		**(9,950)**	**(34,746)**	**(44,696)**	**6,983**
Income tax (charge)/credit	8	(140)	(2,397)	(2,537)	77
(Loss)/ profit for the year		**(10,090)**	**(37,143)**	**(47,233)**	**7,060**
(Loss)/ profit per share (in US$ cents per share):					
Basic	24			(61.47)	9.32
Diluted	24			(61.47)	8.94

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**

5 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
(Loss)/ profit for the financial year		**(47,233)**	**7,060**
Other comprehensive (loss)/ income:			
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation adjustments:			
- Arising in the year	12	(21)	18
Total movement in items that may subsequently be reclassified to profit or loss		(21)	18
Comprehensive (loss)/ income for the year		**(47,254)**	**7,078**

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**

5 September 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary share capital US$'000	Other equity share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2017	**7,596**	**262**	**5,888**	**29,093**	**42,839**
Profit for the year	-	-	-	7,060	**7,060**
Other comprehensive income	-	-	18	-	**18**
Total comprehensive income for the year	**-**	**-**	**18**	**7,060**	**7,078**
Share-based payments cost (Note 12)	-	-	599	-	**599**
Issue of ordinary shares on exercise of options (Notes 11 & 12)	97	-	439	-	**536**
Decrease in treasury shares due to exercise of JSOP awards (Note 12)	-	-	56	-	**56**
Dividends paid (Note 26)	-	-	-	(3,775)	**(3,775)**
Balance at 31 December 2017	**7,693**	**262**	**7,000**	**32,378**	**47,333**
Cumulative restatement of retained earnings arising from implementation of IFRS 15 (see Note 33)	-	-	-	(5,839)	**(5,839)**
Cumulative restatement of retained earnings arising from implementation of IFRS 9 (see Note 33)	-	-	-	(699)	**(699)**
Balance at 1 January 2018	**7,693**	**262**	**7,000**	**25,840**	**40,795**
Loss for the year	-	-	-	(47,233)	**(47,233)**
Other comprehensive loss	-	-	(21)	-	**(21)**
Total comprehensive loss for the year	**-**	**-**	**(21)**	**(47,233)**	**(47,254)**
Share-based payments credit (Note 12)	-	-	(147)	-	**(147)**
Issue of ordinary shares on exercise of options (Notes 11 & 12)	117	-	822	-	**939**
Decrease in treasury shares due to exercise of JSOP awards (Note 12)	-	-	129	-	**129**
Dividends paid (Note 26)	-	-	-	(3,837)	**(3,837)**
Balance at 31 December 2018	**7,810**	**262**	**7,783**	**(25,230)**	**(9,375)**

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**
5 September 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/ generated from operations	25	(3,701)	9,633
Income tax paid / (credit)		43	(104)
Net cash (used in)/ generated from operating activities		**(3,658)**	**9,529**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(163)	(946)
Additions to intangible assets		-	(13,170)
Additions to contract acquisition costs		(334)	-
Interest received		10	23
Restricted cash		-	(500)
Net cash used in investing activities		**(487)**	**(14,593)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (including share premium)	11 & 12	939	536
Proceeds from exercise of JSOP awards	12	129	56
Dividends paid to shareholders	26	(3,837)	(3,775)
Decrease in finance lease liabilities		(692)	(300)
Interest paid		(222)	(30)
Net cash used in financing activities		**(3,683)**	**(3,513)**
Net decrease in cash and cash equivalents		(7,828)	(8,577)
Foreign exchange loss on cash and cash equivalents		55	410
Cash and cash equivalents at beginning of year		16,153	24,320
Cash and cash equivalents at end of year	10	**8,380**	**16,153**

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

On Behalf of the Board

Sean Corkery
5 September 2019

Niall O'Sullivan

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	27	-	48,868
Total non-current assets		**-**	**48,868**
Current assets			
Trade and other receivables	9	223	5,953
Cash and cash equivalents	10	118	202
Total current assets		**341**	**6,155**
Total assets		**341**	**55,023**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued ordinary share capital	11	7,810	7,693
Other issued equity share capital	11	262	262
Other reserves	12	46,635	45,960
Retained earnings		(54,477)	1,007
Total equity		**230**	**54,922**
LIABILITIES			
Trade and other payables	15	111	101
Total current liabilities		**111**	**101**
Total equity and liabilities		**341**	**55,023**

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 statement of profit or loss in the Financial Statements and from filing it with the Registrar of Companies. The Company's loss for the financial year is US$51.6m (2017: profit of US$3.8m). The loss (2017: profit) for 2018 includes dividends received from Datalex (Ireland) Limited of US$nil (2017: US$3.5m), see also Note 26 in relation to the dividend paid in 2018.

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**
5 September 2019

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary share capital US$'000	Other equity share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2017	**7,596**	**262**	**44,922**	**1,017**	**53,797**
Profit for the year	-	-	-	3,765	**3,765**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**3,765**	**3,765**
Share-based payments cost (Note 12)	-	-	599	-	**599**
Issue of ordinary shares on exercise of options (Notes 11 & 12)	97	-	439	-	**536**
Dividends paid (Note 26)	-	-	-	(3,775)	**(3,775)**
Balance at 31 December 2017	**7,693**	**262**	**45,960**	**1,007**	**54,922**
Balance at 1 January 2018	**7,693**	**262**	**45,960**	**1,007**	**54,922**
Loss for the year	-	-	-	(51,647)	**(51,647)**
Other comprehensive income					
Total comprehensive loss for the year	**-**	**-**	**-**	**(51,647)**	**(51,647)**
Share-based payments credit (Note 12)	-	-	(147)	-	**(147)**
Issue of ordinary shares on exercise of options (Note 11 & 12)	117	-	822	-	**939**
Dividends paid (Note 26)	-	-	-	(3,837)	**(3,837)**
Balance at 31 December 2018	**7,810**	**262**	**46,635**	**(54,477)**	**230**

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**
5 September 2019

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	25	**2,997**	**(500)**
Dividends received from subsidiary undertakings		-	3,522
Net cash generated from operating activities		**2,997**	**3,022**
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	11 & 12	939	536
Dividends paid to shareholders	26	(3,837)	(3,775)
Net cash used in financing activities		**(2,898)**	**(3,239)**
Net increase/ (decrease) in cash and cash equivalents		99	(217)
Foreign exchange (loss)/ gain on cash and cash equivalents		(183)	167
Cash and cash equivalents at beginning of year		202	252
Cash and cash equivalents at end of year	10	**118**	**202**

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

On Behalf of the Board

Sean Corkery **Niall O'Sullivan**

5 September 2019

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

The principal activity of the Group (which consists of Datalex plc and its subsidiary companies as listed in Note 27) is the development and sale of a variety of direct distribution software products and solutions to the travel industry.

Datalex plc ("the Company") is a public limited company incorporated and domiciled in Ireland and is listed on Euronext Dublin. The company registration number is 329175, and the registered office is Block U, EastPoint, Clontarf, Dublin 3. As a result of the non-publication of the annual financial statements of the Company for the year ended 31 December 2018 by the date required by Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) (i.e. 30 April 2019), trading in the Company's shares was temporarily suspended by Euronext Dublin from 1 May 2019 and until such time as these financial statements have been published and certain other requirements set by Euronext Dublin have been complied with.

These Group and Company financial statements were authorised for issue by the Board of Directors on 5 September 2019.

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 STATEMENT OF COMPLIANCE

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). The IFRSs applied in these financial statements were those effective for accounting periods ending on 31 December 2018.

2.2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have been applied in preparing these financial statements. None of these have had a significant effect on the financial statements of the Group or Company, except for the following:

IFRS 9, *Financial Instruments,* replaces IAS 39, *Financial Instruments: Recognition and Measurement*. It addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting. In accordance with the transitional provisions in IFRS 9 (paragraphs 7.2.15 and 7.2.26), comparative figures have not been restated.

The Group's financial assets are measured at amortised cost, the most significant of which are trade receivables and contract assets. The Group's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables and contract assets, which requires the use of a lifetime expected loss provision.

As part of the IFRS 9 transition project, the Group assessed its existing trade receivables and contract assets for impairment, using reasonable and supportable information that is available without undue cost or effort, to determine the credit risk of the receivables at the date on which they were initially recognised and compared that to the credit risk as at 1 January 2018. A resulting cumulative adjustment of US$0.7m from the adoption of IFRS 9 is recognised in opening retained earnings as at 1 January 2018.

IFRS 15, *Revenue from Contracts with Customers,* replaced IAS 18, *Revenue*. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The Group adopted IFRS 15 using the modified retrospective approach on 1 January 2018. This followed an extensive transition project that has resulted in a change to the Group's accounting policy for revenue recognition which is outlined in Note 2.6 below. A resulting cumulative adjustment of US$5.8m from the adoption of IFRS 15 is recognised in opening retained earnings as at 1 January 2018.

New Standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group or Company, except for the following:

IFRS 16, Leases

This standard, which is effective for the financial year beginning 1 January 2019, addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position. The standard replaces IAS 17, *Leases*, and related interpretations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The distinction between operating leases (off statement of financial position) and finance leases (on statement of financial position) is removed for lease accounting under IFRS 16. The principal difference compared to lease accounting under IAS 17, is the requirement to bring almost all leases onto the statement of financial position, except for leases with a term of less than 12 months. The Group expects to adopt IFRS 16 by applying the modified retrospective approach and to recognise a lease liability and corresponding right of use asset. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The right of use asset will be an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

2.3 BASIS OF PREPARATION

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

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

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

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

GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future.

The Group incurred a loss of US$47.2m in 2018 (2017: profit of US$7.1m). At 31 December 2018, the Group had net liabilities of US$9.4m (2017: net assets of US$47.3m) and net current liabilities of US$11.7m (2017: net current assets of US$13.7m). Operating cash outflows in the year were US$3.7m (2017: US$9.6m inflow). The total decrease in cash was US$7.8m (2017: US$8.6m)

The Group continues to operate in a very competitive environment. A number of significant events occurred during the 2018 financial year and in 2019 to date (detailed below) that have given rise to material uncertainties for the business that may cast significant doubt on the Group's ability to continue as a going concern.

In 2018, the Group incurred a considerable amount of additional time on a significant customer deployment which has continued in 2019. Time was incurred on both the customer specific configuration and on the necessary enhancements and changes to our platform. A shortfall in services revenue billings arose in 2018 due to a failure to recover these additional costs. The related customer negotiations are ongoing. In respect of a separate customer we have also had to incur additional time to meet their commercial requirements, and in this situation the customer has agreed to fund the additional time required.

On 14 March 2019, following discussions and the provision of forecasts by the previous management, the Group announced that it had raised proceeds of €3.86m by way of a placing of 3.86m new ordinary shares with IIU (our largest shareholder and a company ultimately beneficially owned by Mr. Dermot Desmond). On 26 April 2019, a secured loan facility of €6.14m with Tireragh Limited, (a company ultimately beneficially owned by Mr. Desmond) was approved. As of the date of this report, €3.0 million of this facility has been drawn down, with the balance to be drawn down by the end of September.

In evaluating our cash flow needs for the remainder of 2019, we have taken into account our commitments to customers in both deployment and ongoing services commitments. Given our well-publicised financial challenges, we acknowledge there is a high risk that some customers may look to alternative providers. On 4 September 2019, the Group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter. There could also be material negative financial consequences if we do not meet our obligations on other customer deployments.

Furthermore, one of our customers has changed ownership and there may be either a positive future outcome in additional revenue opportunities, or this customer may terminate, in which case, the Group would be entitled to a termination payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

To prepare financial forecasts for the business is challenging in this background, as there are a number of different outcomes, both positive and negative which could arise.

The latest Group cashflow forecasts indicate that further funding of approximately US$10m will be required over the period to 30 September 2020. Of this, approximately US$5m is required to meet the short-term cash flow needs of the Group over the remainder of 2019 with the balance attributable to the Group's working capital needs in 2020. In preparing these forecasts, the Directors have assumed prudent downside scenarios, including provision for the scenario of a significant customer loss. While the Directors can give no assurance that these forecasts will be met, the Directors believe that these forecasts form a reasonable basis for their estimation of the future cash needs of the business.

If all various customer discussions are positive, and we deliver on our contractual commitments, we will not require all of the identified further funding. In the worst-case scenario of multiple customer losses and/or Datalex not delivering on contractual commitments, further funding may be required. The estimation of the funding requirement in this worst-case scenario is not possible but the Directors believe that this worst-case scenario is not a likely outcome. Notwithstanding this, the Directors recognise that the possibility that this worst-case scenario might be realised represents a material uncertainty.

Due to the significance of the potential funding requirement and uncertainty surrounding the outcome of the Group's contractual discussions and contractual performance, the Group sought and received confirmations of financial support from its largest ultimate beneficial shareholder, Mr. Dermot Desmond. Mr. Desmond has confirmed he will procure additional funding, conditionally, and on terms to be agreed, to meet the short-term cash flow needs of the Group over the remainder of the calendar year. The Company anticipates that the provision of such finance to the Group will require independent shareholder approval as a related party transaction under Euronext Dublin's Listing Rules.

The Directors intend to arrange an equity fundraising to raise, net of expenses, sufficient proceeds for the repayment of its shareholder loans, and the funding of the working capital needs of the business in 2020 and beyond. Mr. Desmond has informed the Company that he will support the equity fundraising and procure the participation of IIU Nominees Limited in its *pro rata* entitlement and will also work with the Company to secure underwriting of the equity fundraising.

The successful completion of an equity fundraising nevertheless remains subject to significant third party, internal and external risks. The commitment of Mr.. Desmond is subject to a number of conditions, including agreement of terms. An equity fundraising, depending on its structure, may require publication of a prospectus and/or the convening of an extraordinary general meeting at which shareholder approval of the arrangements would be sought. There is a risk that one or more of these steps may not be completed, or may not be completed in time, and the equity fundraising may not successfully complete.

The Directors recognise that the combination of the circumstances described above represents a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Nevertheless, on the basis of Mr. Desmond's support, the Directors have a reasonable expectation that the Group will be able to successfully navigate the present uncertainties and are satisfied to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would be required if the Group were unable to continue as a going concern.

2.4 BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statement of the Company and all of its subsidiary undertakings made up to the relevant year-end. The subsidiary undertakings' financial years are all coterminous with those of the Company.

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.

2.5 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 ("US$"), which is the Group's and 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 statement of profit or loss.

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 statement of financial position presented, are translated at the closing exchange rate at the date of that statement of financial position;
ii. income and expenses for each statement of profit or loss 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.

