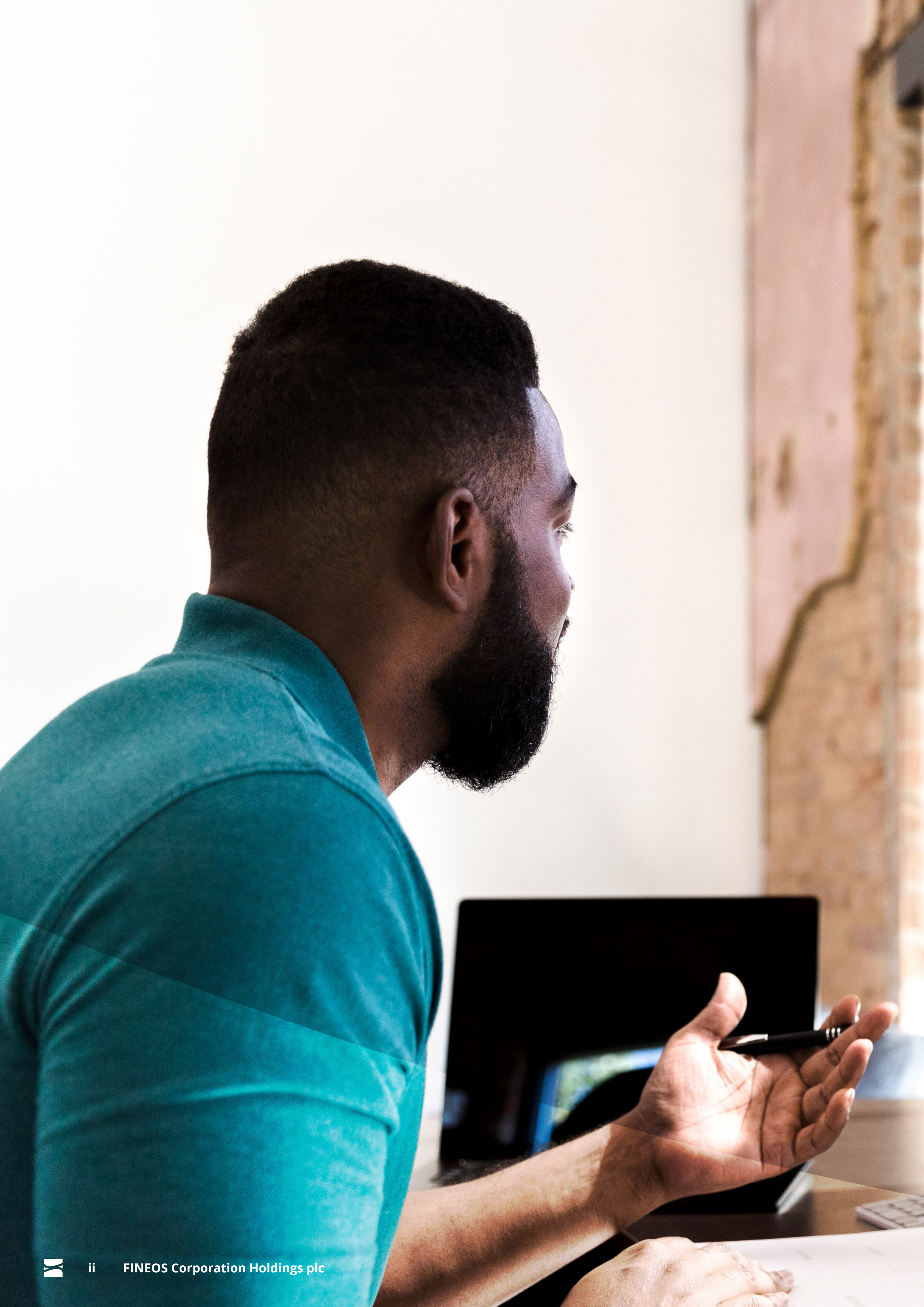
FINEOS

Annual Report 2021

FINEOS Corporation Holdings plc
ARBN 633 278 430



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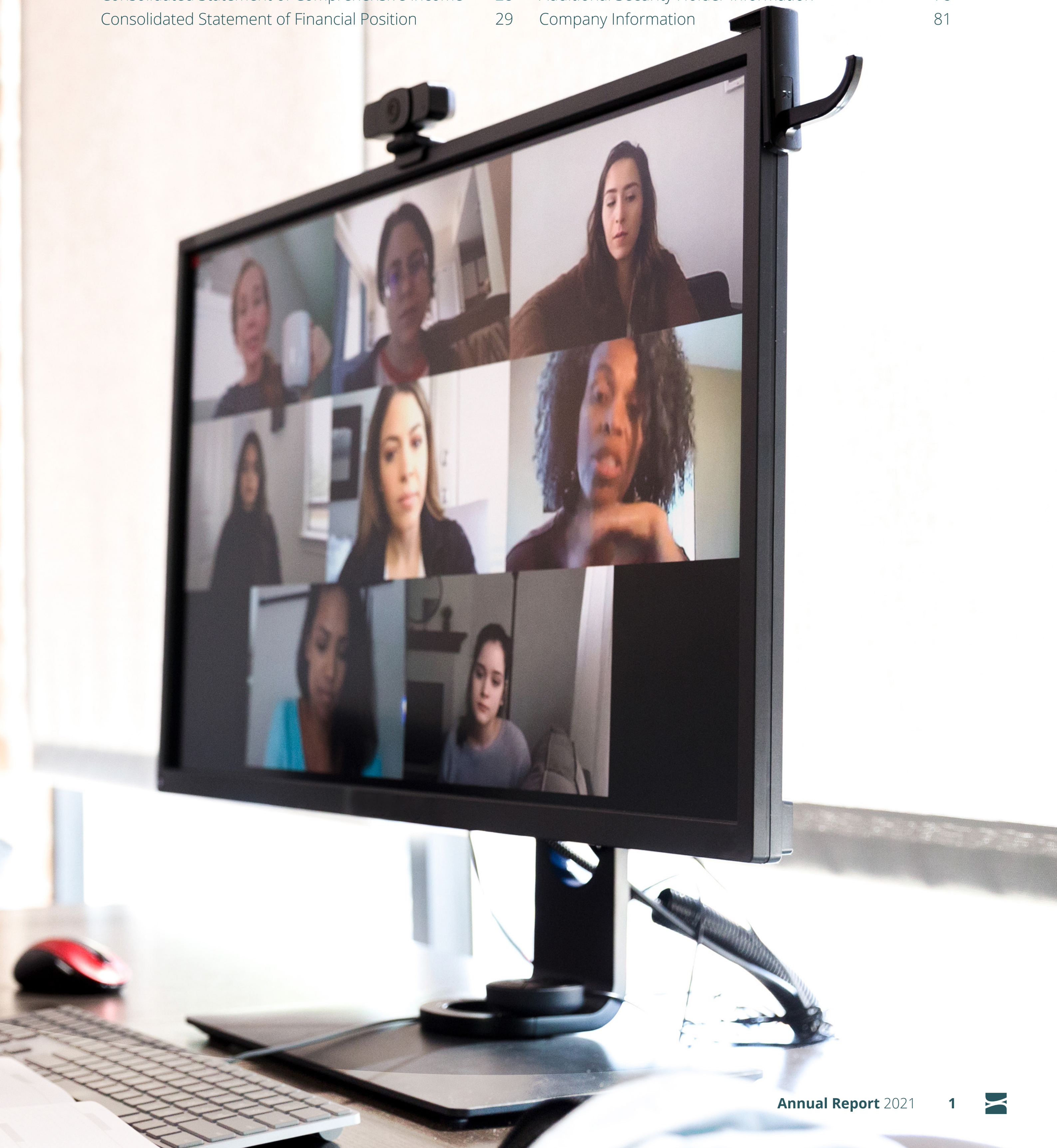


Chairman and CEO's Report

Dear Securityholder,

We are pleased to update you on the outcome and performance of our business for our fiscal year ended 30 June 2021.

FINEOS has continued to grow and has achieved several significant strategic milestones to solidify and accelerate our future growth, despite the challenging market conditions due to the global pandemic.

Our people continue to be our greatest strength and we have an enviable client base who continue to invest in the FINEOS Platform, as well as strongly advocating for FINEOS in the marketplace. Also, earlier this year, FINEOS was pleased to be admitted to the S&P/ASX-300, a significant achievement given this was our first full fiscal year as a publicly listed company.

Focus and Performance

Total revenue for this fiscal year was €108.3 million, representing a 23.3% increase on our prior year's performance. Importantly, our higher margin subscription revenue increased to €40.1 million, up 48.6% compared to the prior year. Within this, organic growth was a strong 32.4%, with the balance from the two acquisitions we made during the year (Limelight Health Inc. ('Limelight') and DigIn Technologies LLC ('Spraoi')). This exceeded our expectations and is a great accomplishment, particularly as increasing our subscription revenues is our primary focus as we grow FINEOS into the global market leading Software-as-a-Service platform for life, accident and health insurance, and includes commendable growth in our products for employee benefits providers.

This year's revenue growth was attributable to successful client implementations, cloud upgrades and add-on cross sales. As our clients continue to transform their businesses, we believe they will continue to invest in extending their use of the FINEOS Platform to modernise and enhance their customer service, grow their business operations and to replace outdated unsustainable legacy systems. We also benefitted from new client wins as well as revenue contributions from our strategic acquisitions.

Our EBITDA (defined as earnings before interest, taxes, depreciation and amortisation) for the fiscal year was €5.2 million, down from €13.3 million in the previous year, reflecting some one-off acquisition transaction costs and losses absorbed following the acquisition of Limelight in the first quarter. In addition, we were negatively impacted by losses incurred from foreign exchange movements.

Through organic growth and our two new acquisitions, our people headcount (including contractors) has grown from 875 on 30 June 2020 to 1,065 on 30 June 2021. In line with our growth strategy, we have continued to invest in product research and development, sales and marketing, and cloud operations support.

The total research and development investment for the fiscal year was €41.3 million, up 45.0% from €28.4 million in the previous year, reflecting increased client demand as well as the additional development activity carried out by Limelight. As mentioned earlier, we are seeing our investment translate into subscription revenue growth, as reflected in the 48.6% year on year increase in subscription revenue and we anticipate continuing this important investment into our next fiscal year.

Our balance sheet remains debt free, with a cash balance of €14.0 million at the end of the fiscal year reflecting a slightly lower balance than originally anticipated due to a client contract approval which came in late, with the knock-on impact of an increase in our debtors at year end. The outcome and performance achieved in the fiscal year was testament to the strength of our strategy and our relentless focus on delivering increased value and enhanced capabilities to our clients, so they provide the best care and service to their customers.

Insurance carriers in our target market have been shifting to more than just financial protection and case management. They are looking for ways to provide expanded service, which includes voluntary benefits, absence management and partnering with specialist service providers to improve the health and wellbeing of their clients. As the only pureplay end to end insurance software platform provider focused solely on the group and individual life, accident and health market, FINEOS is facilitating the technological and business software needs of carriers as they deliver this evolving service to their clients. We partner with them on end-to-end delivery and the success of this engagement is demonstrated in the multiple testimonials and references our clients provide publicly quoting FINEOS, which continues to build our proven reputation in the market.

Our clear focus and alignment at FINEOS puts us in a unique position with the FINEOS Platform becoming the number one player for group employee benefits in the North America market, measured by revenue, by number of clients and by the end-to-end quote-to-claim product that we provide. Specifically in the North American market, where 73% of our revenue is now sourced, we more than doubled our subscription revenue during the fiscal year. This revenue growth follows two previous years of more than tripling our subscription revenue in North America each year and reflects our strong execution of the strategy we set out when listing on the ASX in August 2019.

In May this year, we hosted the FINEOS Virtual Exchange where we showcased the FINEOS Platform and the end-to-end quote-to-claim FINEOS AdminSuite. The event also explained the strategic benefits of cloud Software-as-a-Service and helped our clients, both current and prospective, understand the potential it offers to realise measurable business benefits of technology innovation that we are bringing via the FINEOS Platform offering.

Acquisitions

During the fiscal year we completed two acquisitions to accelerate and enhance our FINEOS Platform and achieve greater market leadership in the US employee benefits market and the global life, accident and health industry.

In August 2020, we completed the acquisition of Limelight for a net cash outflow of US$74.9 million and raised the equity to fund the transaction. This acquisition delivered a key component to the FINEOS Platform, enabling us to provide new business and underwriting, and allowing our product offering to expand to the full quote-to-claim that it is today.

More recently in May of this year we completed the acquisition of Spraoi. This acquisition, also in the US, is smaller but also very strategic and was funded from existing cash reserves. It enhances the FINEOS Platform by bringing the benefits of additional machine learning capabilities to the FINEOS Insight and Engage modules.

We are thrilled to welcome both teams to FINEOS and we are excited about the prospects and opportunities that these acquisitions bring to the Company.

People

One of our principal objectives is to drive organisational health to create a great place to work and a competitive advantage. Our health and wellbeing program at FINEOS supports all employees by creating an environment where our people are encouraged to bring their best selves to work and are supported in achieving greater wellbeing by fuelling themselves across three core dimensions: mental, physical and emotional. It is vital to prioritise our health and wellbeing to sustain ourselves and inspire others to do the same, especially during the past year with most of our people working remotely for the entire year.

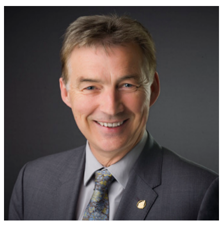
FINEOS also recognises the value of inspiring innovation in our people and maintains a global culture of innovation and collaboration. Employee culture and engagement strategies are in place and are measured and reflected in the Company's ability to attract and retain talent. We have a long history of contributing to society and the environment by supporting pro-bono, philanthropic and charitable activities in the places where we work and live. At FINEOS we remain committed to creating a world-class corporate social responsibility (CSR) program that truly reinforces and brings to life the FINEOS company vision of 'a world where protection from illness, injury and loss is accessible to everyone'. Our CSR strategy also supports our purpose of helping our clients care for the people they serve through the delivery of superior insurance technology.

We would like to thank our people, our leadership team and our FINEOS Board of Directors for their excellent contributions and continued commitment to the FINEOS cause. We also want to acknowledge and thank our clients and you, our valued security holders, for your support, as we continue our mission to become a global market leader of core systems for group and individual life, accident and health insurers.

Your sincerely,

Anne O'Driscoll
Chairman

Michael Kelly
Founder and CEO



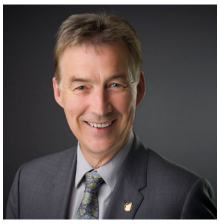
Board of Directors

Anne O'Driscoll
Chairman
Non-executive Director

Based in Sydney, Anne joined the Board in 2019. Anne has over 35 years of business experience across a broad spectrum of the insurance industry. Anne is currently on the boards of ASX-listed companies, Steadfast Group Limited and Infomedia Limited, as well as non-listed companies, MDA National Pty Limited and Commonwealth Insurance Limited. Anne chairs the audit committee for each of these boards.

Anne has held various other senior management roles within organisations such as Insurance Australia Group Limited and NRMA Group, as well as being the CFO of Genworth Australia between 2009 and 2012. She is also a former director of the NSW Self-Insurance Corporation and Australasian Investor Relations Association Limited.

Anne qualified as a chartered accountant in Ireland with Haughey Boland (now Deloitte) before joining Coopers & Lybrand (now PwC) in London. Anne moved to Sydney in 1988 and is a graduate of the Australian Institute of Company Directors and a Fellow of the Australian and New Zealand Institute of Insurance and Finance, Chartered Accountants Ireland and Chartered Accountants Australia and New Zealand.



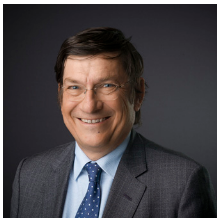
Michael Kelly
Executive Director
Chief Executive Officer

Based in Dublin, Michael is the Chief Executive Officer and founder of FINEOS. Michael has more than two decades of senior management experience in the insurance industry.

Michael began his career with Paxus Corporation, an Australian insurance software vendor entering the European market. Michael assisted in establishing Paxus's LIFE400 product as the market leading policy administration system in continental Europe, which was later acquired by CSC.

Michael is a previous winner of the EY Ireland Technology Entrepreneur of the Year, and in 2015 was named as one of the top 10 most influential executives in the Irish international FinTech sector.

Michael attended Dublin City University where he graduated with a BSc in Computer Science.



Gilles Biscay
Non-executive Director

Based in Paris, Gilles joined the Board in 2019, having previously served on the Board of FINEOS Corporation Limited, the main operating entity of the FINEOS Group from 2014. Gilles spent most of his career at Accenture, where he worked in multiple areas ranging from large system integration, post-merger implementations, case tools and enterprise resource planning software development.

In 2005, Gilles was named as the managing director and global lead for Accenture portfolio in insurance systems. Under his leadership, Accenture's vertical software activities grew significantly both organically and with new clients in countries such as Japan and Turkey, and externally with acquisitions such as NaviSys and Duck Creek, both insurance software providers.

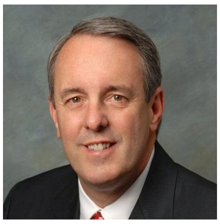
Gilles is also a founding partner and president of FutureWork SAS, a strategy consulting firm aimed at helping corporations manage digital transformations, and a non-executive independent director and board member of EUDONET SAS, a cloud-based CRM provider.

Dr Martin Fahy
Non-executive Director

Based in Sydney, Martin joined the Board in 2019. Martin is the Chief Executive Officer (CEO) of the Association of Superannuation Funds of Australia (ASFA), the peak policy, research and advocacy body for Australia's superannuation industry. Prior to this Martin was a senior partner in the management consulting practice of KPMG, where he led the firm's Global Business Services and Business Process Outsourcing activities.

From 2007 to 2011, Martin was CEO at the Financial Services Institute of Australasia (FINSIA) where he led the organisation's transformation post the sale of its education business. Prior to FINSIA, he led strategy and development for the Chartered Institute of Management Accountants (CIMA) in Asia Pacific.

Martin holds a Ph.D. from University College Cork, is a former Senior Fulbright Scholar and has extensive research and policy experience from his time as an academic in Ireland, France and the United States. Martin is a member of Chartered Accountants Australia and New Zealand.



David Hollander
Non-executive Director

Based in the US, David joined the Board on 14 October 2019. David has over 35 years of experience in the insurance, technology and professional services industries.

David most recently served as Global Insurance Leader for Ernst & Young LLP (EY), a professional services operation across 150 countries with US$31bn+ in revenues. David currently sits on the Board of Directors at Westfield Insurance and Distinguished Programs, both in the United States. Previously David served as the CEO of UNIRISX, a SaaS-based policy administration insurtech solution based in the UK.

David began his career with Accenture (NYSE: ACN), where he served in a variety of leadership and client service roles including CEO of Accenture's Financial Services Solutions Group. He led the creation of a 200-person global insurance software company within Accenture, driving more than US$1bn in consulting and outsourcing pull through revenues, in addition to leading the acquisition and integration of a major life and annuity software provider.

Tom Wall
Executive Director
Chief Financial Officer

Based in Dublin, Tom joined FINEOS in 2003 as Chief Financial Officer and was appointed to the Board in 2019. Tom has over 30 years of industry experience having worked in financial management with a number of global corporations across the IT, financial services, distribution and manufacturing industries.

Prior to joining FINEOS, Tom spent seven years at Oracle where he held various positions including as a Board Member and Finance Director of Oracle Ireland and Finance Director for Oracle EMEA Ltd. Tom also gained expertise working across a number of financial and accounting roles at MFS Communications Ltd, Unisys World Trade Incorporated and Black & Decker Inc.

Tom is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant in Ireland.

Directors' Report
for the year ended 30 June 2021

The Directors present herewith their report and audited consolidated financial statements for the year ended 30 June 2021. These financial statements reflect the performance of FINEOS Corporation Holdings plc and its subsidiaries ('the Group') for the fiscal year ended 30 June 2021.

1. Directors and Secretary

The Directors of the Company during, or since the end of, the year are as follows. Directors were in office for the whole of the year unless otherwise stated.

Chairman	**Date of appointment**
Anne O'Driscoll	25 July 2019
Chief Executive Officer	
Michael Kelly	12 December 2018
Other Directors	
Gilles Biscay	25 June 2019
Martin Fahy	25 July 2019
David Hollander	15 October 2019
Peter Le Beau	Retired 4 November 2020
Tom Wall	25 June 2019

Tom Wall and Vanessa Chidrawi served as Joint Company Secretary for the year.

Particulars of the Directors' qualifications and experience as well as their directorships of other listed companies are set out under Board of Directors on pages 4 to 5.

2. Directors' Meetings

The number of meetings of the Company's Board of Directors (the 'Board') and of each Board Committee held during the year ended 30 June 2021, and the number of meetings attended by each Director, were as follows:

	Board		**Audit and Risk Management Committee**		**Remuneration and Nomination Committee**	
	A	**B**	**A**	**B**	**A**	**B**
Anne O'Driscoll	6	6	4	4	4	4
Michael Kelly	6	6	–	–	–	–
Gilles Biscay	6	6	4	4	4	4
Martin Fahy	6	6	4	4	4	4
David Hollander	6	6	–	–	4	4
Peter Le Beau (i)	2	2	1	1	1	0
Tom Wall	6	6	–	–	–	–

A: Meetings eligible to attend

B: Meetings attended as a member

(i) Retired 4 November 2020

Particular details of the responsibilities of the members of the Board and the various Committees are set out in the Corporate Governance Statement (see section 11 of the Directors' Report).

3. Audit Committee

The Audit and Risk Management Committee assists the Board in carrying out its accounting, auditing and financial reporting responsibilities, including those outlined in Section 167 of the Companies Act 2014.

4. Principal Activities and Review of the Development and Performance of the Business During the Financial Year

The principal activity of the Group is the development and sale of software. FINEOS is a global software group providing modern customer-centric core software to Life, Accident and Health insurers and Employee Benefits providers.

The Group helps its customers move on from outdated legacy administration systems to the FINEOS modern purpose-built, customer-centric core product-suite, FINEOS AdminSuite for New Business, Billing, Claims, Absence and Policy Administration, enabling improved operational efficiency, increased effectiveness and excellent customer care. The Group is developing, both organically and through acquisitions, its FINEOS Insights offerings.

FINEOS AdminSuite is designed to manage the modern complex structures and relationships of group and individual insurance processing to optimise plan, coverage and data management, operational processing, and business intelligence.

Business summary and key performance indicators

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

- An increase in revenue from €87.8 million for the year ended 30 June 2020 to €108.3 million for the year ended 30 June 2021 which is a 23.3% improvement.
- Employee retention rates continued at over 90%.
- The loss before tax for the year ended 30 June 2021 is €13.5 million compared to a profit before tax of €0.7 million for the year ended 30 June 2020.
- Basic loss per share of €4.15 cents for the year ended 30 June 2021 compared to a basic loss per share of €0.11 cents for the year ended 30 June 2020.

Achieving revenue growth of 23.3% compared with the prior comparative year demonstrates the resilience of the business whilst several clients and potential clients faced reduced funding for systems investment in the context of the social and economic challenges generated by COVID-19.