2.6 REVENUE RECOGNITION

(A) ADOPTION OF IFRS 15

Effective 1 January 2018, we commenced the application of IFRS 15, *Revenue from Contracts with Customers,* ("IFRS 15") using the modified retrospective approach. In doing so we availed of the practical expedient of applying the new standard only to contracts that were not completed as of 1 January 2018. This practical expedient affected both the transition adjustment amount recognised in retained earnings as at 1 January 2018 and our revenues and expenses for 2018.

In applying IFRS 15 we also availed of the following practical expedient. For contracts that were modified before the implementation date for IFRS 15, we have reflected the aggregate effect of all modifications that occurred prior to that date for the purpose of: identifying (un)satisfied performance obligations; determining the transaction price; and allocating transaction price to performance obligations.

Under the modified retrospective approach, prior period numbers are not restated; however, the impact of adopting IFRS 15 on each financial statement line affected is required to be disclosed along with a qualitative explanation of the significant changes between IFRS 15 and the previous revenue standards applied (IAS 11 and IAS 18). See Note 33 for the disclosures in this regard. The core principle of IFRS 15 is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised products or services to a customer. Revenue is recognised by applying the following five step model to the contracts with customers.

i. Identify the contract with the customer;
ii. Identify the performance obligations in the contract;
iii. Determine the transaction price;
iv. Allocate the transaction price; and
v. Recognise revenue when (or as) a performance obligation is satisfied.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

(B) CATEGORIES OF REVENUE

The Group considers whether there are various products and services within a contract with a customer that are deemed distinct performance obligations to which the transaction price needs to be allocated to. In determining the transaction price for the contractual arrangements, the Group considers the effects of variable consideration, transaction-based license revenue, the existence of significant financing components, upfront payments, and consideration payable to the customer (if any). Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the performance obligations identified within a contract and each portion is recognised separately as each performance obligation is satisfied.

The Group's revenue is divided into three principal categories, with the following significant elements:

1. Platform revenue

(a) License

Customer use of the Datalex software 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 Datalex.

Licenses provide customers with a right to access the Datalex platform over time. Software revenue is recognised over time for the contract term determined in accordance with IFRS 15, commencing when the license is usable by the customer following completion of configuration and installation.

(b) Bundled performance obligations

License and services are treated as a bundled product offering where services significantly integrate, customise, or modify the on-premise software or cloud service to which they relate. Where this arises, the license and services are combined into one distinct bundle of products and services and treated as a single performance obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A bundled performance obligation is recognised commencing on completion of implementation services or the go-live date, over the contract term as the license is considered to be the primary or dominant component of such bundled performance obligations. Where bundled performance obligations exist, either upon go-live or on completion of implementation services, we record a catch-up adjustment to recognise the bundled revenues pertaining to the completed implementation period.

As the measure of progress for revenue recognition we use an output measure, namely collaborative project tracking tools that allow both us and our customer to monitor and measure delivery of the various components underpinning the customised software. We consider that the use of such a system provides the most faithful depiction of our progress in satisfying the delivery of the bundled license and implementation services.

(c) Managed services/ hosting
Managed services/hosting facilitates customer use of the Datalex product suite. It is offered to those customers that are do not manage the solution themselves.

As the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, revenue from managed services performance obligations is recognised over time, on a rateable basis.

(d) Early releases/ beta versions of software
In certain limited instances, Datalex provides customers with early release or beta versions of Datalex software. Their purpose is to provide the customer with a general indication of what the solution will look like, and to help them in their planning and business preparation. The early release enables the customer to plan, prepare and train for the end platform. The early release version is designed to provide commercial benefit to the customer irrespective of whether they were to proceed with implementation and delivery of final operable Datalex licensed software.

Revenues attributable to the sale of early releases or beta versions of the platform are recognised upon delivery of the software to the customer, which is the point at which the customer has access to and controls the beta version. Upon delivery of the early release, we have no ongoing obligations to support or maintain an early release.

2. Professional services revenue
Professional services include implementation services, post go-live services, training and other services. Services such as configuration and installation of software are typically considered a distinct performance obligation except where the services significantly customise, integrate or modify the software to which they relate or the licence and services are highly interdependent or interrelated, in which case it is treated as a bundled performance obligation and reported under Platform Revenue.

Revenues from services are recognised over time as the relevant service days are utilised/ drawn down by the customer or upon expiry of their usage period for any unused days. Certain customer contracts may contain provisions preventing the carry forward of unused man days into a subsequent year. Where such provisions exist and are applied, unused man days at a period-end date will be recognised upon expiration. Where carry forward provisions exist, the recognition of revenue will follow the contractual arrangement or as agreed with the customer based on customary practice.

We typically measure progress of our service arrangements using an input method, being labour days akin to percentage completion. Such a method of measuring progress faithfully depicts the transfer of services to the customer.

3. Consultancy revenue
Consultancy revenues derive from the Group's TPF specialist consultancy services concentrated on transaction processing facilities.

As the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, revenue from consultancy services performance obligations is recognised over time, on a rateable basis.

(C) SIGNIFICANT REVENUE JUDGEMENTS AND ESTIMATES

All of the judgements and estimates mentioned below can significantly impact the timing and amount of revenue to be recognised.

Identification of contract
We frequently enter into new arrangements with existing customers. Such arrangements can be either a new contract or the modification of prior contracts with the customer. In making this determination, we consider: whether there is a connection between the new arrangement and the pre-existing contracts, whether the products and services under the new arrangement are highly interrelated with the products and services sold under prior contracts, and how the products and services under the new arrangement are priced. In particular, we consider the guidance in IFRS 15 which requires the exercise of judgement and consideration as to whether: the arrangement changes transaction price only, new distinct products or services are added as a result of the arrangement and whether the contract price increases by an amount that represents the standalone selling price for the additional distinct products or services provided.

Where we enter into multiple contracts with the same customer, we treat for accounting purposes those contracts as one contract if the contracts are entered into at or near the same time and are economically interrelated. Judgement is required in evaluating whether various contracts are interrelated, which includes consideration as to whether:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. The contracts are negotiated as a package with a single commercial objective;
ii. The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
iii. The products or services promised in the contracts (or some products or services promised in each of the contracts) are a single performance obligation.

The existence of one or more of the above factors would support the determination that multiple contracts entered into at or near the same time with the same customer are economically interrelated and require treatment for accounting purposes as one contract.

Contract term

For IFRS 15 purposes, the contract term is the period during which the parties to the contract have present and enforceable rights and obligations. The contractual term varies across customers, with many contracts providing for early termination fees and certain contracts containing auto renewal provisions. Renewal options will not generally be considered in determining the contract term, as the renewal is generally not within the control of Datalex and so only the initial contract term will be considered. However, we assess renewal options to determine if any provide a material right as defined in IFRS 15. See below for our policy in respect of material rights. We consider the impact of termination penalties in determining the term of the contract for IFRS 15 purposes and assessing whether that term is equal to the contractual term. Termination provisions and penalties in the case of non-performance ("for cause") or insolvency are disregarded in assessing contractual term. Termination penalties for early termination other than for cause are considered in determining the contract term for revenue recognition purposes.

Where a contract can be terminated early for other than cause, we will determine whether there is a termination penalty and whether that termination penalty is substantive. If a contract can be terminated early for no compensation then, for IFRS 15 purposes, the contracting parties are unlikely to have enforceable rights and obligations, regardless of the stated contractual term. Where a contract is terminable early for payment of a penalty and that penalty is substantive, it is likely that the stated/ contractual term is the term for IFRS 15 purposes. Judgement is required in determining whether a termination penalty or provision is substantive, and this requires consideration of the level of any penalty in absolute terms and relative to the contractual value.

Identification of performance obligations

Our customer contracts often include various products and services. Typically, the products and services outlined in the *Categories of Revenue* section above qualify as separate performance obligations and the relevant transaction price is recognised separately as each performance obligation is satisfied. Judgement is required, however, in determining whether a good or service is considered a separate performance obligation. In order for a good or service to be considered distinct, both of the following criteria must be met:

i. the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
ii. the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

(a) Bundled performance obligations

Judgement is required to evaluate whether such services significantly integrate, customize, or modify the on-premises software or cloud service to which they relate. Non distinct products or services are combined into one distinct bundle of products and services and treated as a single performance obligation. This arises in instances where the extent of installation or configuration services significantly modify or customise the underlying software.

Judgment is required in determining if the license is considered to be the primary or dominant component of such bundled performance obligations. Where the licence is considered to be the dominant component, the revenue for the bundle is recognised over the contract term.

(b) Material rights

Where contracts provide customers with an option to acquire additional products or services, typically through a renewal option, we exercise judgement in considering whether such an option provides a material right (as defined by IFRS 15) to the customer that they would not receive without entering into that contract. In evaluating whether such an option is a material right we consider whether the option provides the customer with a discount that is incremental to the range typically given to that or similar customers for those products or services.

Where a material right exists and the products or services are similar to the original products or services in the contract and are provided in accordance with the terms of the original contract rather than separately valuing the option, we avail of a practical alternative in IFRS 15. This practical alternative enables us include within the initial estimate of transaction price the estimate of the expected consideration for the optional products or services we expect to receive. The expected consideration for any renewal period would then be added to the performance obligation to which it relates (typically the license) and recognised over the expected term of the contract (initial plus expected renewal period).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Early releases/ beta versions of software

As previously described, in certain limited instances we have provided customers with early release or beta versions of Datalex software. There have been a small number of cases since 2013. Their purpose is to provide the customer with a general indication of what the solution will look like, and to help them in their planning and business preparation. The early release enables the customer to plan, prepare and train for the end platform. The early release version is designed to provide commercial benefit to the customer irrespective of whether they were to proceed with implementation and delivery of final operable Datalex licensed software.

The early release is not supported or enhanced in any way and is never used in production. It is never integrated into the overall implementation/ configuration or forms part of the final delivered platform used in production by the customer. The determination as to whether an early release version of software is a distinct performance obligation by itself, or should be combined with other performance obligations and treated as a distinct bundle, requires judgement and consideration of the particular guidance in IFRS 15.27 to 15.29 as to whether it is both capable of being distinct and distinct in the context of the contract. Ultimately, we consider early release software to be a distinct performance obligation for the following reasons:

i. The provision of early release versions of a license allows the customer to perform training and scoping of a license in a non-live environment in advance of the implementation of a functional license and avoid or reduce the amount of expenditure that would otherwise be required if they did not have the use of a beta version of the license;
ii. The early release is provided as a stand-alone platform with functionalities and it is not integrated by Datalex into the customer's other platforms or systems;
iii. The delivery of the early release does not modify or customise the other promises in the contract, and is not modified or customised by other promises in the contract; and
iv. The extent of the early release solution does not impact the subsequent configuration services, license, hosting or other promises in the contract. The early release feature benefits the customer independent of any further performance obligations such as the subsequent delivery of configuration services relating to (and) the delivered platform.

Determination of transaction price

(a) Variable consideration

We apply judgement in determining the amount to which we expect to be entitled in exchange for transferring promised products or services to a customer. This includes estimates as to whether and to what extent subsequent concessions or payments may be granted to customers and whether the customer is expected to pay the contractual fees. In this judgement, we consider our history both with the respective and comparable customers. Typically for Datalex contracts, variable consideration takes the form of:

i. Scorecards (bonus or penalties linked to agreed delivery metrics);
ii. Hosting downtime credits;
iii. Hosting increments;
iv. Contract penalties/ bonuses; and/ or
v. Transaction or usage-based revenue.

In considering the likelihood of incremental or variable consideration arising, management have considered the range of potential outcomes and associated probabilities, including whether incremental billings will or could arise and whether it is highly probable that any such estimate of variable consideration could be subject to significant reversal when the uncertainties giving rise to the estimate crystallise.

Such features, where present, typically arise in long standing customer relationships where there is significant accumulated past experience in respect of the expected level of downtime or service. Based on this historical experience and current trading patterns with that customer, Datalex is capable of reliably estimating the expected amount of variable consideration and consequently the expected amount(s) to include in the transaction price.

The amount of variable consideration included in the estimated transaction price is subject to a constraint such that the amount included is limited to amounts for which a significant reversal of cumulative revenue recognised when the uncertainty associated with the variable consideration crystallises is not highly probable. In estimating the amount of variable consideration to be included in the transaction price we take account of whether:

i. There are factors outside of our control that may impact the amount of variable consideration, such as robotic traffic or data mining tools, that may impact the volume of online traffic;
ii. We have a history of providing the customer or similar customers with price concessions; and
iii. Technological developments impacting our platform which may mean that as the platform evolves there is limited available history which may be used to predict or estimate customer behaviours.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Transaction-based license revenue
In certain of our license transactions, customers pay variable fees based on products and services transacted through our platform. An exemption from the requirement to estimate variable consideration and include it within the transaction price exists for the recognition of sales or usage-based royalties promised in exchange for a license of intellectual property. This exemption only applies in the case of sales or usage-based revenues arising from a license of intellectual property. Revenues arising from such sales or usage-based royalties are recognised as the sale or usage occurs and are not included within the initial estimate of transaction price.

In certain of our contracts where variable transaction fees apply, there are also guaranteed annual minimum license fees. Where such guaranteed fees exist, then, for purposes of estimating the transaction price, the contracted minimums only are factored into the transaction price. Revenues for the variable license element are recognised in accordance with the sales-based/ royalty-based exemption as the sale or usage occurs.

(c) Upfront payments
In certain instances, contracts with customers may contain upfront payments. Upfront fees are evaluated to determine whether the activities related to such fees satisfy a performance obligation. Where those activities do not satisfy a performance obligation, the upfront fees are included in the total transaction price that is allocated to the identified distinct performance obligations in the contract.

(d) Significant financing
Only very rarely do our contracts include significant financing components. We do not account for financing components if the period between when we transfer the promised products or services to the customer and when the customer pays for those products or services is one year or less.

Allocation of transaction price
The bases for the standalone selling prices ("SSP"s) that we use to allocate the transaction price of a customer contract to the performance obligations in the contract are outlined below. We review the estimates used for/ of standalone selling prices periodically or whenever facts and circumstances change to ensure the most objective input parameters available are used.

(a) License
The variability of our customers in terms of scale of operation, breadth of their ancillary revenue offering and further complexities such as whether the airline is a member of a global alliance or has code-share arrangements, means that the selling prices for our licenses are highly variable. As such, a representative standalone selling price is not discernible from past transactions or other observable evidence. We have therefore used the residual method to establish the SSP for licenses sold, estimated by means of the total transaction price less the sum of the observable standalone selling prices of other products or services promised in the contract.

In instances where there is an inherent discount in a contractual arrangement, prior to allocating the discount to the performance obligations in the contract, we consider whether it relates only to one or more, but not all performance obligations. If so, the discount shall be allocated prior to estimating the residual value of the license.