During calendar year 2020, FINEOS completed eight new implementations and seven major upgrades of the FINEOS Platform, with most of these in the latter half of the year. FINEOS has billed for each of these implementations or upgades by 30 June 2021. Many of the Group's clients (primarily in the USA, Canada, Australia and New Zealand) are actively engaged in brand-new implementations, version upgrades and platform migrations to the cloud.

Anticipating clients' need to undertake digital transformation drove the Group's significant R&D investment over the past five years. The value of that investment is now being realised with increasing billings on the cloud platforms.

The consolidated financial statements are presented in Euro which is the functional currency of the Group. Euro based currency volatility continued during fiscal year 2021 in relation to the US Dollar, British Pound, Australian Dollar, New Zealand Dollar, Polish Zloty and Canadian Dollar, resulting in a foreign exchange loss of €0.3m million for the Group in the year (2020: foreign exchange gain of €0.8m million). Foreign exchange continues to be a risk for FINEOS given the export profile of the Group. This is closely managed with part of the risk being covered by the natural hedge of the non-Euro denominated staff costs and other overheads being paid in local currency.

Travel restrictions and localised lock-downs due to COVID-19 are reflected in a continued low level of travel, accommodation and events expense in the period relative to the same period last year.

The consolidated statement of comprehensive income for the year ended 30 June 2021 and the consolidated statement of financial position at that date are set out on pages 28 and 29. The consolidated loss on ordinary activities for the year, before tax, amounted to €13.5 million compared to a profit before tax of €0.7 million in 2020. After adding back a taxation credit of €1.0 million (2020: deducting a tax expense of €0.9 million), a loss of €12.5 million has been debited to reserves (2020: loss of €0.2 million debited to reserves).

4. Principal Activities and Review of the Development and Performance of the Business During the Financial Year (continued)

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

The Group's direct environmental carbon footprint is modest as a service-based operation and particularly with travel restrictions as a result of the COVID-19 pandemic. During FY22, the Group intends to measure its carbon footprint and look at measures to reduce its net emissions.

5. Changes in the State of Affairs

The cash reserves closed at €14.0 million at 30 June 2021 compared to €39.8 million as at 30 June 2020. The Group had no external debt as at 30 June 2021.

On 14 August 2020, FINEOS acquired Limelight, a leading US-based provider of end-to-end quoting, rating and underwriting Software-as-a-Service ('SaaS') that streamlines critical front office workflows for life, accident and health insurance carriers. The net cash outflow for the acquisition of US$66.6 million (€56.4 million) together with the issue of equity instruments in the amount of US$8.3 million (€7.0 million) equates to US$74.9 million (€63.4 million).

FINEOS undertook an equity raising on 11 August 2020 to provide funding towards the acquisition. FINEOS successfully completed a fully underwritten institutional placement, raising approximately AU$85 million through the issue of 19,953,052 new fully paid CHESS Depositary Interests over FCL shares ('CDIs'). The placement was undertaken at an offer price of AU$4.26 per new CDI.

FINEOS also undertook a non-underwritten Security Purchase Plan ('SPP') raising approximately AU$8 million through the issue of 1,877,520 new fully paid CDIs, at an offer price of AU$4.26 per new CDI, which completed on 14 September 2020.

On 11 May 2021, FINEOS acquired Spraoi, a leading provider of machine learning capabilities for the Employee Benefits and Life industry. The net cash outflow for the acquisition to date of US$3.6 million (€3.0 million) together with the fair value of earnout consideration in the amount of US$5.4 million (€4.4 million) and an additional payment owed on final true-up of US$0.2 million (€0.1 million) equates to US$9.2 million (€7.5 million).

Costs of the capital raise and fees and expenses related to the Limelight acquisition amounted to €2.7 million. A further €0.4 million of acquisition costs was incurred in relation to the acquisition of Spraoi.

The decrease in cash in the period also includes increased spend on R&D to support both implementations and ongoing product development.

Equity increased by €53.1 million to €136.3 million from €83.2 million during the year. The net proceeds from the new share capital were offset by the loss for the year of €13.5 million and a charge of less than €0.1 million against the foreign exchange reserve.

Apart from the decrease in cash reserves noted above, other key movements in assets contributing to a growth in total assets of €60.1 million to €184.5 million were:

- €70.7 million of intangible assets relating to current year acquisitions (see Note 11 for components)
- €25.0 million of internal development expenditure
- €1.5 million additions to right-of-use software
- €16.0 million combined amortisation charge
- An increase of €5.7 million in trade and other receivables driven by the increase in revenue and lower cash receipts from customers in quarter 4 of FY21.

5. Changes in the State of Affairs (continued)

Total liabilities increased by €6.9 million to €48.1 million from €41.2 million during the year with the significant movements being:

- Addition of a liability for contingent acquisition consideration of €4.6 million
- An increase of €2.8 million in deferred revenue due primarily to the increase in subscription revenue.

6. Likely Developments and Outlook

The Group's growth strategy is unchanged as it continues to see ongoing double digit growth opportunities. The focus is on both increasing market share in the Group's chosen segments – life accident and health insurers and employee benefits providers – by winning new clients and driving up-sell and cross-sell revenues from existing clients.

The Group will continue to invest in the FINEOS Platform, both building ongoing enhancements to core products and expanding the offering within FINEOS Insight.

The Group has continued to deliver sales and implementations during the COVID-19 pandemic with no major delays or interruptions. This was achieved with the vast majority of employees working remotely since March 2020. The combination of increased (i) acceptance of remote working by employees and clients; (ii) COVID-19 vaccinations and related easing in travel restrictions; and (iii) market reliance on digital experience, are positives for the Group's outlook. However, there is continued uncertainty on the pace and timing of economic recovery and the budgets available within clients for investment in new systems and upgrades. The Group's outlook for FY22 is subject to this uncertainty along with the other risks and uncertainties set out in section 9 below.

7. Dividends

During the year the Company made no dividend payments to Ordinary shareholders. The Directors do not propose the payment of a final dividend for the year.

8. Political Donations

There were no political donations made during the year ended 30 June 2021.

9. Principal Risks and Uncertainties Faced

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

- global economic and political uncertainty and volatility continues in all marketplaces where FINEOS trades (see section 6 above on COVID-19). This could potentially lead to delays and uncertainty on the allocated budgets of existing and prospective customers. It has directly contributed to extended procurement timelines, extended contract negotiation timelines, and adds additional focus on return on investment and specific payback timelines on these investments;
- FINEOS continues to face competition in its respective markets, and if FINEOS fails to compete successfully, market share will decline;
- FINEOS subsidiaries and branches operate in currencies other than the Euro, and continued volatility in foreign exchange rates relative to the Euro could adversely affect the Group's reported earnings and cash flow;
- competitors' products may replace existing FINEOS products and as a result, FINEOS may lose market share in the markets for these products;
- major changes in technology could have an impact on FINEOS and its trading model unless it continues to invest in research and development and remains competitive and current;

9. Principal Risks and Uncertainties Faced (continued)

- FINEOS sells product and services in the USA, Canada, Australia, New Zealand, the UK and Europe, which increases the complexity of local customer requirements, including addressing local compliance requirements in the respective countries;
- the loss of the chief executive officer or other key employees, or the limited availability of qualified personnel, may disrupt operations or increase the cost structure; and
- the loss of a significant customer could have a significant negative effect on revenues and profits.

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

In the normal course of business, the Group is also exposed to price risk, credit risk and liquidity risk, which are discussed in more detail in Note 24.

10. Events Subsequent to the Year End

There are no events subsequent to the year end that would require disclosure in or adjustment to the consolidated financial statements.

11. Corporate Governance Statement

The corporate governance statement of FINEOS Corporation Holdings Plc, as approved by the Board, can be found on the Company's website at https://www.fineos.com/investors/corporate-governance/.

12. Transactions with Directors

There were no contracts of any significance in relation to the business of the Group in which the Directors had any interest, as defined by the Companies Act 2014, at any time during the year ended 30 June 2021, other than as disclosed in Note 26.

13. Controlling Party

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

14. Directors' and Secretary's Interests

The Directors' and Company Secretary's interests in shares and share options as at 30 June 2021 are set out on page 18 in the Remuneration and Nomination Committee report.

15. Group Companies

Particulars of the companies within the Group required to be disclosed under Section 314(1) of the Companies Act 2014 in respect of Group companies are detailed in Note 28.

16. Directors' Compliance Statement

The Directors have considered the requirements of the Group to prepare a Directors' Compliance Statement in accordance with Section 225 of the Companies Act 2014. It was noted that FINEOS Corporation Holdings plc, as a single entity, does not meet the requirement threshold and accordingly no Statement of Compliance is presented. However, certain individual subsidiaries do meet the thresholds required and Statements of Compliance relevant to those entities will be disclosed in their respective financial statements in accordance with legislation.

17. Accounting Records

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

18. Statement on Relevant Audit Information

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

(a) so far as the Directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and

(b) the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information, and to establish that the Company's statutory auditors are aware of that information.

19. Auditors

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

20. Takeover Provisions

FINEOS is not subject to Chapters 6, 6A, 6B and 6C of the Companies Act 2014 dealing with the acquisition of its shares (including substantial holdings and takeovers).

FINEOS has incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Australian Corporations Act 2001. These provisions seek to protect the interests of shareholders where a person seeks to acquire a substantial interest in, or control of, FINEOS. The Articles prohibit a person from acquiring a relevant interest in issued voting shares in FINEOS if any person's voting power will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Exceptions to the prohibition apply (e.g. acquisitions with shareholder approval, 3% creep over six months and rights issues that satisfy prescribed conditions). Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.

21. Restrictions on the Transfer of Securities under the Companies Act

The Company is an Irish company formed under the laws of Ireland and therefore subject to the provisions of the (Uncertificated Securities) Regulations, 1996 (S.I No 68 of 1996) ('1996 Regulations') and its Articles of Association accordingly contains prohibitions on transfers. The provision of uncertificated securities is regulated by the 1996 Regulations, which is administered by the Office of the Director of Corporate Enforcement and the Companies Registration Office. The Company must comply with the provisions of the 1996 Regulations. The Company may therefore refuse to register transfers, pursuant to a direction from the Irish High Court, where the transfer is prohibited under another enactment, where the Company has noted the transfer is to a deceased person, or where the instruction requires a transfer of units to an entity which is not a legal person, a minor, or to be held jointly in the names of more persons than permitted under the terms of issue of the security. Refer to Articles 36.2 and 36.3 of the Company's Articles of Association.

On behalf of the Board

Michael Kelly Tom Wall

Michael Kelly
Director

Tom Wall
Director

25 August 2021

Remuneration and Nomination Committee Report

for the year ended 30 June 2021

As chair of the Remuneration and Nomination Committee (the Committee), I am pleased to present the report for the Committee for the year ended 30 June 2021.

The objective of this report is to provide shareholders with information to enable them to understand the remuneration structures in place and how they relate to the Group's financial performance. The report also provides a summary of the Committee's roles and responsibilities and how these were discharged in the year ended 30 June 2021.

Membership and Meetings of the Committee

The members of the Committee during the year ended 30 June 2021 are set out in the table below. The members of the Committee were in place for the whole of the year unless otherwise stated.

All members of the Committee are independent Non-executive Directors.

Committee Member	Position	Appointed
Ms Anne O'Driscoll	Chair	25 July 2019
Mr Gilles Biscay	Member	25 June 2019
Dr Martin Fahy	Member	25 July 2019
Mr David Hollander	Member	15 October 2019
Mr Peter Le Beau	Member	Retired 4 November 2020

Attendance details for the three meetings held during the year are outlined on page 6 in the Annual Report. The Committee members' biographies are set out on pages 4 to 5.

Role of the Remuneration and Nomination Committee

The purpose of the Committee is to assist the Board by reviewing and making recommendations to the Board in relation to:

- the Group's remuneration policy, including as it applies to Directors, and the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;
- remuneration packages of Executive Directors, Non-executive Directors and senior executives;
- equity-based incentive plans and other employee benefit programs;
- the Group's pension/superannuation arrangements;
- those aspects of the Group's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- succession plans of the Chief Executive Officer, Executive Directors and senior executives;
- Board succession issues and planning;
- the appointment and re-election of Board and Committee members;
- the induction of new Directors and continuing professional development programs for Directors;
- the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board;
- the process for the evaluation of the performance of the Board, its Board Committees and individual Directors; and
- the size and composition of the Board and strategies to address Board diversity and the Group's performance in respect of the Group's Diversity Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

The Committee charter can be found at https://www.fineos.com/investors/corporate-governance/.

Remuneration and Nomination Committee Report (continued)

for the year ended 30 June 2021

Remuneration Policy

The Group is committed to attracting and retaining the best people to work in the organisation, including Directors and senior management. Appropriate remuneration designed to reward, retain and motivate people is a key element in achieving that objective. Part of the Committee's role is to assist the Board in implementing its Remuneration Policy. A copy of the policy can be found at https://www.fineos.com/investors/corporate-governance/.

Executive Remuneration Framework

There are two Executive Directors: the Chief Executive, Mr Michael Kelly, and the Chief Financial Officer, Mr Tom Wall.

The elements of the remuneration package which may apply to Executive Directors are base salary, pension contributions, other benefits and both short-term and long-term incentives.

The tables below summarise the framework which was applied during the year ended 30 June 2021. A similar structure will apply during the year ended 30 June 2022. The relevant benefits are included in the Directors' remuneration table shown below.

Benefit	Nature of Benefit
Annual base salary	Salary levels are reviewed annually by reference to market comparisons and reflect the individual's level of expertise and contribution to the organisation, in conjunction with other benefits being provided. Salary increases are normally in line with the wider workforce.
Pension contributions	Participation in a defined contribution scheme available to employees in the same geography. There is a Company contribution of 10% of base salary for the CFO. The CEO does not utilise this benefit.
Other benefits	Benefits currently provided are healthcare cover, life insurance and permanent health insurance cover. Premiums payable are included in the remuneration disclosed in this report.

Incentive	Basis of Incentive	Maximum Opportunity	Achieved for FY2021
Short-Term Incentives (Bonus and Commissions paid in cash)	The CEO is entitled to receive an additional annual cash bonus in recognition of his contribution towards new client acquisitions.	CEO: Mr Kelly leads a number of key customer relationships and, as such, participates in the FINEOS sales commission plan.	CEO: Bonus of 15% of salary.
	The CFO is entitled to receive an annual bonus based on achievement of agreed Company and individual performance targets.	CFO: 15% of base salary if all objectives achieved and up to 25% where there is over-achievement beyond such agreed targets.	CFO: Bonus of 20% of salary
Long-term incentives (Equity-based remuneration)	A long-term incentive plan was established on admission to the ASX ('the 2019 Equity Incentive Plan') (The Plan). Awards from this scheme may be made in the form of options, restricted shares, restricted stock units and performance shares. See Note 19 for more details. The terms and conditions of any awards made to Executive Directors under the 2019 Equity Incentive Plan, including those relating to targets, vesting and/or exercise (as the case may be), are determined by the Committee and to the extent required, subject to CDI holder approval.	No more than 5% of the issued share capital of the Company may be issued or reserved under The Plan at any time.	There were no awards to the CEO under The Plan during FY21. The CFO received an award of 150,000 options over CDIs during FY21 under The Plan following approval at the 2020 Annual General Meeting. The options are exercisable at AU$4.2688 and expire on 6 November 2027.

The Committee reviews the performance of the Executive Directors for the purposes of determining short-term incentives and makes recommendations to the Board as to the pay-out level. The short-term incentives are payable in cash following approval of the annual audited accounts.

Remuneration and Nomination Committee Report (continued)

for the year ended 30 June 2021

Non-executive Directors

The Board aims to recruit high-calibre Non-executive Directors, with broad commercial, international or other relevant experience.

Non-executive Director remuneration is reviewed by the Board based on recommendations from the Committee. The aggregate amount paid to all Non-executive Directors in any financial year for their services must not exceed the amount fixed by the securityholders in general meeting. This amount is currently fixed at AU$800,000 (€500,375[i]) per annum.

There was no change to annual fees for Non-executive Directors during the year. As Chair of the Board, I am paid a fee of AU$160,000 (€100,075) per annum. David Hollander is paid a fee of US$170,000 (€142,522) per annum for acting as Non-executive Director. Until October 2020, he also had the capacity to invoice the Company separately for the provision of consultancy services to the Board but did not receive any such fees during the year to 30 June 2021. The other Non-executive Directors, Gilles Biscay, Martin Fahy and Peter Le Beau, are paid fees of €52,167, AU$90,000 (€56,292) and €52,167 per annum, respectively. These Non-executive Director fees include fees payable to each Non-executive Director for his/her role on the relevant Board committees.

The amounts set out above are exclusive of pension/superannuation contributions where required by law to be made by FINEOS but such contributions are included in the remuneration set out in the Table of Directors' Remuneration for the year ended 30 June 2021 below.

Under their letters of appointment, the Non-executive Directors are not entitled to participate in any share, bonus, retirement benefit or other scheme operated by the Company or any Group Company.

In addition, all reasonable and documented expenses incurred in the performance of the Non-executive Directors' duties are reimbursed.

Service Contracts/Letters of Appointment

Details of service contracts for the Executive Directors are outlined below.

Name	Title	Date of Contract	Notice Period by Company or Director
Michael Kelly	Chief Executive Officer and Founder	12 December 2018	12 months
Tom Wall	Chief Financial Officer	25 June 2019	6 months

Each of the Non-executive Directors has received an appointment letter from FINEOS, confirming their respective roles and responsibilities as Directors, and FINEOS' expectations of them as Non-executive Directors.

The appointment letter includes membership of any Board Committees, the fees to be paid and the time commitment expected. The letter also covers matters such as confidentiality, data protection and securities dealing policy. In addition, Non-executive Directors are expected to acquire a beneficial interest in CDIs equivalent to their annual fees within 36 months of the Company's IPO (which occurred in August 2019).

Dates of appointment for the Non-executive Directors are set out below:

Name	Date of Appointment
Anne O'Driscoll	25 July 2019
Gilles Biscay	25 June 2019
Martin Fahy	25 July 2019
David Hollander	15 October 2019
Peter Le Beau	Retired 4 November 2020

[i] Throughout this Committee report, amounts denominated in Australian or US dollars are translated into Euro at a rate of AU$/EUR 1.5988 and US$/EUR 1.1928, being the average rates for the year to 30 June 2021.

Annual Report on Remuneration 2021

The following table sets out the total remuneration for Directors for the year ended 30 June 2021.

Director	Salary/fees €	Short-term incentives €	Post-employment benefits €	Other benefits €	Shares allotted €	Share awards gain on exercise[a] €	LTIP €	Total 2021 €
Executive Directors								
Michael Kelly	380,592	57,089	–	3,265	–	–	–	440,946
Tom Wall	277,418	55,484	27,742	12,904	–	3,319,860	25,752	3,719,160
Non-executive Directors								
Anne O'Driscoll	100,000	–	9,507	–	–	–	–	109,507
Gilles Biscay	55,000	–	–	–	–	–	–	55,000
Martin Fahy	56,250	–	5,348	–	–	–	–	61,598
David Hollander	148,106	–	–	–	–	–	–	148,106
Peter Le Beau	22,917	–	–	–	–	–	–	22,917
Total	**1,040,283**	**112,573**	**42,597**	**16,169**	**–**	**3,319,860**	**25,752**	**4,557,234**

(a) On 8 October 2020, Tom Wall exercised 1,300,000 options at €0.135 each and resultant CDIs were sold at AU$4.50 per security resulting in a net gain of €3,319,860.

The equivalent table of total remuneration for Directors for the year ending 30 June 2020 is as follows:

Director	Salary/fees €	Short-term incentives €	Post-employment benefits €	Other benefits €	Shares allotted[a] €	Share awards gain on exercise[b] €	LTIP €	Total 2020 €
Executive Directors								
Michael Kelly	380,592	120,000	-	3,125	-	-	-	503,717
Tom Wall	277,418	67,500	27,742	11,487	-	921,117	-	1,305,264
Non-executive Directors								
Anne O'Driscoll	93,590	-	8,618	-	12,255	-	-	114,463
Gilles Biscay	52,167	-	-	-	-	-	-	52,167
Martin Fahy	52,644	-	4,847	-	12,255	-	-	69,746
David Hollander	115,908	-	-	-	-	-	-	115,908
Peter Le Beau	52,167	-	-	-	-	-	-	52,167
Total	**1,024,486**	**187,500**	**41,207**	**14,612**	**24,510**	**921,117**	**-**	**2,213,432**

(a) 8,000 CDIs were allotted to each of Anne O'Driscoll and Martin Fahy for their services in relation to pre-IPO work (see Note 17 for further detail).

(b) The market price of the CDIs at the date of exercise of Tom Wall's share options during the prior year was AU$3.65. 200,000 options were exercised at €0.135 and 275,640 options were exercised at €0.249.

Remuneration and Nomination Committee Report (continued)

for the year ended 30 June 2021

Directors' and Company Secretary's Interests in Company Shares

	Total CDIs held at 1 July 2020	Purchases/ Increase in indirect holdings	Acquired on exercise of options	Sales/ Reductions	Total shares/ CDIs held at 30 June 2021[(a)]	CDIs held nominally at 30 June 2021[(b)]
Anne O'Driscoll	68,000	2,399	–	–	70,399	10,399
Michael Kelly	166,418,040	–	–	–	166,418,040	–
Gilles Biscay	29,400	6,483	–	–	35,883	35,883
Vanessa Chidrawi	–	2,500	–	–	2,500	2,500
Martin Fahy	8,000	–	–	–	8,000	8,000
David Hollander	–	41,224	–	–	41,224	–
Peter Le Beau[(c)]	–	–	–	–	–	–
Tom Wall	–	–	1,300,000	(1,300,000)	–	–

(a) Total CDIs at 30 June 2021 represent CDIs held directly by the Director and indirectly by relevant Director's related parties inclusive of domestic partners, dependents and entities jointly controlled or significantly influenced by the Director. They also represent the relevant interest in the Company's listed securities as notified by the Directors to the ASX in accordance with the ASX Listing Rules.

(b) Shares/CDIs held nominally are those CDIs registered in the name of the individual Director.

(c) Peter Le Beau retired as a Director with effect from the close of the AGM on 4 November 2020.

Directors' Interests in Options

The only options on issue that are held by Directors are as follows:

	Options held at 1 July 2020	Options issued	Options exercised	Options lapsed	Options held at 30 June 2021
Tom Wall	2,300,000	150,000	(1,300,000)	–	1,150,000

On 8 October 2020, Tom Wall exercised 1,300,000 options at €0.135 each and resultant CDIs were sold at AU$4.50 per security resulting in a net gain of €3,319,860.

Of the remaining options held by Tom Wall, 1,000,000 options over CDIs are exercisable at €0.135 and expire on 3 February 2026 and 150,000 options over CDIs are exercisable at AU$4.2688 and expire on 6 November 2027.

See Note 19 for further detail on the Company's equity incentive schemes.

On behalf of the Committee

Anne O'Driscoll
Chair of the Remuneration and Nomination Committee

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare group and company financial statements for each financial year. Under the law, the Directors have elected to prepare the Group and Company financial statements in accordance with the Companies Act 2014 and IFRS. Under company law, the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company as at the financial year end date and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

On behalf of the Board

Michael Kelly
Director

Tom Wall
Director

25 August 2021

Independent Auditor's Report

mazars

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

Opinion

We have audited the financial statements of FINEOS Corporation Holdings Plc ('the Company') and Subsidiaries ('the Group') for the year ended 30 June 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows 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.