(b) Managed services/ hosting
Our managed services offering is intended as an enabler of the Datalex product suite. It is offered to those customers that are unable or unwilling to manage the solution themselves. The cost of the service includes any hardware, software, maintenance and uptime management (continuous monitoring). The selling price of/ for our managed services offering is based on the budgeted cost of the estimated activities necessary to provide the offering plus a pre-determined margin. The SSP for our managed services offering is estimated using a "cost plus" basis.

(c) Early releases/ beta versions of software
As noted previously, there have been a small number of instances where beta versions of the platform have been provided to customers. The historical contracted prices charged for the early release transactions have varied primarily according to the functionality of the solution available at the point of sale. As a result, we believe that use of a price range/ matrix reflecting SSP ranges according to the differences in early release functionality is an appropriate basis for establishing the SSP for this performance obligation.

(d) Professional services
For professional services, comprising installation, post-go-live services and ad-hoc consulting, we price such offerings based on standard, daily labour rates. The nature of the professional services in these three work streams is the same. The rates at which such services are charged are based on daily rates, with those rates varying according to a number of factors including seniority of personnel involved, complexity of work and geography. As a result, we believe that use of a price range/ matrix reflecting SSP ranges according to differences in customer geography, skill set of personnel and cost base is an appropriate basis for establishing the SSP for services.

Where contractual prices fall outside of the applicable range for those services this will give rise to a discount/ premium against SSP which will be allocated across the identified performance obligations in that contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenue
Judgement is required to determine whether revenue is to be recognised at a point in time or over time. For performance obligations satisfied over time, we measure progress using the method that best reflects our performance in satisfying the specific performance obligation and transferring control of the promised products or services to the customer. Our license is treated as a right to access, and license revenues are recognised rateably over time from the point at which the license is usable by the customer. For professional services we measure 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. For performance obligations recognised at a point in time, revenues are recognised at the point at which the customer controls the deliverable and the performance obligation has been satisfied.

Disaggregated revenue disclosures
Revenue information is analysed by operating segment, revenue category, geography and by major customer in Note 17.

2.7 SEGMENT REPORTING

The Group has identified two reportable segments, *E-Business* and *TPF Consulting* under IFRS 8, *Operating Segments*. 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.

2.8 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.

(B) COMPUTER SOFTWARE

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

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).

2.9 CONTRACT FULFILMENT COSTS

Costs relating directly to the fulfilment of a contract or an anticipated contract, which are expected to be recovered are capitalised and are then amortised on a systematic basis consistent with the pattern of the transfer of the services to which the asset relates, generally the licence term.

2.10 CONTRACT ACQUISITION COSTS

The Group recognises an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that certain sales incentive programmes meet the requirements to be capitalised. Capitalised contract acquisition costs are amortised consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The Group applies the practical expedient available under IFRS 15 and does not capitalise incremental costs of obtaining contracts if the amortisation period is one year or less.

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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.

2.12 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 statement of financial position 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

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

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

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

2.13 GOVERNMENT GRANTS

Grants, including research and development tax credits from governments 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.

2.14 TRADE RECEIVABLES

The Group applied IFRS 9, *Financial Instruments*, for the first time during the year. IFRS 9 sets out the classification, subsequent measurement and impairment requirements for all financial assets, including trade receivables. In accordance with the transitional provisions in IFRS 9 (paragraphs 7.2.15 and 7.2.26), comparative figures have not been restated. It follows that current reporting period amounts are presented in accordance with accounting policies as per IFRS 9, whereas comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Accounting policies applied from 1 January 2018

Recognition and initial measurement
Financial assets, including trade receivables, are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables that do not have a significant financing component (as defined in IFRS 15) are initially recognised at their transaction price. When all other financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition
A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or has been transferred, and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

Classification and subsequent measurement
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its financial assets:

- **Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income ("FVTOCI")**: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses in other expenses.
- **Fair value through profit or loss**: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/ (losses) in the period in which it arises.

All of the Group's financial assets have been classified at amortised cost.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses judgement in making assumptions around the risk of default and expected loss rates, based on the Group's past history, existing market conditions and comparable information, as well as forward-looking estimates at the end of each reporting period.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Accounting policies applied before 1 January 2018

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, which is outlined below.

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 12 months after the statement of financial position 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.

2.15 CONTRACT ASSETS

Trade receivables are recognised for amounts due in respect of performance obligations satisfied in advance of receiving consideration where the receipt of consideration is unconditional other than for the passage of time. Where the receipt of consideration is conditional other than for the passage of time, a contract asset shall be recognised. Judgement is required in determining whether the right to consideration is conditional other than for the passage of time.

Contract assets are classified as current or non-current depending on when it is expected that they will be realised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 TRADE PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 CONTRACT LIABILITIES

Contract liabilities primarily reflect amounts due or payments received from customers in advance of the performance obligations being satisfied and revenue recognised. Contract liabilities are recognised as revenue when the Group satisfies the contract performance obligations. Contract assets and liabilities are netted if, and only if, they arise under the same customer contractual arrangement.

Contract liabilities are classified as current or non-current on the basis of when the related revenue is anticipated to be recognised.

2.18 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.19 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 – SHARE OPTION SCHEMES

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.

At each statement of financial position 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 statement of profit or loss, 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, *Share-based Payment*. 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 (a) the date of transition to IFRS and (b) 1 January 2005. The Group has availed of this exemption and has only applied IFRS 2 to those options outstanding on 1 January 2005 or which were granted subsequent to this date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) SHARE-BASED PAYMENT TRANSACTIONS – JSOP

In 2012, the Company established a Joint Share Ownership Plan ("JSOP") Scheme under which certain employees were granted the opportunity to participate in a JSOP Scheme that contains both performance and service conditions. The JSOP Scheme is an equity-settled scheme. The fair value of the employee services received in exchange for the grant of the ownership interest is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted. Non-market vesting conditions, including Adjusted EBITDA and cash are included in assumptions about the number of awards that are expected to become full ownership interests. At each statement of financial position 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 statement of profit or loss, 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) SHARE-BASED PAYMENT TRANSACTIONS – DEFERRED SHARE AWARDS

As disclosed in the Remuneration Report, a member of key management was granted a deferred share award. This is an equity-settled scheme. 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 statement of financial position 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 statement of profit or loss, 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 statement of financial position.

(F) LONG TERM INCENTIVE PLAN ("LTIP")

As explained in Note 14, the Group has implemented a long-term incentive plan which operates in a similar way to a long-term cash bonus (the "Long Term Incentive Plan" or "LTIP"). At each statement of financial position 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 (three years). Remeasurements are recognised immediately through profit or loss.

2.20 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 statement of profit or loss on a straight-line basis over the period of the lease.

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

2.21 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 may result in certain cash balances being restricted for the period of the guarantee. Restricted cash is separately disclosed from cash and cash equivalents.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 TREASURY SHARES

Where the Group issues or purchases equity share capital under its Joint Share Ownership Plan or Deferred Share Scheme, which is held in trust by an Employee Benefit Trust, these shares are classified as treasury shares on consolidation until such time as the interests vest and the participants acquire the shares from the Trust or the interests lapse and the shares are forfeited or disposed of by the Trust. Treasury shares have been excluded in the calculation of basic and diluted earnings per share (see Note 24).

2.24 INVESTMENT IN SUBSIDIARIES

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

2.25 CASH ADVANCES FROM CUSTOMERS

Cash advances from customers consist of payments received from customers in advance of recognition and are initially measured at fair value and released to the statement of profit or loss at the time the related revenue is earned under the applicable revenue recognition policy as stated in Note 2.6 above.

2.26 FINANCE INCOME AND COSTS

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

2.27 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 statement of profit or loss and related notes as exceptional items. Exceptional items recorded in the year ended 31 December 2018 are presented in Note 22. Exceptional items are included within the statement of profit or loss captions to which they relate and are disclosed either on the face of the consolidated statement of profit or loss or in the notes thereto.

2.28 DIVIDEND DISTRIBUTIONS

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

2.29 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") information for its ordinary shares. Basic EPS is determined by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and awards under employee share award schemes.

2.30 ONEROUS CONTRACTS

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.31 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 can be reliably estimated.

Please refer to Note 2.19 (F) in relation to the accounting policy for the Long Term Incentive Plan provision.

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 at 31 December 2018 within the next financial year are discussed below.

(A) REVENUE RECOGNITION

Our accounting policy for revenue, including significant judgements is set out in Note 2.6. Significant judgement is exercised in determining individual performance obligations, in whether certain performance obligations should be bundled, in the identification of material rights and in the treatment of early releases. Judgement is also required to determine whether revenue is to be recognised over time or at a point in time and in determining disaggregated revenue disclosures. As set out in Note 2.6, estimates of standalone selling price are used to determine the allocation of contracted revenue balances to performance obligations.

(B) 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 where those 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.

The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our specific enhancements to the platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have decided that an impairment charge of US$20m should be recognised, which represents the net book value of the product development intangible asset at 31 December 2018. Future expenditure incurred in respect of these product development activities will be recognised as an expense until such time that it is probable that future economic benefits that are attributable to the asset will flow to the Group. Given the significance of this write-off amount it has been disclosed as an exceptional item (see Note 22 to the financial statements).

(C) ESTABLISHING LIVES FOR INTANGIBLE ASSET AMORTISATION PURPOSES

The intangibles 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 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.

(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. Having considered the uncertainties as to the future profitability of the Group and its trading subsidiaries, the Directors have determined that it is not appropriate to recognise deferred tax assets in respect of past tax losses. Accordingly, an amount of US$2.4m has been charged to income tax expense in 2018 in respect of tax losses previously recognised as deferred tax assets. The Group has recognised a deferred income tax asset of US$nil as at 31 December 2018 (2017: net deferred tax asset of US$2.4m) (see Note 8).

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(E) RECOGNITION OF DEFERRED CONTRACT FULFILMENT COSTS

Deferred contract fulfilment costs of US$11.5m, representing costs incurred on a major customer deployment up to 31 December 2018 have been recorded as an asset in these financial statements. The Directors believe that no impairment is required against the value of this asset at 31 December 2018 as there are sufficient future revenues anticipated from the contract to justify the carrying value of the contract fulfilment cost asset, taking account also of related advance payments included under Contract Liabilities (see Note 16).

Reference is made in Note 29 to a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter. However, the outcome of this process is currently uncertain and a financial loss to the Group cannot be ruled out.

(F) IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES (COMPANY)

Investments in subsidiaries are tested for impairment at each statement of financial position date or earlier if events or circumstances indicate that the carrying amount exceeds its recoverable amount. Such an assessment involves judgement regarding the future financial performance of the subsidiaries.

The Directors have assessed the recoverable amount of the investment having taken into consideration a range of assumptions as well as events post the statement of financial position date. Following this assessment, a full impairment provision has been made against the carrying value of the investment arising from the significant losses and cash outflows in this subsidiary in 2018, and the uncertainties as to the future profitability of the subsidiary.

(G) IMPAIRMENT OF AMOUNTS DUE FROM GROUP UNDERTAKINGS (COMPANY)

Amounts due from Group undertakings are reviewed for impairment at each statement of financial position date or earlier if events or circumstances indicate that the carrying amount exceeds its recoverable amount. Such an assessment involves judgement regarding the future financial performance of the subsidiaries.

The Directors have assessed the recoverability of the amounts due having taken into consideration a range of assumptions as well as events post the statement of financial position date. Following this assessment, a full impairment provision has been made against the amounts due from Group undertakings based on the significant losses and cash outflows in these subsidiaries in 2018, and the uncertainties as to the future profitability of the subsidiaries.

4 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Fixtures & fittings US$'000	Computer equipment US$'000	Leasehold improvements US$'000	Total US$'000
At 1 January 2017				
Cost	605	6,737	891	**8,233**
Accumulated depreciation	(337)	(5,496)	(125)	**(5,958)**
Closing net book value	**268**	**1,241**	**766**	**2,275**
Year ended 31 December 2017				
Opening net book value	**268**	**1,241**	**766**	**2,275**
Cost				
Additions	171	506	383	**1,060**
Depreciation				
Depreciation charge	(96)	(767)	(186)	**(1,049)**
Closing net book value	**343**	**980**	**963**	**2,286**
At 31 December 2017				
Cost	776	7,243	1,274	**9,293**
Accumulated depreciation	(433)	(6,263)	(311)	**(7,007)**
Closing net book value	**343**	**980**	**963**	**2,286**
Year ended 31 December 2018				
Opening net book value	**343**	**980**	**963**	**2,286**
Cost				
Additions	20	1,472	27	**1,519**
Foreign currency translation adjustment	-	(11)	-	(11)
Depreciation				
Depreciation charge	(95)	(942)	(221)	**(1,258)**
Closing net book value	**268**	**1,499**	**769**	**2,536**
At 31 December 2018				
Cost	796	8,704	1,301	**10,801**
Accumulated depreciation	(528)	(7,205)	(532)	**(8,265)**
Closing net book value	**268**	**1,499**	**769**	**2,536**

Depreciation of US$1.0m (2017: US$0.8m) has been charged in cost of sales, US$0.2m (2017: US$0.1m) in selling and marketing costs and US$0.1m (2017: US$0.1m) in administrative expenses in the statement of profit or loss.

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:

	Group 2018 US$'000	Group 2017 US$'000
Cost	5,425	4,198
Accumulated depreciation	(4,284)	(3,790)
Net book value	**1,141**	**408**
Depreciation charge for the financial year	603	383

5 INTANGIBLE ASSETS

	Software US$'000	Product development US$'000	Total US$'000
At 1 January 2017			
Cost	2,256	60,210	**62,466**
Accumulated amortisation	(1,701)	(41,587)	**(43,288)**
Closing net book value	**555**	**18,623**	**19,178**
Year ended 31 December 2017			
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)**
Closing net book value	**363**	**26,267**	**26,630**
At 31 December 2017			
Cost	2,299	72,900	**75,199**
Accumulated amortisation	(1,936)	(46,633)	**(48,569)**
Closing net book value	**363**	**26,267**	**26,630**
Year ended 31 December 2018			
Opening net book value	**363**	**26,267**	**26,630**
Additions	-	-	**-**
Amortisation charge	(223)	(6,308)	**(6,531)**
Impairment charge	-	(19,959)	**(19,959)**
Closing net book value	**140**	**-**	**140**
At 31 December 2018			
Cost	2,299	72,900	**75,199**
Accumulated amortisation and impairment	(2,159)	(72,900)	**(75,059)**
Closing net book value	**140**	**-**	**140**

5 INTANGIBLE ASSETS (continued)

IMPAIRMENT OF PRODUCT DEVELOPMENT EXPENDITURE

The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have decided that an impairment charge of US$20m should be recognised, which represents the net book value of the product development intangible asset at 31 December 2018.

Future expenditure incurred in respect of these product development activities will be recognised as an expense until such time that it is probable that future economic benefits that are attributable to the asset will flow to the Group.