In our opinion the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 30 June 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained the cash flow forecasts prepared for the Group;
- We tested the clerical accuracy of the cash flow forecasts;
- We considered the consistency of the forecasts in line with other areas of our audit;
- We tested and challenged management on the key assumptions underlying the forecasts;
- We reviewed the supporting documentation for the funding and facility options available to the Group including the nature of the facilities and their repayment terms; and
- We assessed the adequacy of the disclosures in the financial statements in relation to going concern.

mazars

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's or Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue recognition **(€108.3 million for the year ended 30 June 2021; 2020: €87.8 million)** The following are key considerations: • The significance of revenue to understanding the financial results for users of the financial statements. • The extent of deferred revenue held by the Group and the assessment of its systematic release in line with relevant revenue recognition principles. • The complexity involved in applying IFRS 15. • The complexity associated with the varied nature of bespoke contracts in forming new commercial arrangements.	We performed a number of procedures including the following: • developed an understanding of and evaluated the operating effectiveness of relevant key revenue internal controls, including deferred revenue calculation and release controls; • use of IT audit to perform data reconciliations. • carried out detailed substantive testing; • on a sample basis, recalculated the deferred and accrued portions of customer agreements and compared this to the amount deferred and accrued on the balance sheet; • assessed associated reconciliations including accounts receivable and deferred revenue for unusual reconciling items; • assessed the value of credit notes raised over the year and for a select period post year end; and • developed a risk-based approach to perform journal entry testing on a sample basis to determine the appropriateness of manual postings to revenue.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Capitalisation of development expenditure (€25.0 million capitalised in the year ended 30 June 2021 with a further €3.3m arising on acquisition; 2020: €16.8 million) The Group capitalises costs incurred in the development of its software. These costs are then amortised over the estimated useful life of the software. The costs are mainly comprised of payroll costs. The Group's process for calculating the value of internally developed software involves judgement as it includes estimating time which staff spend developing software, determining the value attributable to that time, and determining which projects being developed meet the criteria to be capitalised.	Our work on capitalised development costs focused on the Group's process for estimating the time spent by staff on software development that can be capitalised under IAS 38, and the nature of the projects undertaken: • assessing the nature of a sample of projects against the requirements of IAS 38 to determine if they were capital in nature, and the status of ongoing projects; • assessing the procedures applied by the Group to review the rates applied to capitalise payroll costs; • assessing the effectiveness of controls over the payroll process; • assessing capitalised costs with reference to actual payroll information for a sample of employees; and • assessing the adequacy of the disclosures related to capitalised development costs in the consolidated financial statements.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment consideration relating to capitalised development expenditure (€65.6 million at 30 June 2021; 2020: €50.1 million) Intangible assets make up €133.6 million of the Group's non-current assets (2020: €53.4 million). The most significant of these intangibles is capitalised software development costs of €65.6 million at 30 June 2021 (2020: €50.1 million). IAS 36: Impairment of Assets required that finite life intangible assets be tested for impairment whenever there is an indication that the intangible assets may be impaired and this assessment requires judgement. The assessment as to whether there are any indicators of impairment requires judgement including consideration of both internal and external sources of information.	We assessed the factors that the Group considered regarding impairment of capitalised development costs and whether any indicators of impairment existed. This included having regard to: • significant changes in the extent or manner in which the associated software is used; • potential or actual redundancy or disposal of developed software; • amortisation periods applied by the Group to develop software relative to its experience of software lifecycle; • significant changes in the market in which the assets are used; and • evaluating the Group's assessment that the useful lives of intangible assets are appropriate at year end.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment consideration relating to goodwill (€41.4 million at 30 June 2021; 2020: €nil) Goodwill of €41.4 million is recorded in the balance sheet at 30 June 2021 (2020: €nil), arising on two acquisitions during the year. Under IAS 36: Impairment of assets, the Group is required to review goodwill for impairment at least annually by assessing the recoverable amount of each cash-generating unit, or group of cash-generating units, to which the goodwill relates. This is a key audit matter given • the size of the balance relative to the total assets of the group, • the judgements involved in allocating goodwill to each Cash Generating Unit; and • the forward-looking assumptions applied in the value-in-use model prepared in assessing the carrying value of goodwill (including forecasted cashflows, future growth rates and discount rates applied), which involve estimation and judgement.	We performed a number of procedures including the following: • For acquisitions which occurred during the year we agreed the mathematical accuracy of the calculation of goodwill and validated the appropriateness of the CGUs selected. • We obtained a third party report in respect of an impairment review at the year end date, which included forecasts for each relevant cash generating unit. • We evaluated management's assessment in relation to impairment of goodwill, particularly their methodology for determining value in use • We completed a detailed assessment of the assumptions underlying the impairment review and modelling, and evaluated these for reasonableness based on our knowledge of the business • We assessed management's forecast accuracy based on historical forecasts and results, and challenged the achievability of growth rates included in the model • We performed a sensitivity analysis on the impairment assessment, to consider the impact of changes in the underlying assumptions

Our application of materiality

We apply the concept of materiality in planning and performing the audit and in evaluating the impact of misstatements, if any. Materiality is an expression of the relative significance or importance of a matter in the context of the financial statements. Misstatements in the financial statements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

Overall materiality	€1,625,080
How we determined it	1.5% of Group Revenue
Rationale for benchmark applied	This benchmark is considered the most appropriate because Revenue is a key benchmark used by management and shareholders in assessing the performance of the business.
Reporting threshold	We agreed with those charged with governance that we would report to them misstatements identified during our audit above €48,752 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We determined materiality for the Company to be €0.2 million which is approximately 1% of the net assets of the Company, excluding intercompany balances. Net assets excluding intercompany balances is deemed the most appropriate benchmark as the Company is a holding company only.

Overview of the scope of the audit

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit, we report that:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements;
- the accounting records of the Group were sufficient to permit the financial statements to be readily and properly audited; and
- the financial statements are in agreement with the accounting records.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report. The Companies Act 2014 requires us to report to you if, in our opinion, the requirements of any of Sections 305 to 312 of the Act, which relate to disclosures of Directors' remuneration and transactions are not complied with by the Group.

We have nothing to report in this regard.

Respective Responsibilities

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that they give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FINEOS CORPORATION HOLDINGS PLC

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

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

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

Lorcan Colclough

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

25 August 2021

Financial Statements and Notes

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 €	2020 €
Revenue	4	108,338,635	87,808,301
Cost of sales		(36,292,052)	(29,348,198)
Gross profit		72,046,583	58,460,103
Product development and delivery		(44,240,937)	(29,913,935)
Sales and marketing		(6,182,731)	(4,182,559)
General and administration		(17,788,790)	(11,635,389)
Amortisation	11	(16,005,834)	(9,954,905)
Depreciation	12	(2,073,064)	(1,892,089)
Initial public offering costs		–	(688,563)
Other income	6	1,331,818	1,261,760
Operating (loss)/profit		(12,912,955)	1,454,423
Finance income		1,814	27,296
Finance costs	7	(633,975)	(766,480)
(Loss)/profit on ordinary activities before taxation	8	(13,545,116)	715,239
Income tax	9	1,060,054	(942,422)
Loss for the financial year		(12,485,062)	(227,183)
Other comprehensive income for the year:			
Foreign exchange differences on translation of operations of foreign subsidiaries and branches		144,972	(53,193)
Total comprehensive loss for the year attributable to the equity holders of the parent		(12,340,090)	(280,376)
Basic and diluted (loss) per share (cents)	10	(4.15)	(0.11)

All results relate to continuing operations.

The notes on pages 37 to 77 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2021

	Note	30 June 2021 €	30 June 2020 €
ASSETS			
Non-current assets			
Intangible assets	11	134,622,056	53,356,909
Property, plant and equipment	12	6,236,202	7,234,637
		140,858,258	60,591,546
Current assets			
Trade and other receivables	14	29,612,596	23,936,154
Cash and cash equivalents	15	13,998,945	39,831,380
		43,611,541	63,767,534
Total Assets		184,469,799	124,359,080
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	16	34,391,576	28,482,204
Non-current liabilities			
Long-term liabilities	16	13,320,872	12,206,975
Provisions	9	416,773	488,045
Total liabilities		48,129,221	41,177,224
Capital and reserves			
Called up share capital presented as equity	17	301,677	272,030
Share premium	17	124,239,947	59,903,254
Foreign exchange reserve	18	(121,290)	(266,262)
Other undenominated capital	18	1	1
Share option reserve	18	3,796,560	2,664,088
Reorganisation reserve	18	11,123,985	11,123,985
Retained earnings	18	(3,000,302)	9,484,760
Total equity		136,340,578	83,181,856
TOTAL EQUITY AND LIABILITIES		184,469,799	124,359,080

The notes on pages 37 to 77 are an integral part of these financial statements.

On behalf of the Board

Michael Kelly

Tom Wall

Michael Kelly
Director

Tom Wall
Director

25 August 2021

Company Statement of Financial Position
as at 30 June 2021

	Note	30 June 2021 €	30 June 2020 €
ASSETS			
Non-current assets			
Financial assets	13	22,834,215	22,834,215
Current assets			
Trade and other receivables	14	121,060,414	59,704,503
Cash and cash equivalents	15	401,664	6,204
		121,462,078	59,710,707
TOTAL ASSETS		144,296,293	82,544,922
EQUITY AND LIABILITIES			
Current liabilities	16	58,324	–
Total liabilities		58,324	–
Capital and reserves			
Called up share capital presented as equity	17	301,677	272,030
Share premium	17	124,239,947	59,903,254
Other undenominated capital	18	1	1
Reorganisation reserve	18	22,609,813	22,609,813
Retained earnings		(2,913,469)	(240,176)
Total equity		144,237,969	82,544,922
TOTAL EQUITY AND LIABILITIES		144,296,293	82,544,922

The notes on pages 37 to 77 are an integral part of these financial statements.

On behalf of the Board

Michael Kelly
Director

Tom Wall
Director

25 August 2021

Consolidated Statement of Changes in Equity
for the year ended 30 June 2021

	Called up share capital presented as equity €	Share premium €	Foreign exchange reserves arising on translation €	Other undenominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2019	224,402	–	(213,069)	1	1,762,026	11,123,985	9,711,943	22,609,288
Loss for the year	–	–	–	–	–	–	(227,183)	(227,183)
Other comprehensive income for the year	–	–	(53,193)	–	–	–	–	(53,193)
Total comprehensive income for the year	–	–	(53,193)	–	–	–	(227,183)	(280,376)
Issue of share capital	47,628	58,531,261	–	–	–	–	–	58,578,889
Reserves transfer from share options exercised	–	1,371,993	–	–	(1,371,993)	–	–	–
Share-based payment charge	–	–	–	–	2,274,055	–	–	2,274,055
At 30 June 2020	**272,030**	**59,903,254**	**(266,262)**	**1**	**2,664,088**	**11,123,985**	**9,484,760**	**83,181,856**

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

The notes on pages 37 to 77 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity (continued)
for the year ended 30 June 2021

	Called up share capital presented as equity €	Share premium €	Foreign exchange reserves arising on translation €	Other undenominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2020	272,030	59,903,254	(266,262)	1	2,664,088	11,123,985	9,484,760	83,181,856
Loss for the year	–	–	–	–	–	–	(12,485,062)	(12,485,062)
Other comprehensive income for the year	–	–	144,972	–	–	–	–	144,972
Total comprehensive income for the year	–	–	144,972	–	–	–	(12,485,062)	(12,340,090)
Issue of share capital	29,647	63,336,763	–	–	–	–	–	63,366,410
Reserves transfer from share options exercised	–	999,930	–	–	(999,930)	–	–	–
Share-based payment charge	–	–	–	–	2,129,018	–	–	2,129,018
Translation adjustment	–	–	–	–	3,384	–	–	3,384
At 30 June 2021	301,677	124,239,947	(121,290)	1	3,796,560	11,123,985	(3,000,302)	136,340,578

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

The notes on pages 37 to 77 are an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 30 June 2021

	Called up share capital presented as equity €	Share premium €	Other undenominated capital €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2019	224,402	–	1	22,609,813	–	22,834,216
Loss for the year	–	–	–	–	(240,176)	(240,176)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(240,176)	(240,176)
Issue of share capital	47,628	58,531,261	–	–	–	58,578,889
Reserves transfer from share options exercised	–	1,371,993	–	–	–	1,371,993
At 30 June 2020	272,030	59,903,254	1	22,609,813	(240,176)	82,544,922

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

The notes on pages 37 to 77 are an integral part of these financial statements.

Company Statement of Changes in Equity (continued)
for the year ended 30 June 2021

	Called up share capital presented as equity €	Share premium €	Other undenominated capital €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2020	272,030	59,903,254	1	22,609,813	(240,176)	82,544,922
Loss for the year	–	–	–	–	(2,673,293)	(2,673,293)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(2,673,293)	(2,673,293)
Issue of share capital	29,647	63,336,763	–	–	–	63,366,410
Reserves transfer from share options exercised	–	999,930	–	–	–	999,930
At 30 June 2021	301,677	124,239,947	1	22,609,813	(2,913,469)	144,237,969

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

The notes on pages 37 to 77 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 €	2020 €
Cash flows from operating activities			
Group (loss) after tax		(12,485,062)	(227,183)
Adjusted for:			
Income tax expense	9	(1,060,054)	942,422
Finance costs	7	633,975	766,480
Finance income		(1,814)	(27,296)
Other income	6	(1,331,818)	(1,261,760)
Depreciation	12	2,073,064	1,892,089
Amortisation	11	16,005,834	9,954,905
Loss on disposal of fixed assets		15,214	–
Lease expense	21	(2,361,939)	(2,088,032)
Movement in trade and other receivables		(2,955,358)	(10,173,710)
Movement in trade and other payables		1,881,013	7,609,861
Net tax paid		(917,421)	(522,881)
Research and development refund received		1,314,105	1,729,484
Effect of movement in exchange rates		572,106	(34,280)
Share-based payment expense	19	2,129,018	2,274,055
Initial public offering costs		–	688,563
Cost of shares allotted to Non-executive Directors	17	–	24,510
Net cash flows generated from operating activities		3,510,863	11,547,227
Cash flows from investing activities			
Interest received		1,814	27,296
Grant income		108,057	–
Payment for acquisition of subsidiary (net of cash acquired)	25	(59,353,544)	–
Payment for property, plant and equipment	12	(946,292)	(1,304,183)
Payment for intangible assets	11	(25,296,343)	(17,495,207)
Net cash used in investing activities		(85,486,308)	(18,772,094)
Cash flows from financing activities			
Interest paid		(73,454)	(1,674,896)
Repayment of bank loan		–	(15,000,000)
Proceeds from issue of shares	17	57,245,894	62,612,075
Transaction costs	17	(1,029,430)	(5,783,942)
Net cash generated from financing activities		56,143,010	40,153,237
Net (decrease)/increase in cash and cash equivalents		(25,832,435)	32,928,370
Cash and cash equivalents at the beginning of the year		39,831,380	6,903,010
Cash and cash equivalents at the end of the year	15	13,998,945	39,831,380

Company Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 €	2020 €
Cash flows from operating activities			
Company (loss) after tax		(2,673,293)	(240,176)
Adjusted for:			
Finance costs		3,311	146
Movement in trade and other receivables	14	(1,846)	–
Movement in trade and other payables	16	58,324	–
Effect of movement in exchange rates		150,201	–
Other non-cash items	17	–	24,510
Net cash flows used in operating activities		(2,463,303)	(215,520)
Cash flows from investing activities			
Amounts advanced from/(to) Group companies		16,216,551	(58,332,610)
Payment for acquisition of subsidiary	25	(69,570,941)	–
Net cash used in investing activities		(53,354,390)	(58,332,610)
Cash flows from financing activities			
Interest paid		(3,311)	(146)
Issue of shares	17	57,245,894	62,612,075
Transaction costs	17	(1,029,430)	(4,057,696)
Net cash generated from financing activities		56,213,153	58,554,233
Net increase in cash and cash equivalents		395,460	6,103
Cash and cash equivalents at the beginning of the year		6,204	101
Cash and cash equivalents at the end of the year	15	401,664	6,204

Notes to the Consolidated Financial Statements

1. General Information

FINEOS Corporation Holdings plc ('the Company') is a public limited company incorporated in the Republic of Ireland. The registered office is FINEOS House, Eastpoint Business Park, Dublin 3.

The principal activity of the Company and its subsidiaries ('the Group') is that of enterprise claims and policy management software for Life, Accident and Health insurers and Employee Benefits providers. Foreign operations are included in accordance with the significant accounting policies set out in Note 2.

2. Summary of Significant Accounting Policies

a) Basis of financial statements

Compliance with IFRS, new standards and interpretation

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

A number of new amendments and interpretations to accounting standards became effective for the Group during the financial year including:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- COVID-19-Related Rent Concessions - Amendment to IFRS 16

These amendments and interpretations would not have resulted in the accounting applied by the Group changing and would not have had a material effect on the Group's financial statements.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

Historical cost, presentation currency and going concern

The consolidated financial statements have been prepared on the historical cost basis, except where described otherwise in the policies below. The consolidated financial statements of the Group and the financial statements of the Company are presented in Euro ('€') which is also the functional currency of the Group and Company.

Management has prepared projections and forecasts for the Group. These include consideration of revenue growth, funding and finance facilities available, and cash reserves held. On this basis, the Directors consider that it is appropriate to prepare the consolidated financial statements on the going concern assumption.

Exemption from preparing Company statement of comprehensive income

In accordance with Section 304 of the Companies Act 2014 the Company is availing of the exemption from presenting its individual statement of comprehensive income to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the year to 30 June 2021 was €2,673,293 (2020: €240,176).

Notes to the Consolidated Financial Statements (continued)

b) Basis of consolidation

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

Control is achieved when the Company:

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

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to their control. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

c) Revenue recognition

The Group recognises revenue from the following major sources:

- initial product licence fees;
- annual subscriptions; and
- rendering of services, including professional services and support contracts.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue at a point in time or over time as contractual performance obligations are fulfilled and control of a product or service transfers to a customer.

Initial product licence fees

Initial software licence revenue is recognised at a point in time when control is passed to the customer which is upon delivery of the software to the customer, provided that the Group has no significant related obligations or collection uncertainties remaining.

Licences with related obligations which significantly enhance or modify the IP are considered a single performance obligation. The performance obligation is satisfied over time as the client avails of consistent access to the services enhancing and customising the licenced IP. The satisfaction of the performance obligation is reliably measured primarily on a percentage-of-completion basis. Revenue is recognised over the passage of time using the output method based on pre-agreed milestones between the parties in accordance with the master licence agreement in place. Income arising on customised solutions where the provision of the service has not been completed at the year-end date is deferred and recognised as the service is provided.

Annual subscriptions

Annual subscriptions include all support, maintenance, software updates and cloud services provided by FINEOS to customers. The promises are considered a single performance obligation which is satisfied over time and the subscription fees, including the third-party fees, are recognised using the output method on a straight-line basis which reflects time lapsed, for the continued right to access the licenced IP and to benefit from the support and maintenance services.

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

Rendering of services, including professional services and support contracts

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

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

For the services element of fixed price project engagements, the performance obligations are satisfied over time and the satisfaction of the performance obligations is reliably measured primarily on a percentage-of-completion basis over the term of the contract. Revenue is recognised using the output method based on pre-agreed milestones indicating progress to completion. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, an entity shall recognise revenue only to the extent of the expenses recognised that are recoverable.

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

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

d) Leases

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

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

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

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

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

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

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

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

On the statement of financial position the Group presents the right-of-use asset of office rentals under 'property, plant and equipment' and the right-of-use asset of licences under 'intangible assets'. The movement on the right-of-use assets of the Group is disclosed in Notes 11 and 12.

Short-term leases and leases of low-value assets

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

Lease modifications

The Group as lessee accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group as lessee:

(a) allocates the consideration in the modified contract;

(b) determines the lease term of the modified lease; and

(c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined; or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group as lessee accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

e) Foreign currencies

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

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

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

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

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

f) Employee benefits

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

Short-term benefits

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

Defined contribution pension plans

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

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

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19. The cost of equity-settled transactions with employees is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. No expense is recognised for awards that do not ultimately vest; except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

g) Interest income

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

h) Government grants

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

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

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

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

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

i) Income tax

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

j) Research and development tax credits

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

k) Business combinations

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred (excluding amounts relating to the settlement of pre-existing relationships), the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

To the extent that settlement of all or any part of consideration for a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the Consolidated Income Statement over the life of the obligation. Any contingent consideration is recognised at fair value at the acquisition date and included in the cost of the acquisition. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment to present value. In general, in order for contingent consideration to become payable, pre-defined revenue targets must be exceeded. Subsequent changes to the fair value of the contingent consideration will be recognised in profit or loss unless the contingent consideration is classified as equity, in which case it is not remeasured and settlement is accounted for within equity.

The assets and liabilities arising on business combination activity are measured at their acquisition-date fair values. Contingent liabilities assumed in business combination activity are recognised as of the acquisition date, where such contingent liabilities are present obligations arising from past events and their fair value can be measured reliably. In the case of a business combination achieved in stages, the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

l) Intangible assets

Goodwill arising on business combinations

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed at the date of acquisition. It relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets (other than goodwill) arising on business combinations

Intangible assets are capitalised separately from goodwill as part of a business combination at cost (fair value at date of acquisition). Subsequent to initial recognition these intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over periods ranging from seven to 20 years, depending on the nature of the intangible asset. The amortisation expense is disclosed separately on the face of the condensed consolidated statement of comprehensive income.

Intangible assets acquired separately

Computer software

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

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

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

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

Computer software is amortised on a straight-line basis over its useful economic life, which is considered to be between three to five years. The amortisation expense is disclosed separately on the face of the consolidated statement of comprehensive income.

Internally-generated intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

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

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

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

Contract costs

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

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

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

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

The asset recognised in respect of the costs to obtain or fulfil a contract is amortised on a systematic basis that is consistent with the associated revenue contract's pattern of transfer of the services to which the asset relates. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income. The incremental costs of obtaining a contract are expensed if the associated amortisation period would be 12 months or less.

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

Derecognition of intangible assets

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

m) Property, plant and equipment

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

Depreciation

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

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

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

Subsequent additions

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

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

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

Derecognition

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

n) Financial assets

Investments in subsidiary companies

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

o) Impairment of goodwill

In the year in which a business combination is effected and where some or all of the goodwill allocated to a particular cash-generating unit (CGU) arose in respect of that combination, the CGU is tested for impairment prior to the end of the relevant annual period.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down goodwill to its recoverable amount.