WRITE-OFF OF DEVELOPMENT EXPENDITURE INCURRED IN 2018

An amount of US$13.2m was incurred by the Group during the year ended 31 December 2018 in respect of development expenditure. An amount of US$0.8m has been accrued for an R&D tax credit claim in respect of this expenditure at 31 December 2018. The Group is currently reviewing its approach to market and its platform development activities. In this context, it is uncertain as to whether our platform investment in 2018 will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have concluded that the net product development cost incurred in the year of US$12.4m did not meet the recognition criteria for capitalisation in paragraph 21 of IAS 38. This development expenditure has been classified as an exceptional item in 2018 within Note 22, due to the materiality and size of the expense.

6 DEFERRED CONTRACT FULFILMENT COSTS

The movements in the contract fulfilment cost asset in the year were as follows:

	Group 2018 US$'000	Group 2017 US$'000
At 1 January	**-**	**-**
Implementation of IFRS 15 on 1 January 2018 – recognition of deferred contract fulfilment costs (Note 33)	9,467	-
Costs incurred to fulfil customer contract in year	2,057	-
At 31 December	**11,524**	**-**

	Group 2018 US$'000	Group 2017 US$'000
Current		
Costs incurred to fulfil customer contract	660	-
Non-current		
Costs incurred to fulfil customer contract	10,864	-
Total	**11,524**	**-**

Deferred contract fulfilment costs arise from customer service contracts and comprise of staff and contractor/ outsource partner costs incurred up to 31 December 2018. These costs are being deferred under IFRS 15 and will be recognised as the related performance obligations are fulfilled.

At 31 December 2018, the Directors are of the opinion that the contract fulfilment cost of US$11.5m will be recovered through related future revenues and that deferral of such costs continues to be appropriate. The deferred costs will be amortised on a systematic basis consistent with the pattern of the transfer of the services to which the asset relates, generally the licence term. There was no transfer of the service to which the asset relates in 2018 and as a result there was no associated amortisation.

7 CONTRACT ACQUISITION COSTS

	Total US$'000
At 1 January	-
Implementation of IFRS 15 on 1 January 2018 – contract costs arising on capitalisation of incremental commission costs (Note 33)	643
Additions	334
Amortisation charge	(185)
At 31 December	**792**
At 31 December 2018	
Cost	**977**
Accumulated amortisation	**(185)**
Closing net book value	**792**

8 INCOME TAX

(A) INCOME TAX

	Group 2018 before exceptional items US$'000	Group 2018 exceptional items (Note 22) US$'000	Group Total 2018 US$'000	Group Total 2017 US$'000
Current tax				
Corporation tax for the year	-	-	-	-
Foreign tax for the year	140	-	140	104
Foreign withholding tax	-	-	-	140
Total current tax	**140**	**-**	**140**	**244**
Deferred tax				
Derecognition / (recognition) of deferred tax asset (Note 22)	-	2,397	2,397	(321)
Income tax charge / (credit)	**140**	**2,397**	**2,537**	**(77)**

8 INCOME TAX (continued)

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

	Group Total 2018 US$'000	Group Total 2017 US$'000
(Loss)/ profit before income tax	(44,696)	6,983
(Loss)/ profit before tax multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	(5,587)	873
Expenses not deductible and income not taxable	4,325	(212)
Utilisation of previously unrecognised tax losses	(347)	42
Difference in effective tax rates on overseas earnings	(12)	448
Movement in deferred tax asset for tax losses forward	2,397	(1,277)
Tax losses for which no deferred tax asset was recognised	1,698	-
Other	63	49
Income tax charge / (credit)	**2,537**	**(77)**

(B) DEFERRED TAX

	Group 2018 US$'000	Group 2017 US$'000
Deferred tax asset on losses carried forward and R&D tax credits	-	5,680
Deferred tax liability for capitalised development expenditure	-	(3,283)
Total [1]	**-**	**2,397**

(1) 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$nil (2017: circa US$5.2m). The amount of the deferred tax liability expected to be settled after more than one year is circa US$nil (2017: circa US$2.6m).

The impact to deferred tax on adoption of new accounting standards in the year is further detailed in Note 33.

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.

As also explained in Note 22, having considered the uncertainties surrounding the future profitability of the Group and its trading subsidiaries, the Directors have determined that it is not appropriate to recognise deferred tax assets in respect of losses carried forward and R&D tax credits. Accordingly, an amount of US$2.4m has been derecognised in the year ended 31 December 2018 and charged to income tax expense in the consolidated statement of profit or loss. The classification of this derecognition as an exceptional item in 2018 reflects its materiality and size. The $2.4m of net deferred tax assets which were carried as of 31 December 2017 had been recognised on losses carried forward and R&D tax credits in respect of Ireland for an amount of US$3.9m, and in respect of Datalex USA, Inc. for an amount of US$1.7m. In addition, an amount of US$3.3m was recognised in Datalex (Ireland) Limited in respect of deferred tax liabilities arising on capitalised development expenditures.

As at 31 December 2018 there are unrecognised deferred tax assets on losses carried forward, R&D tax credits and temporary differences of circa US$24.7m (2017: US$16.3m). The Directors will continue to evaluate their expectation on realisation of the tax benefit through future taxable profits.

8 INCOME TAX (continued)

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

	Group 2018 US$'000	Group 2017 US$'000
Unused tax losses	20,547	14,579
R&D credits available	1,513	2
Temporary differences	261	1,672
Total	**22,321**	**16,253**

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 increase in the current year has mainly arisen in relation to the derecognition of tax losses in Ireland and the USA and R&D tax credits in Ireland, increases as explained above.

9 TRADE AND OTHER RECEIVABLES

	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Current trade and other receivables				
Trade receivables	5,372	6,521	-	-
Less: allowance for expected credit losses on trade receivables	(778)	-	-	-
Trade receivables – net	**4,594**	**6,521**	**-**	**-**
Contract assets	2,134	-	-	-
Less: allowance for expected credit losses on contract assets	(115)	-	-	-
Contract assets – net	**2,019**	**-**	**-**	**-**
Amounts owed by Group undertakings	-	-	2,895	5,953
Less: impairment provision for amounts owed by Group undertakings	-	-	(2,895)	-
Amounts owed by group undertakings – net	**-**	**-**	**-**	**5,953**
Accrued income	-	10,866	-	-
Prepayments	939	967	-	-
Research and development tax credit	550	351	-	-
VAT receivable	816	500	-	-
Receivable from related parties	223	-	223	-
Other receivables	11	-	-	-
Total other receivables	**2,539**	**12,684**	**223**	**5,953**
Total current trade and other receivables and contract assets - net	**9,152**	**19,205**	**223**	**5,953**
Non-current trade and other receivables				
Research and development tax credit	685	430	-	-
Accrued income	-	2,564	-	-
Total non-current trade and other receivables	**685**	**2,994**	**-**	**-**
Total trade and other receivables and contract assets	**9,837**	**22,199**	**223**	**5,953**

9 TRADE AND OTHER RECEIVABLES (continued)

The fair value of trade receivables, contract assets 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.

CREDIT RISK AND ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Group has applied IFRS 9, *Financial Instruments,* for the first time during the year, which includes the requirements for calculating provisions for impairment on financial assets. In accordance with the transitional provisions in IFRS 9 (paragraphs 7.2.15 and 7.2.26), comparative figures have not been restated. It follows that results (including the calculation of impairment on financial assets) for reporting periods beginning after 1 January 2018 are presented under IFRS 9, while prior period amounts are reported in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses on trade receivables as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for such receivables. The Group uses judgement at the end of each reporting period in making assumptions around the risk of default and expected loss rates. These are based on the Group's past history, comparable information, existing market conditions (including the use of market observable credit data either for specific customers or for comparable entities, based on industry, size and geographical location), as well as forward looking estimates (which primarily consisted of information specific at the customer level, with the expected loss rate adjusted where appropriate as a result).

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The allowance for expected credit losses as at 31 December 2018 is determined as presented below. The expected credit losses also incorporate forward looking information for both trade receivables and contract assets:

			Trade receivables				
			Days past due				
31 December 2018	**Contract assets US$'000**	**Current US$'000**	**Within 30 days US$'000**	**Between 31-60 days US$'000**	**Between 61-90 days US$'000**	**More than 90 days US$'000**	**Total US$'000**
Expected loss rate	*5.4%*	*2.2%*	*4.3%*	*3.5%*	*24.8%*	*31.3%*	***11.9%***
Gross carrying amount	2,134	1,711	1,092	227	725	1,617	**7,506**
Total balance subject to impairment review	**2,134**	**1,711**	**1,092**	**227**	**725**	**1,617**	**7,506**
Allowance for expected credit losses	115	37	47	8	180	506	**893**

			Trade receivables				
			Days past due				
31 December 2017	**Accrued income US$'000**	**Current US$'000**	**Within 30 days US$'000**	**Between 31-60 days US$'000**	**Between 61-90 days US$'000**	**More than 90 days US$'000**	**Total US$'000**
Gross carrying amount	10,866	2,358	2,317	732	437	677	**17,387**
Impairment provision, in accordance with IAS 39	-	-	-	-	-	-	**-**

9 TRADE AND OTHER RECEIVABLES (continued)

The closing allowance for expected credit losses for trade receivables and contract assets as at 31 December 2018 (2017: trade receivables and accrued income) reconciles to the opening allowance for expected credit losses as follows:

	Contract assets		Trade receivables	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
1 January – calculated under IAS 39	**-**	**-**	**-**	**-**
Amounts restated through opening retained earnings	41	-	658	-
Opening allowance for expected credit losses as at 1 January 2018 – calculated under IFRS 9	**41**	**-**	**658**	**-**
increase in allowance for expected credit losses recognised in profit or loss during the year	74	-	120	-
Unused amount reversed	-	-	-	-
At 31 December	**115**	**-**	**778**	**-**

The Group defines a default as when a financial asset becomes more than 90 days past due, which is based on past experience for similar assets. The Group's policy is to write off a financial asset once it becomes more than 360 days past due, which is also based on past experience.

Up to 31 December 2017, the Group had a policy of impairing any receivable that was more than 180 days outstanding.

Amounts recognised in profit and loss for trade receivables

During the year ended 31 December 2018, the following gains/ (losses) were recognised in profit or loss and presented as net impairment losses in relation to impaired receivables.

	2018 US$'000
Movement in allowance for expected credit losses	194
Amounts recovered previously written off	(54)
Net impairment losses on financial and contract assets	**140**

Movements on the Group allowance for expected credit losses on trade receivables and contract assets are as follows:

	Group 2018 US$'000	Group 2017 US$'000
At 1 January	**-**	**31**
Opening allowance for expected credit losses as at 1 January 2018 – calculated under IFRS 9	699	-
Movement in allowance for expected credit losses	194	-
Receivables written off during the year as uncollectible	-	(31)
At 31 December	**893**	**-**

The increase in the loss allowance in 2018 is due to an increase in the probability of default (PD) that was used to calculate impairment provisions on certain specific customers, which was partially offset by a reduction on the amount of trade receivables/contract assets over the course of the year.

The creation and release of the allowance for expected credit losses has been included in net impairment losses on financial and contract assets on the statement of profit or loss.

9 TRADE AND OTHER RECEIVABLES (continued)

Other receivables

As at the end of the current and prior year, the allowance for expected credit losses on other receivables was not deemed to be material to the financial statements, with the carrying amount in the statement of financial position reflecting the maximum exposure to credit risk.

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 2018 and 2017, a significant portion of the trade receivables, contract assets and accrued income of the Group related to a limited number of customers as follows:

	Group 2018 [1]	Group 2017 [1]
Customer A	29%	12%
Customer B	18%	3%
Customer C	12%	2%
Customer D	10%	47%
Customer E	10%	15%
Customer F	7%	3%

(1) Customers whose trade receivable, contract assets and accrued income balances represent 5% or more of the total trade receivable, contract assets and accrued income balance at 31 December 2018 or 31 December 2017 are disclosed in the note above.

Amounts owed by Group undertakings and related parties are interest free, unsecured and are repayable on demand. The Board have reviewed amounts owed by Group undertakings for impairment. Following this review, a full provision was deemed necessary due to uncertainty of recovery.

The carrying amounts of the Group's trade receivables, contract assets and accrued income are denominated in the following currencies:

	Group 2018 US$'000	Group 2017 US$'000
US dollar	5,080	9,052
Euro	2,219	10,656
Swedish krona	119	-
Pound sterling	88	167
Chinese renminbi	-	76
Total	**7,506**	**19,951**

10 CASH AND CASH EQUIVALENTS

	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Cash at bank and in hand	8,341	14,453	118	202
Short-term bank deposits less than 90 days	39	1,700	-	-
Cash and cash equivalents	**8,380**	**16,153**	**118**	**202**
Restricted cash	500	500	-	-

The effective interest rate on bank deposits 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 (2017: 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.

RESTRICTED CASH

At 31 December 2018, the Group had a bank-issued performance bond guarantee in place in respect of a major customer contract in the amount of €1.0m (2017: €1.0m). Under the terms of this guarantee (see Note 30), bank account balances of US$0.5m were restricted at both 31 December 2018 and 2017. The performance bond will expire on 31 December 2019. The restricted cash balance has accordingly been treated as a non-current asset at 31 December 2017 and as a current asset at 31 December 2018.

FOREIGN CURRENCY EXPOSURE

The Group's currency exposure in respect of cash and cash equivalents relates to balances in currencies other than the US dollar. The balances as at 31 December 2018 and 2017 are set out below.

Non-US$ denominated cash and cash equivalents	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Euro	1,649	7,850	118	202
Pound sterling	33	148	-	-
Chinese renminbi	24	321	-	-
Total	**1,706**	**8,319**	**118**	**202**

11 SHARE CAPITAL

AUTHORISED SHARE CAPITAL - GROUP AND COMPANY

	2018 US$'000	2017 US$'000
Equity share capital		
100,000,000 ordinary shares of US$0.10 each	10,000	10,000
Other equity share capital		
3,000,000 "A" convertible redeemable shares of US$0.10 each	300	300
1,500,000 "B" convertible redeemable shares of US$0.10 each	150	150
30,000 deferred shares of €1.269738 each	44	46
	494	**496**
Total	**10,494**	**10,496**

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
At 1 January 2017	***75,953***	**7,596**	***2,542***	**254**	***30***	**8**
Employee share option scheme - proceeds from share issues	*972*	97	-	-	-	-
At 31 December 2017	***76,925***	**7,693**	***2,542***	**254**	***30***	**8**
At 1 January 2018	***76,925***	**7,693**	***2,542***	**254**	***30***	**8**
Employee share option scheme - proceeds from share issues	*1,175*	117	-	-	-	-
At 31 December 2018	***78,100***	**7,810**	***2,542***	**254**	***30***	**8**

RIGHTS ATTACHING TO SHARES

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

ORDINARY SHARES

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

"A" AND "B" CONVERTIBLE REDEEMABLE SHARES

On 1 October 2001, the conversion rights attaching to "A" convertible redeemable shares expired. On 30 March 2007, the conversion rights attaching to the "B" convertible redeemable shares expired. The convertible redeemable shares have no participation rights in relation to profits and surplus in a winding up, no contractual obligations to deliver funds in a winding up and the holders are not entitled to attend or vote at any general meeting of the Company. Following the tenth anniversary of their issue, the Company may, at its discretion, redeem Convertible Shares at their par value.