The recoverable amount of goodwill is determined by reference to the CGU to which the goodwill has been allocated. Impairment losses arising in respect of goodwill are not reversed once recognised.

p) Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

An impairment loss for the amount by which the asset’s carrying amount exceeds the recoverable amount is recognised immediately in the statement of comprehensive income; unless the relevant asset is carried at a revalued amount, in which case the impairment loss is first treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q) Financial instruments

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

Effective interest method

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

Financial assets

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

A financial instrument is determined to have low credit risk if:

(a) the financial instrument has a low risk of default;

(b) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Derecognition of financial assets

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

Financial liabilities and equity

Classification of debt or equity

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

Equity instruments

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

Ordinary share capital

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

Financial liabilities

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

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

Other financial liabilities

Trade and other payables

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

Borrowings

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

r) Provisions and contingencies

Provisions

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

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

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

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

Contingencies

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

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

s) Cash and cash equivalents

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

t) Related party transactions

Related party transactions are disclosed in accordance with IAS 24 *Related Party Disclosures* and the Companies Act 2014.

3. Significant Accounting Judgements, Estimates and Assumptions

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

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

Notes to the Consolidated Financial Statements (continued)

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

Critical judgements made in applying the Group's and Company's accounting policies

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

Group:

(a) Development expenditure

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

(b) Useful life of intangible assets (excluding goodwill)

Intangible assets are amortised over their useful lives. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of intangible assets. Changes in the economic usage and developments could affect the economic useful life of the intangible fixed asset which could then consequently impact future amortisation charges. The carrying amount of the intangible assets of the Group (excluding goodwill) as at 30 June 2021 was €93,290,024 (2020: €53,356,909) (see Note 11).

(c) Revenue recognition

The Group recognises revenue in line with IFRS 15 *Revenue from Contracts with Customers*. Management applies judgement in determining the nature, variable considerations, and timing of satisfaction of promises in the context of the contract that meet the basis of revenue recognition criteria. Significant judgements include identifying performance obligations, identifying distinct intellectual property licences, and determining the timing of satisfaction and approach in recognising the revenue of those identified performance obligations; whether a point in time or a passage of time approach is to be adopted. See applied revenue recognition criteria for each revenue streams within Note 2(c) for details on the Group's revenue recognition policies adopted. The amount of the Group's revenue recognised as at 30 June 2021 was €108,338,635 (2020: €87,808,301) (see Note 4).

(d) Impairment of goodwill

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by CGUs to which goodwill has been allocated. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The carrying amount of goodwill as at 30 June 2021 was €41,332,032 (2020: €Nil) (see Note 11).

Company:

(a) Impairment of investment in subsidiaries

Investments in subsidiary companies are reflected in the separate financial statements of the parent Company at cost less accumulated impairment losses. At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. The Company's assessment is based on the performance of the underlying subsidiary companies and no impairment has been recognised in the year under review. The carrying amount of investments in subsidiaries in the Company statement of financial position at 30 June 2021 was €22,834,215 (2020: €22,834,215).

4. Revenue

	2021 €	2020 €
Amount of revenue by class of activity:		
Professional services	66,443,223	58,303,497
Annual subscriptions	40,128,739	27,012,410
Initial product licence fees	1,766,673	2,492,394
	108,338,635	**87,808,301**
Amount of revenue by market:		
North America	78,845,857	51,806,318
APAC	24,131,540	30,657,403
EMEA	5,361,238	5,344,580
	108,338,635	**87,808,301**

Segment information

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

Major customers

In each of 2021 and 2020 financial years there were three customers that each accounted for 10% or more of the Group's revenue, as follows:

	2021 €	2020 €
Client 1	14,032,231	16,494,211
Percentage of total revenue	12.9%	18.8%
Client 2	13,348,455	12,040,943
Percentage of total revenue	12.3%	13.7%
Client 3	10,822,766	12,034,533
Percentage of total revenue	9.9%	13.7%

Contract assets and contract liabilities

Contract assets

Contract assets are disclosed separately as unbilled receivables in Trade and other receivables amounting to €1,247,706 (2020: €639,097) (see Note 14).

Contract liabilities

Contract liabilities are disclosed separately as deferred revenue in Trade and other payables amounting to €17,013,665 (2020: €14,201,684) (see Note 16). The Group is availing of the practical expedient which exempts the disclosure of unsatisfied performance obligations to date since both of the following criteria are met:

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

5. Employees

The average monthly number of persons employed by the Group (and Directors) during the year was as follows:

	2021 Number	**2020 Number**
Product development and delivery	711	554
Sales and marketing	30	19
Administration	53	44
	794	**617**

The staff costs comprise:	**2021 €**	**2020 €**
Wages and salaries	75,912,624	54,024,075
Social welfare costs	6,114,359	4,753,053
Pension costs	3,391,835	2,839,647
Share-based payment expense	2,129,018	2,274,055
	87,547,836	**63,890,830**

Directors' remuneration	**2021 €**	**2020 €**
Directors' remuneration in respect of qualifying services in respect of FINEOS Corporation Limited:		
Emoluments	1,169,025	1,226,598
Pension/superannuation	42,597	41,207
Shares allotted	–	24,510
Share-based payment expense	25,752	–
Gain on exercise of options	3,319,860	921,117
	4,557,234	**2,213,432**

The number of Directors to whom retirement benefits are accruing under defined contribution scheme pension/superannuation costs noted above is three (2020: three).

Other than as shown above any further disclosures in respect of Sections 305 and 306 of the Companies Act 2014 are €Nil for the financial year presented.

Staff costs as qualifying development expenditure

The qualifying development expenditure generating an asset as shown in Note 11 consists of qualifying staff costs incurred in relation to the development of the Group's projects. During the current year, qualifying staff costs amounted to €24,965,485 (2020: €16,787,883).

6. Other Income

	2021 €	2020 €
Research and development tax credit	1,305,798	1,228,303
Grant and other income	26,020	33,457
	1,331,818	**1,261,760**

The Company avails of research and development tax credits pursuant to Section 33, Finance Act 2004.

7. Finance Costs

	2021 €	2020 €
Bank charges and interest	74,674	258,563
Lease interest	476,627	507,917
Unwinding of discount applicable to contingent consideration	82,674	–
	633,975	**766,480**

8. (Loss)/Profit on Ordinary Activities Before Taxation

		2021 €	2020 €
The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):			
Auditor's remuneration	– Audit of Group companies	122,150	111,000
	– Other assurance services	–	10,000
	– Tax advisory services	25,000	46,000
	– Other non-audit services	–	–
Amortisation (Note 11)		16,005,834	9,954,905
Depreciation (Note 12)		2,073,064	1,892,089
Research and development expense		16,341,001	11,639,095
Research and development tax credit (Note 6)		(1,305,798)	(1,228,303)
Share-based payment expense (Note 19)		2,129,018	2,274,055
Acquisition-related costs (Note 25)		2,101,824	–
Foreign exchange loss/(gain)		289,265	(770,281)

The other assurance services and tax advisory services fees for the prior year very substantially relate to advisory work in connection with the IPO.

Notes to the Consolidated Financial Statements (continued)

9. Tax on (Loss)/Profit on Ordinary Activities

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

The tax charge is made up as follows:

	2021 €	2020 €
Current tax:		
Overseas taxation	432,596	832,700
Foreign withholding tax	–	–
Adjustments in respect of previous years	(78,557)	2,482
Total current tax	**354,039**	**835,182**
Deferred tax:		
Origination and reversal of timing differences	(1,414,093)	107,240
Tax on (loss)/profit on ordinary activities	**(1,060,054)**	**942,422**

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

(b) Factors affecting the tax charge for the year

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

	2021 €	2020 €
(Loss)/profit on ordinary activities before tax	(13,545,116)	715,239
(Loss)/profit on ordinary activities multiplied by the standard rate of tax of 12.5%	(1,693,139)	89,405
Depreciation greater than capital allowances	73,172	100,983
Short-term timing differences	59,092	53,997
Non-deductible expenses/non-taxable income	185,862	402,764
Higher tax charge on passive income	28	1,286
Higher rates of tax on foreign income	410,708	361,590
Research and development tax credits claimed	(372,431)	(66,720)
Foreign withholding tax	–	–
Adjustments in respect of previous years	(78,557)	2,482
Losses carried forward/(utilised)	1,769,304	(110,605)
Deferred tax	(1,414,093)	107,240
Total tax charge	**(1,060,054)**	**942,422**

(c) Deferred tax asset/(liability)

Group	2021 €	2020 €
At beginning of year	10,463	117,698
(Charged)/released to the statement		
of comprehensive income (Note 9(a))	1,414,093	(107,240)
Foreign exchange	8,374	5
Deferred tax on acquisition	(886,334)	
At end of year	**546,596**	**10,463**
The deferred tax asset/(liability) is analysed as follows:		
Timing differences between depreciation		
and capital allowances	173,437	134,979
Timing differences on holiday leave	450,946	401,012
Timing differences between losses		
forward and capitalised development costs	(249,023)	(636,048)
Other timing differences	171,236	110,520
At end of year	**546,596**	**10,463**
Being:		
Deferred tax asset	963,369	498,508
Provision for deferred tax	(416,773)	(488,045)
Deferred tax asset	546,596	10,463

10. Earnings Per Share

	2021 €	2020 €
Basic earnings per share		
(Loss) attributed to ordinary shareholders	(12,340,090)	(280,376)
Weighted average number of ordinary shares outstanding	297,122,910	261,429,432
Basic (loss) per share (cent)	**(4.15)**	**(0.11)**

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

Diluted earnings per share		
(Loss) attributed to ordinary shareholders	(12,340,090)	(280,376)
Weighted average number of ordinary shares outstanding	297,122,910	261,429,432
Diluted (loss) per share (cent)	**(4.15)**	**(0.11)**

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

Notes to the Consolidated Financial Statements (continued)

11. Intangible Assets

Group 2021	Right-of-use assets €	Development expenditure €	Contract costs €	Computer Software €	Technology €	Customer relationships €	Goodwill €	Total €
Cost								
At 30 June 2020	4,533,218	81,700,092	2,367,741	341,736	–	–	–	88,942,787
Additions	1,552,240	24,965,485	330,858	–	–	–	–	26,848,583
Arising on acquisition	–	3,298,150	341,136	–	7,866,144	17,778,516	41,441,051	70,724,997
Written off	–	–	(111,917)	–	–	–	–	(111,917)
Translation adjustment	–	5,912	(4,750)	–	(25,685)	(61,948)	(109,019)	(195,490)
At 30 June 2021	**6,085,458**	**109,969,639**	**2,923,068**	**341,736**	**7,840,459**	**17,716,568**	**41,332,032**	**186,208,960**
Amortisation								
At 30 June 2020	3,051,119	31,567,254	655,858	311,647	–	–	–	35,585,878
Charged in the year	913,848	12,857,272	641,820	30,089	857,075	705,730	–	16,005,834
Translation adjustment	–	(8,381)	(2,213)	–	3,173	2,613	–	(4,808)
At 30 June 2021	**3,964,967**	**44,416,145**	**1,295,465**	**341,736**	**860,248**	**708,343**	**–**	**51,586,904**
Net book amounts								
At 30 June 2021	**2,120,491**	**65,553,494**	**1,627,603**	**–**	**6,980,211**	**17,008,225**	**41,332,032**	**134,622,056**
At 30 June 2020	1,482,099	50,132,838	1,711,883	30,089	–	–	–	53,356,909

Group 2020	Right-of-use assets €	Development expenditure €	Contract costs €	Computer software €	Total €
Cost					
At 30 June 2019	2,743,877	64,912,209	1,660,417	341,736	69,658,239
Additions	1,789,341	16,787,883	707,324	–	19,284,548
At 30 June 2020	**4,533,218**	**81,700,092**	**2,367,741**	**341,736**	**88,942,787**
Amortisation					
At 30 June 2019	2,371,132	22,744,835	271,833	243,173	25,630,973
Charged in the year	679,987	8,822,419	384,025	68,474	9,954,905
At 30 June 2020	**3,051,119**	**31,567,254**	**655,858**	**311,647**	**35,585,878**
Net book amounts					
At 30 June 2020	**1,482,099**	**50,132,838**	**1,711,883**	**30,089**	**53,356,909**
At 30 June 2019	372,745	42,167,374	1,388,584	98,563	44,027,266

Development expenditure

In total, research and development costs for the Group amounted to €41,306,486 (2020: €28,426,978) in 2021, out of which €24,965,485 (2020: €16,787,883) qualifies for capitalisation under IAS 38 *Intangible Assets*. Qualifying development expenditure is amortised on a straight-line basis over its useful economic life, which is considered to be between three and 10 years. The amortisation expense amounts to €12,857,272 in 2021 (2020: €8,822,419), of which €105,000 (2020: €105,000) relates to the amortisation of previously capitalised borrowing costs.