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.

11 SHARE CAPITAL (continued)

TREASURY SHARES

As set out later in this note, The Datalex Employee Benefit Trust has an interest over 590,000 ordinary shares (2017: 808,302). For accounting purposes these shares are treated as treasury shares. These shares do not have an entitlement to receive dividends.

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. The two schemes are described below.

Group Share Option Scheme

The terms of The Datalex plc Share Option Plan ("Group Share Option 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 ten years after issuance. Employees who leave the Group have 90 days to exercise any vested options after which period the options lapse and become void. Unvested options expire upon leaving the Group. 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 ten years after issuance. Employees who leave the Group have 90 days to exercise any vested options, after which period, the options lapse and become void. Unvested options expire upon leaving the Group. 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

	2018 2000 Share Option Schemes	2017 2000 Share Option Schemes
Outstanding at beginning of year	**756,000**	**1,183,667**
Issued during the year	-	-
Exercised during the year	(231,000)	(424,667)
Expired during the year *	-	(3,000)
Outstanding at end of year	**525,000**	**756,000**

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

The activity in the Group's 2000 Share Option Schemes is summarised in the following table:

	2018 No. of shares	2018 Weighted average exercise price (US$)	2017 No. of shares	2017 Weighted average exercise price (US$)
Outstanding at beginning of year	**756,000**	**0.27**	**1,183,667**	**0.29**
Issued during the year	-	-	-	-
Exercised during the year (1)	(231,000)	0.49	(424,667)	0.38
Expired during the year	-	-	(3,000)	0.82
Outstanding at end of year	**525,000**	**0.15**	**756,000**	**0.27**
Exercisable at end of year	525,000	0.15	756,000	0.27

(1) The weighted average market share price on the dates of exercise was US$3.90 (2017: US$4.33).

11 SHARE CAPITAL (continued)

No options were granted during the year (2017: 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	525,000	17
US$0.51 to US$0.70	-	-
Total	**525,000**	**17**

EMPLOYEE SHARE OPTIONS SCHEME – 2012 SCHEME

On 6 February 2012, a new share option plan, The Datalex plc Share Option Plan 2012 (the "2012 Group Share Option Scheme" or "2012 Scheme") was implemented, replacing the original "2000 Share Option Schemes" which expired on their tenth 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 Scheme 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 Scheme which would cause the number of shares issued or issuable in the preceding ten years to exceed 7.5% of the ordinary share capital of the Company in issue at that time, but on the basis that the Remuneration Committee may resolve to grant additional options up to the overall 10% limit if it determines either that the Group's underlying financial performance and/ or growth in shareholder value would merit such further dilution or that vesting of any additional such options would be subject to exceptional performance. The basis for any such determination by the Remuneration Committee would be described in the Annual Report and financial statements.

SUMMARY OF EMPLOYEE SHARE OPTIONS ACTIVITY (NUMBER OF OPTIONS)

	2018 2012 Group Share Option Scheme	2017 2012 Group Share Option Scheme
Outstanding at beginning of year	**3,144,400**	**3,672,000**
Issued during the year	1,095,000	140,000
Exercised during the year	(939,950)	(547,600)
Forfeited during the year *	(220,000)	(120,000)
Outstanding at end of year	**3,079,450**	**3,144,400**

* Forfeited on departure from the Group before vesting.

11 SHARE CAPITAL (continued)

The activity in the 2012 Group Share Option Scheme is summarised in the following table:

	2018 No. of shares	2018 Weighted average exercise price (US$)	2017 No. of shares	2017 Weighted average exercise price (US$)
Outstanding at beginning of year	**3,144,400**	**1.43**	**3,672,000**	**1.15**
Issued during the year	1,095,000	2.42	140,000	4.17
Exercised during the year (1)	(939,950)	0.85	(547,600)	0.70
Forfeited during the year	(220,000)	3.48	(120,000)	2.34
Outstanding at end of year	**3,079,450**	**2.00**	**3,144,400**	**1.43**
Exercisable at end of year	1,714,450	1.17	2,169,400	0.83

(1) The weighted average market share price on the dates of exercise was US$2.93 (2017: US$4.21).

The fair value of the options granted during the year determined using the Black Scholes model was US$638,332 (2017: US$216,443). The weighted average fair value per option was US$0.58 (2017: US$1.55). The significant inputs into the model were share prices of €3.15, €2.13 and €2.34 (2017: €3.35 and €3.75) 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 2% (2017: 1%), risk-free interest rates of 4% (2017: 2.5%), expected option life of four years (2017: four years) and the standard deviations of expected share price returns of 25% (2017: 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, as well as professional advice received.

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

Exercise price range remaining	Number of options	Weighted average contractual life (in months)
US$0.30 to US$0.50	98,000	37
US$0.51 to US$0.70	45,000	40
US$0.71 to US$0.90	55,000	45
Over US$0.90	2,881,450	84
Total	**3,079,450**	

The credit for the year ended 31 December 2018 in relation to share options was US$247,521 (2017: charge of US$498,416).

JOINT SHARE OWNERSHIP PLAN

In January 2012, the Board of Directors approved the establishment of a Joint Share Ownership Plan ("JSOP"). The scheme was intended to incentivise senior management in the Group (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 established by 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, respectively.

11 SHARE CAPITAL (continued)

	2018 No. of shares	2018 Weighted average exercise price (US$)	2017 No. of shares	2017 Weighted average exercise price (US$)
Outstanding at beginning of year	**678,302**	**0.41**	**810,000**	**0.38**
Issued during the year	-	-	-	-
Exercised during the year [(1)]	(218,302)	0.42	(131,698)	0.41
Forfeited during the year	-	-	-	-
Outstanding at end of year	**460,000**	**0.42**	**678,302**	**0.41**
Exercisable at end of year	460,000	0.42	678,302	0.41

(1) The weighted average market share price at the dates of exercise was US$3.53 (2017: US$4.43).

There was no charge in the years ended 31 December 2018 or 2017 in relation to the JSOP scheme.

No awards were made in 2018 or 2017. All awards have vested due to the related performance and service conditions being achieved at 31 December 2014.

The weighted average contractual life at 31 December 2018 was 1 month (2017: 13 months).

DEFERRED SHARE SCHEME

The 130,000 JSOP awards forfeited in 2014, which were returned back to the Employee Benefit Trust, were re-issued in 2015 to a new senior management team member under the Deferred Share Scheme. According to the rules of the scheme, the awards vest on the third anniversary of the award date and were subject to meeting the performance conditions for Adjusted EBITDA and cash and short-term investments in the 2015, 2016 and 2017 financial years. Vesting of the awards occurred in 2018.

Deferred Share Scheme	2018 No. of shares	2018 Weighted average exercise price (US$)	2017 No. of shares	2017 Weighted average exercise price (US$)
Outstanding at beginning of year	**130,000**	**1.76**	**130,000**	**1.63**
Issued during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at end of year	**130,000**	**1.83**	**130,000**	**1.76**
Exercisable at end of year	130,000	-	-	-

No awards were made in 2018 and 2017. The average contractual life at 31 December 2018 was 48 months (2017: 60 months).

The 2018 charge in relation to the Deferred Share Scheme was US$100,536 (2017: US$100,536).

12 OTHER RESERVES

Group	Share premium US$'000	Other capital reserves US$'000	Treasury shares reserve US$'000 (1)	Share-based payments reserve US$'000 (2)	Other reserves US$'000 (3)	Foreign currency translation US$'000 (4)	Total US$'000
Balance at 1 January 2017	**1,301**	**134**	**(436)**	**3,692**	**988**	**209**	**5,888**
Share-based payments cost	-	-	-	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**
Balance at 31 December 2017	**1,740**	**134**	**(375)**	**4,291**	**983**	**227**	**7,000**
Balance at 1 January 2018	**1,740**	**134**	**(375)**	**4,291**	**983**	**227**	**7,000**
Share-based payments cost	-	-	-	(147)	-	-	**(147)**
Premium on shares issued	822	-	-	-	-	-	**822**
Decrease in treasury shares due to exercise of JSOP awards	-	-	101	-	28	-	**129**
Currency translation differences	-	-	-	-	-	(21)	**(21)**
Balance at 31 December 2018	**2,562**	**134**	**(274)**	**4,144**	**1,011**	**206**	**7,783**

(1) Treasury shares reserves represent the value of Datalex plc shares held by The Datalex Employee Benefit Trust. At 31 December 2018, treasury shares of 590,000 shares (2017: 808,302 shares) comprised 460,000 shares (2017: 678,302) held in respect of JSOP awards and 130,000 shares (2017: 130,000) in respect of awards under the Deferred Share Scheme (see Note 11). 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 218,302 JSOP awards (see Note 11).

(2) The share-based payments reserve comprises amounts expensed in the Group statement of profit or loss in connection with awards made under the equity-settled share-based plans, being the share option schemes, the JSOP and deferred share awards (see Note 11).

(3) 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 USA established a new business called Conducive Technology Corp ("CTC"). Datalex provided this company with a 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 41). In October 2012, CTC completed the sale of the remaining 290,000 shares, remitting these proceeds to Datalex plc. 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, Financial Instruments: Presentation. In 2018, US$28,000 (2017: US$5,000) was credited (2017: debited) to other reserves due to foreign exchange losses on exercise of JSOP awards which increased (2017: reduced) the number of treasury shares.

(4) The foreign currency translation reserve comprises the cumulative currency translation adjustment in respect of subsidiaries whose functional currencies are not the US dollar. The translation adjustments arise from the retranslation of the profits of such operations from the average exchange rate for the year to the exchange rate at the statement of financial position date as well as the retranslation of those subsidiaries' applicable assets and liabilities.

12 OTHER RESERVES (continued)

Company	Share premium US$'000	Other reserves [(1)] US$'000	Total US$'000
Balance at 1 January 2017	**41,230**	**3,692**	**44,922**
Share-based payments cost	-	599	**599**
Premium on shares issued	439	-	**439**
Balance at 31 December 2017	**41,669**	**4,291**	**45,960**
Balance at 1 January 2018	**41,669**	**4,291**	**45,960**
Share-based payments	-	(147)	**(147)**
Premium on shares issued	822	-	**822**
Balance at 31 December 2018	**42,491**	**4,144**	**46,635**

(1) Other reserves relate to share-based payments costs as set out in Note 11.

13 BORROWINGS

Financial lease liabilities	Group 2018 US$'000	Group 2017 US$'000
Non-current	895	274
Current	366	334
Total borrowings	**1,261**	**608**

The carrying amount of the Group's borrowings are denominated in US dollars. 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	Group 2018 US$'000	Group 2017 US$'000
No later than one year	945	353
Later than one year and no later than three years	375	282
Total	**1,320**	**635**
Future finance charge on finance leases	(59)	(27)
Present value of finance lease liabilities	**1,261**	**608**

13 BORROWINGS (continued)

The present value of finance leases, which equates to their fair value, is as follows:

	Group 2018 US$'000	Group 2017 US$'000
No later than one year	366	334
Later than one year and no later than three years	895	274
Total	**1,261**	**608**

The fair value of the finance lease 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).

The Group entered into a secured loan facility in March 2019. This is further detailed in Note 32.

14 PROVISIONS (LONG TERM INCENTIVE PLAN)

A new Long-Term Incentive Plan ("LTIP") for key employees was approved by shareholders at the 2015 AGM. The LTIP is intended to retain and reward certain key employees who are central to the achievement of the Group's growth strategy. The implementation of the scheme commenced in 2016 when a number of employees were granted awards which have the characteristics of a long-term cash bonus with a maximum fixed amount. Further grants were made during 2017 and 2018.

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

Movements on the LTIP during the year were as follows:

	Group 2018 US$'000	Group 2017 US$'000
At 1 January 2018	**714**	**326**
(Credited)/ charged to the statement of profit or loss:	-	-
Additional provision recognised	-	388
Unused amounts reversed	(63)	-
(Credit)/ charge in the year	(63)	388
At 31 December 2018	**651**	**714**

The (credit)/ charge has been reflected in the statement of profit or loss within payroll costs in line with the accounting policy outlined in 2.19 (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 43% probability that the performance conditions in each of the three years will be achieved (2017: 75% probability) and has also assumed that two members of the scheme, representing 10% of the beneficiaries (2017: six members of the scheme, representing 24% of the beneficiaries), will leave the Group before the end of the relevant service period.

The maximum potential balance payable at 31 December 2018, assuming all future performance and service conditions will be met, was US$1.98m (2017: US$2.0m).

15 TRADE AND OTHER PAYABLES

	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Current trade and other payables				
Trade payables	7,431	7,067	-	-
Deferred Income	-	2,927		
Accruals	6,929	6,334	-	-
Customer advances	-	3,000	-	-
Pension contributions	202	186	-	-
Social security and other taxes	1,393	1,524	-	-
VAT payable	28	-	-	-
Other payables	111	101	111	101
Total current trade and other payables	**16,094**	**21,139**	**111**	**101**
Non-current trade and other payables				
Lease incentive	170	208	-	-
Total non-current trade and other payables	**170**	**208**	**-**	**-**
Total trade and other payables	**16,264**	**21,347**	**111**	**101**

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

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

	Group 2018 US$'000	Group 2017 US$'000
US dollar	5,018	4,754
Euro	2,185	2,048
Pound sterling	228	264
Other	-	1
Total	**7,431**	**7,067**

16 CONTRACT LIABILITIES

	Group 2018 US$'000	Group 2017 US$'000
Advances for bundled performance obligations	10,725	-
Advances for service performance obligations	6,993	-
Advances for platform performance obligations	6,850	-
Total	**24,568**	-
Current	**13,626**	-
Non-current	**10,942**	-

17 SEGMENTAL INFORMATION

Management has determined the Group's reportable 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 the Adjusted EBITDA measure.

The executive management team reviews business performance from a product and service perspective. In 2018 and 2017, 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 Consulting 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 using Adjusted EBITDA, which is defined as earnings before interest, tax, depreciation, amortisation (with the exception of deferred commission costs commission), exceptional costs and the costs of share options and interests granted to Executive 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 statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

17 SEGMENTAL INFORMATION (continued)

The E-Business segment consists of the development and sale of a variety of direct distribution software products and solutions to the travel industry. The TPF consulting segment provides IT consultancy services to a number of major airlines. The segment information provided to the executive management team for the reportable segments for the year ended 31 December 2018 is as follows:

Group	2018 E-Business US$'000	2018 TPF Consulting US$'000	2018 Total US$'000	2017 E-Business US$'000	2017 TPF Consulting US$'000	2017 Total US$'000
Revenue from contracts with customers	43,147	2,700	45,847	61,911	2,713	64,624
Inter-segment revenue	-	(751)	(751)	-	(730)	(730)
External revenue	**43,147**	**1,949**	**45,096**	**61,911**	**1,983**	**63,894**
Adjusted EBITDA	**(2,067)**	**157**	**(1,910)**	**14,046**	**148**	**14,194**
Share-based payments credit/ (cost)	147	-	147	(599)	-	(599)
EBITDA	**(1,920)**	**157**	**(1,763)**	**13,447**	**148**	**13,595**
Depreciation	(1,257)	(1)	(1,258)	(1,047)	(2)	(1,049)
Amortisation	(6,531)	-	(6,531)	(5,281)	-	(5,281)
Operating (loss)/ profit before exceptional items	**(9,708)**	**156**	**(9,552)**	**7,119**	**146**	**7,265**
Exceptional items (Note 22)	(34,746)	-	(34,746)	-	-	-
Operating (loss)/ profit after exceptional items	**(44,454)**	**156**	(44,298)	**7,119**	**146**	**7,265**
Finance costs	(408)	-	(408)	(305)	-	(305)
Finance income	10	-	10	23	-	23
(Loss)/ profit before income tax	**(44,852)**	**156**	**(44,696)**	**6,837**	**146**	**6,983**
Income tax (expense)/ credit	(2,537)	-	(2,537)	77	-	77
(Loss)/ profit for the year	**(47,389)**	**156**	**(47,233)**	**6,914**	**146**	**7,060**

A reconciliation of Adjusted EBITDA to (loss)/ profit before income tax is provided as follows:

	Group 2018 US$'000	Group 2017 US$'000
Adjusted EBITDA	(1,910)	14,194
Depreciation	(1,258)	(1,049)
Amortisation - development costs	(6,308)	(5,046)
Amortisation – software	(223)	(235)
Finance income	10	23
Finance costs	(408)	(305)
Share-based payments credit/ (cost)	147	(599)
Exceptional items (Note 22)	(34,746)	-
(Loss)/ profit before income tax	**(44,696)**	**6,983**

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.

17 SEGMENTAL INFORMATION (continued)

Reportable segment assets are reconciled to total assets as follows:

Group	2018 E-Business US$'000	2018 TPF Consulting US$'000	2018 Total US$'000	2017 E-Business US$'000	2017 TPF Consulting US$'000	2017 Total US$'000
Reportable segment assets:						
Intangible assets						
- Product development	-	-	-	26,267	-	26,267
- Software	140	-	140	363	-	363
Contract acquisition costs	792	-	792	-	-	-
Other assets	32,288	489	32,777	42,893	642	43,535
Total reportable segment assets	**33,220**	**489**	**33,709**	**69,523**	**642**	**70,156**
Total assets			**33,709**			**70,156**

Group	2018 E-Business US$'000	2018 TPF Consulting US$'000	2018 Total US$'000	2017 E-Business US$'000	2017 TPF Consulting US$'000	2017 Total US$'000
Reportable segment liabilities:						
Current	(30,145)	(281)	(30,426)	(21,285)	(351)	(21,636)
Non-current	(12,658)	-	(12,658)	(1,196)	-	(1,196)
Total reportable segment liabilities	**(42,803)**	**(281)**	**(43,084)**	**(22,481)**	**(351)**	**(22,832)**
Total liabilities			**(43,084)**			**(22,832)**

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 services.

Analysis of revenue by category	2018 E-Business US$'000	2018 TPF Consulting US$'000	2018 Total US$'000	2017 E-Business US$'000	2017 TPF Consulting US$'000	2017 Total US$'000
Platform revenue (1) (2) (3)	23,450	-	**23,450**	27,159	-	**27,159**
Professional services	19,401	-	**19,401**	34,588	-	**34,588**
Consultancy	-	1,949	**1,949**	-	1,983	**1,983**
Other revenue	296	-	**296**	164	-	**164**
Total revenue from contracts with customers	**43,147**	**1,949**	**45,096**	**61,911**	**1,983**	**63,894**

(1) US$nil (2017: US$1.7m) of platform revenue was recognised based on contracted minimums in excess of actual transactions the statement of financial position date.

(2) US$nil (2017: US$0.2m) was recognised as platform revenue from termination fees paid by customers.

(3) US$nil (2017: US$1.5m) was recognised as platform revenue in respect of an early release of the Group's Digital Commerce Platform

17 SEGMENTAL INFORMATION (continued)

The geographical analysis of revenue is set out below:

	Group 2018 US$'000	Group 2017 US$'000
Americas	18,784	26,892
Asia – Pacific	12,985	14,301
Other European	9,208	18,625
Ireland	3,344	2,961
UK	775	1,115
Total revenue from contracts with customers	**45,096**	**63,894**

The entity is domiciled in the Republic of Ireland. Revenue from external customers in the Republic of Ireland is US$3.3m (2017: US$3.0m) and the total of revenue from external customers from other countries is US$41.8m (2017: US$60.9m).

The total of property, plant and equipment, intangible assets and capitalised contract acquisition costs located in the Republic of Ireland is US$2.5m (2017: US$28.1m), and the total of these non-current assets located in other countries is US$1.0m (2017: US$0.8m).

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

	Group 2018 (1)	Group 2017 (1)
Customer A	21%	23%
Customer B	13%	7%
Customer C	12%	9%
Customer D	11%	8%
Customer E	10%	6%
Customer F	7%	5%
Customer G	6%	6%
Customer H	5%	4%
Customer I	-	17%

(1) Customers whose revenue balance represents 5% or more of the total revenue balance at 31 December 2018 or 31 December 2017 are disclosed in the note above.

CONTRACT BALANCES	Group 2018 US$'000	Group 2017 US$'000
Trade receivables (Note 9)	4,594	-
Contract assets (Note 9)	2,019	-
Contract liabilities (Note 16)	24,568	-

17 SEGMENTAL INFORMATION (continued)

Trade receivables are non-interest bearing and are generally on terms of 30 days. In 2018, US$0.8m (2017: US$nil) was recognised as provision for expected credit losses on trade receivables.

Contract assets are initially recognised for amounts due in respect of performance obligations satisfied, in advance of receiving consideration where the receipt of consideration is conditional other than for the passage of time. Contract assets are reclassified to trade receivables once invoiced in accordance with the customer contractual terms. Upon adoption of IFRS 15, a US$4.5m contract asset balance was recognised. Contract assets decreased in the year as there were less unbilled contracts with customers at the end of the year. In 2018, US$0.1m (2017: US$nil) was recognised as a provision for expected credit losses on contract assets.

Contract liabilities include advances received to deliver licence and implementation services. Upon adoption of IFRS 15, contract liabilities of US$12.9m were recognised. The significant increase in contract liabilities in 2018 was due to short-term and long-term advances from customers in advance of satisfying performance obligations.

US$4.7m revenue from contracts with customers was recognised in 2018 in respect of amounts included in contract liabilities at the beginning of the year.

REMAINING PERFORMANCE OBLIGATIONS

Amounts of our customers' transaction prices that are allocated to remaining (unsatisfied or partially unsatisfied) performance obligations represent contracted revenues that have not yet been recognised. The total transaction price that has been allocated to performance obligations not satisfied in full at 31 December 2018 was US$99m. This total largely comprises obligations to provide professional services to customers and deliver customised or bundled license and service arrangements under contracts that have remaining durations in excess of one year and typically have multiple remaining years.

Of the above remaining performance obligations, 57% of this value is subject to ongoing customer negotiations as detailed in Notes 29 and 32.

The estimate of both the amount of transaction price allocated to unsatisfied performance obligations and the expected pattern of recognition is subject to changes arising from, among other things:

- Potential contract modifications;
- Changes to the remaining contracted terms;
- Customers availing of contract renewal options;
- Currency fluctuations, particularly with respect to changes in the Euro and US dollar exchange rates; and
- Actual future transaction fees.

18 EXPENSES BY NATURE

	2018 before exceptional items US$'000	2018 exceptional items (Note 22) US$'000	2018 after exceptional items US$'000	2017 US$'000
Employee benefit expense (Note 19) - net of capitalisation	22,265	5,949	28,214	23,008
Consultants and contractors - net of capitalisation	14,279	6,420	20,699	18,164
Amortisation - development costs (Note 5)	6,308	-	6,308	5,046
Amortisation - software (Note 5)	223	-	223	235
Deferred commission amortisation (Note 7)	185	-	185	-
Establishment costs	1,988	-	1,988	1,632
Hosting	1,145	-	1,145	1,861
Professional fees	1,871	1,240	3,111	1,191
Travel	1,530	-	1,530	1,497
Depreciation (Note 4)	1,258	-	1,258	1,049
Net impairment losses on financial and contract assets (Note 9)	140	-	140	26
Third party services	482	-	482	472
Auditor's remuneration	149	1,014	1,163	145
Communication	295	-	295	291
Software maintenance and other online charges	359	-	359	291
Other	2,499	-	2,499	1,790
Total cost of sales, selling and marketing costs, impairment losses on contract and trade receivables, administrative and exceptional expenses	54,976	14,623	69,599	56,698
Other losses/(gains)	(122)	164	42	(69)
Total operating costs	**54,854**	**14,787**	**69,641**	**56,629**
Disclosed as:				
Cost of sales	45,407	12,369	57,776	47,112
Selling and marketing costs	5,786	-	5,786	5,375
Administrative expenses	3,643	2,254	5,897	4,211
Net impairment losses on contract and trade receivables	140	-	140	-
Other losses/(gains)	(122)	164	42	(69)
Total operating costs	**54,854**	**14,787**	**69,641**	**56,629**

18 EXPENSES BY NATURE (continued)

REMUNERATION TO GROUP EXTERNAL AUDITOR (EY)

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

	2018 US$'000	2017 US$'000
Fees payable to the Group's statutory auditors for the audit of the parent company and consolidated financial statements: (1) (2)	1,148	130
Fees payable to the Group's statutory auditors for other services:		
The audit of the Company's subsidiaries pursuant to legislation	15	15
Tax services	-	-
Other non-assurance work	-	-
Total	**1,163**	**145**

(1) Included in the Group's statutory audit fee, are fees of US$11,157 (2017: US$5,000) which relate to the audit of the Company financial statements of Datalex plc.

19 EMPLOYEE BENEFIT EXPENSE

	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Wages and salaries	24,886	-	24,414	-
Social security costs	3,266	-	2,566	-
Pension costs – defined contribution schemes	971	-	670	-
Employee benefit expense before capitalisation	**29,123**	**-**	**27,650**	**-**
Capitalised labour	(6,648)	-	(5,629)	-
Employee benefit expense after capitalisation	**22,475**	**-**	**22,021**	**-**
Share-based payments (credit) / cost (Note 12)	(147)	-	599	-
Long term incentive plan granted to Executive Directors and other employees (Note 14)	(63)	-	388	-
Total	**22,265**	**-**	**23,008**	**-**

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

	Group 2018	Company 2018	Group 2017	Company 2017
Product development and delivery	231	-	220	-
Sales and marketing	12	-	14	-
Administration	28	-	27	-
Total	**271**	**-**	**261**	**-**

19 EMPLOYEE BENEFIT EXPENSE (continued)

The total number of persons employed by the Group (including Executive Directors) at 31 December 2018 was 268 (2017: 269).

No staff were employed by the Company at 31 December 2018 and 2017.

The Group operates a number of defined contribution pension schemes in which the majority of Group employees participate. The assets of these schemes are held separately from those of the Group in independently administrated funds. The pension charge represents contributions payable by the Group to the schemes and amounted to US$971,000 in respect of 2018 (2017: US$670,000), of which US$202,000 was accrued at the year-end (2017: US$186,000).

Details of directors' remuneration can be found in the Remuneration Report (see pages 39 to 42).

20 OTHER INCOME

	Group 2018 US$'000	Group 2017 US$'000
Sundry Income	206	-
Total	**206**	**-**

Sundry income consists of customer recharges for content provider costs incurred.

21 OTHER GAINS/(LOSSES)

	Group 2018 Before exceptional items US$'000	Group 2018 Exceptional items (Note 22) US$'000	Group 2018 After exceptional items US$'000	Group 2017 Total US$'000
Net foreign exchange gains/(losses)	122	-	122	69
Recognition of onerous customer contract	-	(164)	(164)	-
Total	**122**	**164**	**42**	**69**

22 EXCEPTIONAL ITEMS

The following costs and expenses have been treated as exceptional items in the consolidated statement of profit or loss:

	Group 2018 US$'000	Group 2017 US$'000
Impairment of development expenditure	19,959	-
Write-off of net development expenditure incurred in 2018	12,369	-
Derecognition of deferred tax asset	2,397	-
Costs associated with implementation of new accounting standards	1,537	-
Costs associated with review of financial irregularities in 2018	717	-
Recognition of onerous customer contract	164	-
Total	**37,143**	**-**

Impairment of intangible assets

The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have decided that an impairment charge of US$20.0m should be recognised, which represents the net book value of the product development intangible asset at the statement of financial position date.

Future expenditure incurred in respect of these product development activities will be recognised as an expense until such time that it is probable that future economic benefits that are attributable to the asset will flow to the Group.

Write-off of development expenditure incurred in 2018

An amount of US$13.2m was incurred by the Group during the year ended 31 December 2018 in respect of development expenditure. An amount of US$0.8m has been accrued for an R&D tax credit claim in respect of this expenditure at 31 December 2018. As mentioned above, the Group is currently reviewing, under a new management team, its approach to market and its platform development activities. As a result, it is uncertain as to whether our specific enhancements to the platform in 2018 will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have concluded that the net product development cost incurred in the year of US$12.4m did not meet the recognition criteria for capitalisation in paragraph 21 of IAS 38. The classification of this development expenditure expense as an exceptional item in 2018 reflects the materiality and size of the expense.

Derecognition of deferred tax asset

Having considered the uncertainties as to the future profitability of the Group and its trading subsidiaries, the Directors have determined that it is not appropriate to recognise deferred tax assets in respect of losses carried forward and R&D tax credits. Accordingly, an amount of US$2.4m has been derecognised in the year ended 31 December 2018 and charged to income tax expense in the consolidated statement of profit or loss. The classification of this derecognition as an exceptional item in 2018 reflects its materiality and size.

Costs of implementation of new accounting standards and support on the preparation of the 2018 Annual Report

An amount of US$0.6m was incurred by the Group in relation to external advice and support received on the implementation of new accounting standards in the 2018 financial year, primarily IFRS 15, and in the preparation of the 2018 Annual Report. An additional amount of US$0.9m was incurred in respect of the EY audit of the IFRS 15 implementation over and above the regular audit fee, which has also been included in the exceptional item.

Costs associated with reviews of financial irregularities in 2018

PwC, in conjunction with McCann FitzGerald, the Group's legal advisors, were engaged to perform a review of the financial irregularities that were identified in respect of 2018. The total cost of this review was US$0.7m. This includes related legal fees and US$0.1m relating to the cost of the EY review of the resultant reports in the context of their audit of the 2018 financial statements which was over and above the regular audit fee and which has been expenses in the 2018 financial year.

Recognition of onerous customer contract

On a particular customer contract, costs were in excess of recognised revenues and accordingly an onerous contract provision has been recognised.

23 FINANCE INCOME AND FINANCE COSTS

	Group 2018 US$'000	Group 2017 US$'000
Interest income on bank deposits with less than 90 days maturity	10	23
Finance lease interest	(55)	(30)
Early settlement discount	(186)	(275)
Other interest	(167)	-
Net finance cost	**(398)**	**(282)**

24 EARNINGS PER SHARE

Basic	Group 2018	Group 2017
(Loss)/ profit attributable to ordinary shareholders (US$'000)	(47,233)	7,060
Weighted average number of ordinary shares outstanding	76,836,649	75,763,895
Basic (loss)/ earnings per share (in US cents)	**(61.47)**	**9.32**

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

Diluted	Group 2018	Group 2017
(Loss)/ profit attributable to ordinary shareholders (US$'000)	(47,233)	7,060
Weighted average number of ordinary shares outstanding	76,836,649	75,763,895
Adjustment for share options and share awards	-	3,243,152
Weighted average number of ordinary shares outstanding	76,836,649	79,007,047
Diluted (loss)/ earnings per share (in US cents)	**(61.47)**	**8.94**

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, JSOP awards and Deferred Share Scheme awards under the schemes as described in Note 11. 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.

No share options have been included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 December 2018 due to the loss recorded by the Group. The share options could potentially dilute basic earnings per share in the future. The weighted average potential dilutive impact of share options at 31 December 2018 amounted to 1,582,283 shares (2017: 2,581,626 shares treated as dilutive).

No JSOP or Deferred Share Scheme share awards have been included in the calculation of diluted earnings per share for the year ended 31 December 2018 as these are anti-dilutive due to the loss recorded by the Group. The share awards could potentially dilute basic earnings per share in the future. The weighted average potential dilutive impact of share awards at 31 December 2018 amounted to 434,761 shares (2017: 661,526 treated as dilutive).

A total of 152,178 share options under the 2012 Group Share Option Scheme had been excluded from the number of potential dilutive shares as at 31 December 2017 as the relevant performance conditions had not yet been achieved at that date.

25 CASH (USED IN)/ GENERATED FROM OPERATIONS

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
(Loss)/ profit before income tax	(44,696)	6,983	(51,647)	3,765
Adjustments for:				
Dividends received	-	-	-	(3,522)
Finance costs – net	212	7	-	-
Depreciation	1,258	1,049	-	-
Amortisation	6,531	5,281	-	-
Deferred commission amortisation	185	-	-	-
Impairment	19,959		51,616	-
Share-based payments (credit)/ cost	(147)	599	-	-
Foreign currency (gain)/ loss on operating activities	(144)	(69)	183	(167)
LTIP provision movement	(63)	388	-	-
Contract fulfilment costs	(2,057)	-	-	-
Changes in working capital:	-	-	-	-
Trade and other receivables	14	(7,354)	2,835	(677)
Contract assets	2,481	-	-	-
Trade and other payables	1,144	2,749	10	101
Contract liabilities	11,622	-	-	-
Net cash (outflow) / inflow from operations	**(3,701)**	**9,633**	**2,997**	**(500)**

26 DIVIDENDS PAID

Group and Company	2018	2017
	US$'000	US$'000
Amounts recognised as distributions to equity holders in the year:		
Equity dividends on ordinary shares:		
Dividend for the year (1) (2)	3,837	3,775
Total	**3,837**	**3,775**

(1) The dividend paid in 2018 was five US cents per share (2017: five US cents per share).

(2) At a meeting held on 22 March 2018, the Board of Directors of the Company proposed a final dividend of five US cents per share be paid to the shareholders in respect of the full year 2017. This was subsequently approved at the AGM on 18 June 2018, and a dividend of US$3.8m was subsequently paid. In accordance with the accounting policy under IFRS set out in Note 2.28, this dividend was not included as a liability in the financial statements for the year ended 31 December 2017.

The Board of Directors of the Company are not proposing that a final dividend be paid to shareholders in respect of the year ended 31 December 2018 (2017: final dividend of five US cents per share proposed. Paid in 2018).

26 DIVIDENDS PAID (continued)

UNLAWFUL DISTRIBUTION AND DIVIDEND RECEIVED FROM DATALEX (IRELAND) LIMITED

As shown above, Datalex plc paid a dividend to shareholders of US$3.8m on 5 September 2018. To enable the dividend to be paid, Datalex plc received a dividend of US$4.0m from its subsidiary, Datalex (Ireland) Limited ("Datalex Ireland") on 30 May 2018. This dividend was US$0.24 per share on the issued ordinary share capital of 16,607,262 shares. The dividend payment by Datalex plc had been approved by shareholders at the AGM on 18 June 2018 and interim financial statements to 31 May 2018 were filed at the Companies Registration Office to support this payment.

Subsequent to the dividend payments, management identified that Datalex Ireland would not have had sufficient retained earnings to support the dividend payment to Datalex plc had there been appropriate recording of revenue. As such, the dividend payment by Datalex Ireland to Datalex plc of US$4.0m was an unlawful distribution in contravention of the provisions of Section 117 of the Companies Act 2014.

In accordance with applicable legislation, the dividend of US$4.0m paid by Datalex Ireland to Datalex plc is repayable by Datalex plc at 31 December 2018. Accordingly, an intercompany payable to Datalex Ireland has been recognised for US$4.0m in the financial statements of Datalex plc and the dividend received has been derecognised in the statement of profit or loss of the Company for 2018.

27 INVESTMENT IN SUBSIDIARIES

Company	2018 US$'000	2017 US$'000
At beginning of year	**48,868**	**48,269**
Share-based payments (credit)/ cost	(147)	599
Impairment provision	(48,721)	-
At end of year	**-**	**48,868**

An impairment review was carried out for this investment. The Directors have assessed the recoverable amount of the investment having taken into consideration a range of assumptions as well as events post the statement of financial position date. Following this assessment, a full impairment provision has been made against the carrying value of the investment arising from the significant losses and cash outflows in the subsidiary in 2018, and the uncertainties as to the future profitability of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

27 INVESTMENT IN SUBSIDIARIES (continued)

The Company has investments in the following subsidiary undertakings:

COMPANY NAME	ORDINARY SHAREHOLDING	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%	Employee benefit trust	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
Datalex Australasia Pty. Limited	100%	Non-trading	58 Gipps Street, Collingwood, Victoria 3066, Australia
Datalex Developments Limited	100%	Non-trading	Block U, EastPoint, Clontarf, Dublin D03 H704, Ireland

28 RELATED PARTY TRANSACTIONS

The following transactions were entered with related parties during the year:

KEY MANAGEMENT PERSONNEL

Key management personnel include the three Executive Directors who held office during the year (2017: two Executive Directors), the five Non-Executive Directors (2017: five Non-Executive Directors) and eight members of the senior management team (2017: seven members).

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

28 RELATED PARTY TRANSACTIONS (continued)

	2018 US$'000	2017 US$'000
Emoluments [1][2]	2,650	3,008
Benefits under long term equity-settled incentive schemes [3]	(12)	307
Benefits under the cash-settled long-term incentive scheme [4]	(12)	119
Contributions to defined contribution schemes [5]	135	124
	2,761	**3,558**

(1) Emoluments are made up of salaries, Directors' fees, and other short-term employee benefits.
(2) The remuneration of and transactions with all Non-Executive Directors is as follows:

	2018 US$'000	2017 US$'000
Basic salaries and fees	341	327

(3) The benefits included in this category relate to share option awards, JSOP awards and deferred share awards under the schemes described in Note 11.
(4) This relates to the Long-Term Incentive Plan described in Note 14.
(5) Retirement benefits are accruing to three Executive Directors and six senior management team members (2017: two Executive Directors and seven members of the senior management team) under a defined contribution scheme.
(6) Peter Lennon, a Non-Executive Director, is employed by Ronan Daly Jermyn, a law firm. No fees were paid by the Group to Ronan Daly Jermyn during 2018. No amount was payable to Ronan Daly Jermyn at 31 December 2018 (2017: US$nil). Between 18 February 2019 and 23 August 2019 Peter Lennon temporarily held the role of Company Secretary.

Non-Executive Directors' fees of US$91,600 (2017: US$95,944) were accrued at the year end.

COMPANY

At 31 December 2018, the Company had a balance of US$2.9m (2017: US$5.9m) 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, a full provision for impairment was deemed necessary on the balances due from other group companies as at 31 December 2018, given uncertainties as to future recoverability of these amounts and in light of the significant losses and cash outflows in these other Group companies in 2018 (2017: no impairment).

At 31 December 2018, the Company had a balance of US$0.2m (2017: US$nil) due from Mr. David Kennedy, a related party, in relation to share option exercise costs. At the date of the annual repot the amount unpaid is US$34,008 and which is being actively pursued. Mr. Kennedy, a former Executive Director, held the position of Finance Director until 5 December 2018.

29 CONTINGENCIES

LITIGATION AND DISPUTES

On 4 September 2019, the Group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter. The outcome of this process is currently uncertain but a financial loss to the Group cannot be ruled out.

30 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 offices amounting to US$1.1m (2017: US$1.0m), equipment amounting to US$0.02m (2017: US$0.02m), and motor vehicles amounting to US$0.05m (2017: US$0.04m) are included in the statement of profit or loss.

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

	Group 2018 US$'000	Group 2017 US$'000
Within one year	1,241	1,181
Within two to five years	4,449	3,934
Over five years	4,516	2,181
Total	**10,206**	**7,296**

GUARANTEES

The Group had a bank-issued performance bond guarantee of €1.0m at 31 December 2018 (2017: €1.0m) in relation to its obligations under the terms of a major customer contract. This guarantee is secured via a first legal charge over short-term bank deposits in the amount of US$0.5m held with the bank and a counter indemnity from Datalex (Ireland) Limited (see also Note 10). Charges for the guarantee are on the basis of a fixed charge of 3% per annum on the face value of the guarantee. The performance bond guarantee will expire on 31 December 2019.

31 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 may and has used derivative financial instruments to manage certain risk exposures but has not done so in either 2018 or 2017. 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 currency risk is to limit the adverse impact of movement in currency rates on shareholders' equity. The Group has limited exposure to interest rate 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 and primarily with respect to the euro, pound 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 2018 relates to euro monetary assets totalling US$3.9m (2017: US$18.5m), pound sterling monetary assets totalling US$0.1m (2017: US$0.3m), Swedish Krona monetary assets totalling US$0.1m (2017: US$nil) and Chinese renminbi monetary assets totalling US$nil (2017: US$0.4m).

The Group's main current strategy to manage the foreign exchange risk is, where possible, to match customer contracts with related contractor and employee costs in the same currency. The Group also has bank accounts denominated in its various operating currencies which allow it to maintain available funds in different currencies as a means of minimising the impact of foreign exchange volatility on its operations.

31 FINANCIAL RISK MANAGEMENT (continued)

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 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 in place as at 31 December 2018 or 2017.

At 31 December 2018, if the euro had strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been US$0.2m higher (2017: profit would have been US$0.7m higher) mainly as a result of foreign exchange gains on translation of euro-denominated trade receivables, trade payables and cash.

(II) INTEREST RATE RISK

The principal aim of managing interest rate risk is to limit the adverse impact on cash flows and shareholders' equity 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's treasury policy is designed to monitor the funding requirements of the business. Cash requirements are managed centrally and reviewed daily. Excess funds are placed on deposits which typically have a maturity of less than three months. The term of deposit is based on the interest rate offered and 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$0.04m at 31 December 2018 (2017: US$1.7m) 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 2018, based on the value of interest-bearing cash balances held at that date, if interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Group loss after tax for the year would not have been materially impacted (2017: profit after tax higher or lower by US$0.1m).

(III) PRICE RISK

The Group is not exposed to material price risk.

CREDIT RISK

Credit is managed on a Group basis. Credit risk arises from cash and cash equivalents, short-term investments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding trade receivables, contract assets, 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 counterparties. 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 2018, a significant portion of the Group's revenue was derived from a limited number of customers (see Note 17).

The credit quality of cash and cash equivalents can be assessed by reference to long term S&P credit ratings of the counterparties in the following tables (restricted cash of US$0.5m (2017: US$0.5m) with a credit quality of BBB+ (2017: BBB) has been excluded):

Cash and cash equivalents	Group 2018 US$'000	Group 2017 US$'000
A	397	707
A-	4,935	2,547
BBB+	3,047	123
BBB	-	12,775
BB	-	-
Not rated	1	1
	8,380	**16,153**

31 FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

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

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

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

Trade payables, accruals and borrowings (including interest)

Group	**Less than 1 Yr US$'000**	**Between 1-2 Yrs US$'000**	**Between 2-5 Yrs US$'000**	**Over 5 Yrs US$'000**	**Total US$'000**
At 31 December 2018	15,305	436	109	-	**15,850**
At 31 December 2017	13,754	402	88	-	**14,244**

Shareholder loan facility agreement

The Company announced on 14 March 2019 that it had entered into a €6.141m secured loan facility agreement with an investment vehicle owned and controlled by Mr. Dermot Desmond, Tireragh Limited ("Tireragh"), conditional on shareholder approval (the "Facility Agreement" or "Facility"). Shareholder approval for the Facility Agreement was subsequently given at an EGM held on 26 April 2019. Under the terms of the Facility Agreement, Tireragh has made available a term loan facility of up to a maximum aggregate amount of €6.141m which may be drawn down by the Company by way of one or more advances (but no more than six). The Facility is secured by Debenture, creating fixed and floating charges over all of the Company's assets, undertaking and goodwill as security for the Company's obligations to Tireragh with respect to the Facility. The Facility is guaranteed by Datalex (Ireland) Limited, the Company's subsidiary, which has, by the Datalex Ireland Debenture, also created a fixed and floating charge over all of its assets, undertaking and goodwill as security for its and the Company's obligations to Tireragh with respect to the Facility. The Facility is non-amortising, has a term of 18 months from 1 May 2019 and incurs interest on drawn down balances at the rate of 10% per annum, compounding monthly and to be rolled up until maturity. The first borrowings made by the Group under the terms of the facility occurred in June 2019.

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 on page 55.

CASH FLOW RISK

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

32 SUBSEQUENT EVENTS

The Directors do not propose a final dividend in respect of the year ended 31 December 2018 (2017: final dividend of five US cents per share).

In finalising its 2018 financial results, the Group identified a number of accounting irregularities, which are disclosed in the *Accounting Review and Internal Financial Controls Findings* section on page 18 to 19. The Group announced a restructuring on 14 February 2019 which has impacted employees and outsourced contractors, and new aggregate equity and debt funding of €10m from IIU Nominees Limited and Tireragh Limited, both related parties, was announced on 14 March 2019. This funding was provided by means of a share placing of €3.9m (completed in March 2019) and a secured loan facility of €6.1m. The first draw down from the facility occurred in June 2019.

32 SUBSEQUENT EVENTS (continued)

On 18 February 2019, Dónal Rooney resigned from his position as Finance Director. On 12 April 2019, Sean Corkery was appointed as a Non-Executive Director and Deputy Chairman of the Company. The Chief Executive of the Group, Aidan Brogan, resigned his position and his Company Directorship on 1 May 2019, and Sean Corkery subsequently assumed the role of Interim Chief Executive of the Group on 2 May 2019. Niall O'Sullivan joined the Group as Chief Financial Officer and was appointed Finance Director on 4 June 2019. On 24 June 2019, Paschal Taggart resigned as Chairman and member of the Board and Sean Corkery was subsequently appointed as Acting Chairman.

Trading in the Company's shares was temporarily suspended on and from 1 May 2019 as a consequence of the non-publication by the Company of its annual financial statements by the deadline of 30 April 2019 as required by the provisions of Transparency (Directive 2004/109/EC) Regulations 2007 (as amended).

In late May 2019, the Group received a notice of termination from Multiplus S.A. in respect of the Master Agreement entered into between the parties on 27 April 2018. This followed the acquisition of Multiplus by LATAM. The Group is currently assessing the implications of this notice and is in dialogue with LATAM on the termination arrangements and potential future business relationships.

As referred to in Note 29, the group received a termination notification from a customer. The Group strongly disputes the legality of this notice and confirms that it is engaged in discussions with the customer concerning resolution of this matter.

The Company has been required by the Office of the Director of Corporate Enforcement ("ODCE") to produce a copy of the report of the independent review of accounting issues that was the subject of the Company's announcement on 27 March 2019. The report is the outcome of an independent review of accounting issues that was conducted by PwC in conjunction with the Company's legal advisers and is legally privileged. The Company has assured the ODCE of its full co-operation with the ODCE in its inquiries, subject to appropriate legal protection of its privileged material, and is engaging with the ODCE with respect to the requirement. A requirement from the ODCE to produce books and records is a procedural matter that does not involve any conclusion that there has been a breach of law by the Company or its officers. The Company takes its corporate governance responsibilities very seriously and seeks to comply at all times with all relevant laws and regulations.

There have been no other subsequent events that impact on the 2018 financial statements up to the date of this report.

33 RECENT ACCOUNTING PRONOUNCEMENTS

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new IFRS standards were adopted by the Group during the financial year ended 31 December 2018. An explanation of these new standards and the impact that adoption has had on the reported numbers for the year is set out below.

IFRS 15

As explained in Note 2 above, IFRS 15, *Revenue from Contracts with Customers*, was adopted by the Group on 1 January 2018 using the modified retrospective approach. In accordance with the requirements of the new revenue standard, the adoption impact for the Group's opening retained earnings was as follows:

Impact on opening total equity as at 1 January 2018

	Group Impact of adoption US$'000
Revenue adjustments – see (a) below	(15,949)
Deferred contract fulfilment cost adjustments – see (b) below	9,467
Contract acquisition cost adjustments – see (c) below	643
Impact on total equity as at 1 January 2018	**(5,839)**

33 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The Group has assessed the impact on deferred tax on adoption of IFRS 15. The impact on deferred tax assets was US$0.9m and the impact on deferred tax liabilities was US$0.1m. These deferred tax impacts have not been recognised in the impact on total equity, and the impacts on the opening statement of financial position set out below, as the total deferred tax asset has been derecognised in 2018 (See Note 8).

Impact on consolidated statement of financial position at 1 January 2018

	As reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
ASSETS			
Deferred contract fulfilment costs – see (b) below	9,467	9,467	-
Contract acquisition costs – see (c) below	643	643	-
Contract assets – see (d) below	4,500	4,500	-
Accrued income – see (d) below	-	(13,430)	13,430
LIABILITIES AND EQUITY			
Contract liabilities – see note (e) below	12,946	12,946	-
Deferred income and customer advances – see note (e) below	-	(5,927)	5,927
Retained earnings	26,539	(5,839)	32,378

The amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15, are set out below:

Impact on the consolidated statement of profit or loss for the year ended 31 December 2018

	As reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
Platform Revenue - see (a) below	23,450	(1,996)	25,446
Services Revenue - see (a) below	19,401	2,681	16,720
Consultancy Revenue	1,949	-	1,949
Other Revenue - see (a) below	296	129	167
Total revenue	**45,096**	**814**	**44,282**
Cost of sales – see (b) & (c) below	**45,407**	**(1,938)**	**47,345**
Adjusted EBITDA	(1,910)	2,751	(4,661)
(Loss)/ profit per share (in US$ cents per share)			
Basic	(61.47)	3.58	(65.05)
Diluted	(61.47)	3.58	(65.05)

33 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

	As reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
ASSETS			
Deferred contract fulfilment costs – see (b) below	11,524	11,524	-
Contract acquisition costs – see (c) below	792	792	-
Contract assets – see (d) below	2,134	2,134	-
Accrued income – see (d) below	-	(7,115)	7,115
LIABILITIES AND EQUITY			
Contract liabilities – see note (e) below	24,568	24,568	-
Deferred income – see note (e) below	-	(14,428)	14,428
Retained earnings	(25,230)	(5,839)	(19,391)

(a) Revenue adjustments arose as a result of the following:

i. *The determination of performance obligations as bundled which combines licence and services revenue recognition. Prior to adopting IFRS 15, licence and service revenues were recognised as separate deliverables with revenue recognised on the percentage of completion basis from the commencement date of the services and licences separately. Under IFRS 15, revenue from the bundle is recognised commencing on completion of services or the go-live date over the contract term.*

ii. *Changes in the revenue allocation of the performance obligations, arising from the application of standalone selling prices for separate performance obligations. The Group is required to allocate the transaction price of a customer contract and the inherent discount to the performance obligations of the contract based on their respective SSP amounts. Due to the high level of judgement and estimation required to determine the SSP and the allocation of the discount and revenue amounts to each performance obligation, the resulting revenues differed to the revenue amounts recognised under IAS 18.*

iii. *Identification of performance obligations such as training and other support services, which were not separately recognised under the previous accounting standard, resulted in changes in the timing of revenue recognition.*

Due to the complexity of the Group's contracts, it is not possible to separately quantify each of the transition adjustments relative to the above reasons.

(b) Deferred contract fulfilment costs:

Contract fulfilment costs are deferred under the current policy when the requirements for the deferral of expense recognition are met (see Note 2.9), such costs were generally expensed as incurred under the previous accounting policy. Upon adoption to IFRS 15, deferred contract fulfilment costs of US$9.5m were recognised. During 2018, additional contract fulfilment costs of US$2.1m were deferred as further disclosed in Note 6.

(c) Contract acquisition costs:

Direct incremental contract acquisition costs, such as contract commission costs, are capitalised as an asset when the requirements for capitalisation are met (see Note 2.10). Such costs were generally expensed as incurred under the previous accounting policy. Upon adoption of IFRS 15, contract acquisition costs of US$0.6m were capitalised. During 2018, additional contract acquisition costs of US$0.3m were capitalised and there was an amortisation charge of $0.2m as further disclosed in Note 7.

(d) Contract assets and accrued income:

Contract assets are recognised for amounts due in respect of performance obligations satisfied in advance of receiving consideration where the receipt of consideration is conditional other than for the passage of time (see Note 2.15). Prior to adopting IFRS 15, these balances were presented as accrued income. Upon adoption of IFRS 15 contract assets of US$4.5m were recognised and accrued income decreased by US$13.4m. Contract assets recorded under the current policy are disclosed in Note 9. Contract assets decreased in the year as there was less unbilled contracts with customers at the end of the year.

33 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(e) Contract liabilities and deferred revenue:

Contract liabilities include advances received to deliver licence and implementation services (see Note 2.17). Prior to adopting IFRS 15, these balances were presented as deferred income. Upon adoption of IFRS 15, contract liabilities of US$12.9m were recognised, and deferred income and customer advances decreased by US$5.9m. The significant increase in contract liabilities in 2018 was due to short- and long-term advances from customers in advance of satisfying performance obligations.

IFRS 9

As also explained in Note 2, the Group has adopted IFRS 9, *Financial Instruments*, for the period beginning 1 January 2018, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (paragraphs 7.2.15 and 7.2.26), comparative figures have not been restated.

Our accounting policies have been amended to comply with the provisions of IFRS 9. IFRS 9 replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement*, that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, *Financial Instruments: Disclosures*. Under the modified retrospective transition method, any cumulative adjustment from the adoption of IFRS 9 is recognised in opening retained earnings as at 1 January 2018.

(a) Classification and measurement of financial instruments

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows

	Notes	Group US$'000
Increase in provision for trade receivables and contract assets	9	(699)
Adjustment to retained earnings from adoption of IFRS 9		**(699)**

The Group has assessed the impact of deferred tax on adoption of IFRS 9. The impact on deferred tax assets was US$0.1m and the impact on deferred tax liabilities was US$nil.

On 1 January 2018, the Group's management has assessed for all its financial assets:

- whether the financial asset meets the definition of debt or equity, as set out in IAS 32, *Financial Instruments: Presentation;*
- whether the financial assets that meet the criteria of debt, subsequently meet the solely payment of principal and interest ("SPPI") criteria of IFRS 9 (failure to meet the criteria would result in the asset being held at fair value through profit and loss); and
- which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (as of 1 January 2018).

Following the above assessment, the Group and Company then classified their financial instruments into the appropriate IFRS 9 categories. All assets were reclassified from loans and receivables under IAS 39 to amortised cost under IFRS 9. These reclassifications have had no impact on the measurement categories or the subsequent measurement basis for financial assets.

The transition to IFRS 9 did not have a material impact on the Company's financial liabilities.

(b) Impairment of financial assets

IFRS 9 requires an impairment allowance to be measured on all financial assets that are debt instruments not at fair value through profit and loss.

As a result, the Group and Company have the following types of financial assets subject to IFRS 9's new expected credit loss model:

- Trade and other receivables; and
- Cash and cash equivalents not held at fair value through the profit and loss.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

33 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The impact of the change in impairment methodology on the Group's equity at 1 January 2018 is as follows:

	Notes	Group US$'000
Opening retained earnings - IAS 39 (pre IFRS 15 implementation)		**32,378**
Increase in provision for trade receivables	9	(699)
Adjustment to retained earnings from adoption of IFRS 9 impairment methodology		**(699)**
Opening retained earnings - IFRS 9		**31,679**

(i) Trade receivables
For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. For more details as to how the provision is calculated, please refer to Note 9.

(ii) Loans and receivables at amortised cost to related parties
For receivables with related parties that do not have a significant financing component as defined by IFRS 15, the Group and Company apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

For all remaining amounts that are classified as debt instruments with related parties, the impairment provision is determined as 12 months' expected credit losses if they are considered to be either low risk at the date of transition or there has not been a significant increase in credit risk since initial recognition. For all remaining positions, lifetime expected credit losses should be reflected.

(iii) Cash and cash equivalents not at fair value through profit and loss
All cash and cash equivalents are considered to be low risk, and thus the impairment provision is determined as 12 months' expected credit losses. This provision was not considered material at the date of transition to IFRS 9 and at the statement of financial position sheet date.

(B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019 AND HAVE NOT BEEN ADOPTED EARLY

A number of new accounting standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019. The Group has not adopted these standards early in preparing these Consolidated Financial Statements. The most significant new standard applicable to the Group in 2019 is IFRS 16.

IFRS 16

IFRS 16, *Leases*, is effective for financial periods beginning on or after 1 January 2019. This standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position by lessees. The standard replaces IAS 17, *Leases*, and related interpretations.

The distinction between operating leases (off statement of financial position under IAS 17) and finance leases (on statement of financial position under IAS 17) is removed for lease accounting under IFRS 16. The principal difference to the present lease accounting under IAS 17 is the requirement to bring almost all leases onto the statement of financial position except for leases with a term of less than 12 months. The Group expects to adopt IFRS 16 by applying the modified retrospective approach and to recognise a lease liability and corresponding right of use asset at 1 January 2019. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The right of use asset will be an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments and onerous lease provision. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

33 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The standard is expected to have a material impact on the statement of financial position of the Group with the recognition of lease liabilities and right of use assets. Group management have reviewed contracts to identify lease arrangements that would need to be recognised under IFRS 16. The operating leases that will be recorded on the statement of financial position for the first time, following implementation of IFRS 16, principally relate to office buildings. Based on the impact analysis performed, the Group expects to recognise a lease liability and corresponding right of use asset of approximately US$7m at transition.

The overall impact on the statement of profit or loss of adopting IFRS 16 will be neutral over the life of a lease but will result in a higher charge in the earlier years following implementation and a lower charge in the later years as a result of how finance costs are recognised on the leases. As an indication of the effect of the new leasing standard, based on the Group's leases as at 1 January 2019, the Group estimates that under IFRS 16 there will be a depreciation charge of circa US$0.9m and finance costs of circa US$0.5m in 2019. This compares to the expected 2019 operating lease charge of circa US$1.2m under IAS 17. Assuming no change in these leases, this finance cost will gradually decrease over the remaining lives of the leases. The implementation of IFRS 16 will not change overall lease cashflows or the economic effect of the leases to which the Group is a party.

In calculating the estimated impact of IFRS 16 on the consolidated financial statements, the Group has availed of the following practical expedients when applying the standard:

- A single discount rate has been applied to leases with reasonably similar characteristics;
- Lease contracts for which the underlying asset is of low value have been excluded from the calculations;
- Leases with remaining terms of less than 12 months at the date of initial application have been excluded from the calculations;
- Initial direct costs associated with the leases have been excluded from the valuation of the right-of-use asset; and
- Hindsight has been used to determine lease terms where the lease agreements include options to terminate or extend the lease.

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