Cash-generating units

Goodwill acquired through business combination activity has been allocated to CGUs that are expected to benefit from synergies in that combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*. A total of 3 CGUs have been identified.

Impairment testing methodology

Goodwill is subject to impairment testing on an annual basis. A value-in-use discounted cash flow model has been used at 30 June 2021 to value each of the three CGUs. The cash flow forecasts are primarily based on a financial budget for year ending 30 June 2022 and detailed management projections for years ending 30 June 2023 to 30 June 2025. These include projected revenues, gross margins and expenses and have been determined with reference to historical company experience, industry data and management's expectation for the future.

The value-in-use represents the present value of the future cash flows, including the terminal value, discounted at a rate appropriate to each CGU. The discount rates (post tax) used range from 7.9% to 13.8%; these rates are in line with the Group's estimated weighted average cost of capital, arrived at using the Capital Asset Pricing Model.

Notes to the Consolidated Financial Statements (continued)

Significant goodwill amounts

The goodwill allocated to the Limelight and Spraoi CGUs account for 89% and 11% of the total carrying amount of goodwill shown in Note 11 respectively. The additional disclosures required for these CGUs are as follows:

	2021 Limelight	2021 Spraoi
Goodwill allocated to the CGU as at 30 June 2021 (thousands)	€36,608	€4,724
Post-tax discount rate per annum	9.4%	13.3%
Pre-tax discount rate per annum	15.9%	15.4%
Long-term growth rate assumption	2%	2%
Value in use (present value of future cash flows) (thousands)	€192,284	€8,859
Carrying value (thousands)	€65,056	€7,995

The key assumptions and methodology used in respect of the Limelight and Spraoi CGUs are consistent with those described above. The values applied to each of the key estimates and assumptions are specific to the individual CGUs and were derived from a combination of internal and external factors and took into account the cash flows specifically associated with the business.

Sensitivity analysis

Management has performed sensitivity analysis and assessed reasonable changes for key assumptions and has not identified any instances that could cause the carrying amount of any of the CGUs to exceed its recoverable amount.

12. Property, Plant and Equipment

Group 2021	Right-of-use assets €	Office equipment €	Computer equipment €	Fixtures and fittings €	Total €
Cost					
At 30 June 2020	9,403,441	790,673	3,986,725	1,889,880	16,070,719
Additions	16,675	927	756,516	188,849	962,967
Arising on acquisition	–	208	151,174	4,156	155,538
Disposals	(210,394)	–	(192,839)	(180,255)	(583,488)
Translation adjustment	41,240	3,797	5,325	3,837	54,199
At 30 June 2021	**9,250,962**	**795,605**	**4,706,901**	**1,906,467**	**16,659,935**
Depreciation					
At 30 June 2020	3,770,503	656,928	2,740,084	1,668,567	8,836,082
Charged in the year	1,111,831	55,777	794,352	111,104	2,073,064
Disposals	(160,300)	–	(181,911)	(180,255)	(522,466)
Translation adjustment	25,596	(3,060)	14,117	400	37,053
At 30 June 2021	**4,747,630**	**709,645**	**3,366,642**	**1,599,816**	**10,423,733**
Net book amounts					
At 30 June 2021	**4,503,332**	**85,960**	**1,340,259**	**306,651**	**6,236,202**
At 30 June 2020	5,632,938	133,745	1,246,641	221,313	7,234,637

Group 2020	Right-of-use assets €	Office equipment €	Computer equipment €	Fixtures and fittings €	Total €
Cost					
At 30 June 2019	8,894,069	685,451	2,996,543	1,701,812	14,277,875
Additions	545,734	108,860	1,003,537	191,786	1,849,917
Translation adjustment	(36,362)	(3,638)	(13,355)	(3,718)	(57,073)
At 30 June 2020	**9,403,441**	**790,673**	**3,986,725**	**1,889,880**	**16,070,719**
Depreciation					
At 30 June 2019	2,613,940	623,448	2,120,443	1,624,320	6,982,151
Charged in the year	1,177,699	42,374	622,453	49,563	1,892,089
Translation adjustment	(21,136)	(8,894)	(2,812)	(5,316)	(38,158)
At 30 June 2020	**3,770,503**	**656,928**	**2,740,084**	**1,668,567**	**8,836,082**
Net book amounts					
At 30 June 2020	**5,632,938**	**133,745**	**1,246,641**	**221,313**	**7,234,637**
At 30 June 2019	6,280,129	62,003	876,100	77,492	7,295,724

13. Financial Assets

	2021 €	2020 €
Company		
Shares in Group undertakings – unlisted, at cost:		
At beginning and end of year	**22,834,215**	**22,834,215**

Details of subsidiary undertakings are included in Note 28.

14. Trade and Other Receivables

	2021 €	2020 €
Group		
Trade receivables	22,249,112	17,566,095
Unbilled receivables	1,247,706	639,097
Other receivables	148,828	210,380
Prepayments	1,984,899	1,481,820
Research and development tax credits	1,492,056	2,289,342
Value added tax recoverable	1,084,099	1,130,024
Corporation tax recoverable	442,527	120,888
Deferred tax asset (Note 9)	963,369	498,508
	29,612,596	**23,936,154**

Company	2021 €	2020 €
Prepayments	1,846	–
Amounts owed by subsidiary undertakings	121,058,568	59,704,503
	121,060,414	**59,704,503**

Trade and other receivables

The carrying amounts of trade receivables and other receivables approximate their fair value largely due to the short-term maturities and nature of these instruments. All trade receivables are due within the Group's and Company's normal terms, which are 30 days. Trade receivables are shown net of a provision for expected credit losses (see Note 24 (ii)).

Unbilled receivables

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

Taxes and tax credits

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

15. Cash and Cash Equivalents

	2021 €	2020 €
Group		
Cash and cash equivalents	**13,998,945**	**39,831,380**

	2021 €	2020 €
Company		
Cash and cash equivalents	**401,664**	**6,204**

There are no restrictions on the cash held.

16. Trade and Other Payables

Current	2021 €	2020 €
Group		
Trade payables	3,289,594	2,504,346
Corporation tax	176,478	407,864
Value added tax	32,996	77,396
Employee taxes and levies	1,209,036	2,347,389
Accruals	7,490,130	6,136,009
Deferred revenue	17,013,665	14,201,684
Research and development tax credit	1,269,063	1,282,910
Lease liabilities (Note 21)	2,151,497	1,524,606
Contingent consideration	1,759,117	–
	34,391,576	**28,482,204**

Company	2021 €	2020 €
Trade payables	19,824	–
Accruals	38,500	–
	58,324	**–**

Non-current	2021 €	2020 €
Group		
Lease liability (Note 21)	5,262,444	6,251,540
Research and development tax credit	5,180,303	5,955,435
Contingent consideration	2,878,125	–
	13,320,872	**12,206,975**

Trade and other payables

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

Reservation of title

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

Amounts due to Group companies

The amounts due to Group and related companies are unsecured, interest free and are repayable on demand.

Accruals

The terms of the accruals are based on underlying invoices.

Taxes and social welfare costs

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

Deferred revenue

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

Contingent consideration

On an undiscounted basis, the corresponding future payments relating to contingent consideration, for which the Group may be liable, ranges from $3.5 million to $6.6 million (€2.9 million to €5.5 million). This is based on a range of estimated potential outcomes of the expected payment amounts primarily dependant on underlying performance metrics as set out in the Spraoi merger agreement. The fair value of contingent consideration is arrived at through discounting the expected payment to present value. Based on a reasonable possible change in assumptions, the fair value ranges from $3.0 million to $5.4 million (€2.5 million to €4.5 million) on a discounted basis.

The movement in contingent consideration during the year was as follows:

	2021 **€**
Arising on acquisition during the year (Note 25)	4,447,533
Discount unwinding	82,674
Translation adjustment	107,035
At 30 June 2021	**4,637,242**

17. Called up Share Capital

	Nominal value (per share)	**2021** **€**	**2020** **€**
Authorised share capital (Group and Company)			
Ordinary shares	€0.001	4,500,000	4,500,000
Issued share capital presented as equity			
Ordinary shares	€0.001	301,677	272,030

The movement in issued share capital during the financial year was as follows:

Issued share capital	**No. of shares**	**Nominal value (per share)**	**Share capital** **€**	**Share premium** **€**	**Total** **€**
At 1 July 2020	272,029,851	€0.001	272,030	59,903,254	60,175,284
Share issue – equity raise	19,953,052	€0.001	19,953	51,451,527	51,471,480
Share issue – SPP	1,877,520	€0.001	1,878	4,897,982	4,899,860
Share issue – acquisition of Limelight	2,743,315	€0.001	2,743	7,147,203	7,149,946
Share issue – exercise of share options	5,072,870	€0.001	5,073	869,481	874,554
Transaction costs accounted for as a deduction from equity	–		–	(1,029,430)	(1,029,430)
	301,676,608		301,677	123,240,017	123,541,694
Transfer from share option reserve	–		–	999,930	999,930
At 30 June 2021	**301,676,608**		**301,677**	**124,239,947**	**124,541,624**

The equivalent disclosure for the prior year is as follows:

Issued share capital	No. of shares	Nominal value (per share)	Share capital €	Share premium €	Total €
At 1 July 2019	224,401,590	€0.001	224,402	–	224,402
Share issue – equity raise	39,980,121	€0.001	39,980	61,204,078	61,244,058
Share issue – exercise of share options	7,648,140	€0.001	7,648	1,384,879	1,392,527
Transaction costs accounted for as a deduction from equity	–		–	(4,057,696)	(4,057,696)
	272,029,851		272,030	58,531,261	58,803,291
Transfer from share option reserve	–		–	1,371,993	1,371,993
At 30 June 2020	**272,029,851**		**272,030**	**59,903,254**	**60,175,284**

The shares of the Company were restructured in July 2019 leading up to the Company's IPO on the ASX in August 2019. The balances shown for 1 July 2019 are as if the restructure in shares had occurred on 30 June 2019. See pages 61 and 62 of the Group's Annual Report for the year ended 30 June 2020 for further detail.

FINEOS undertook an equity raising on 11 August 2020 to provide funding towards the acquisition of Limelight. FINEOS successfully completed a fully underwritten institutional placement, raising approximately AU$85 million through the issue of 19,953,052 new fully paid CHESS Depositary Interests over FCL shares ('CDIs'). The placement was undertaken at an offer price of AU$4.26 per new CDI.

FINEOS also undertook a non-underwritten Security Purchase Plan ('SPP') raising approximately AU$8 million through the issue of 1,877,520 new fully paid CDIs, at an offer price of AU$4.26 per new CDI, which completed on 14 September 2020.

On 26 August 2020, 2,743,315 new fully paid CDIs were issued as part consideration for the acquisition price of Limelight. The CDIs were valued at AU$4.2668 per new CDI.

Reconciliation of shares issued to proceeds	2021 €	2020 €
Shares issued at nominal amount	29,647	47,628
Premium arising on shares issued	64,366,193	62,588,957
Total value of shares issued	64,395,840	62,636,585
Shares issued as consideration for Limelight	(7,149,946)	–
Shares allotted to Non-executive Directors	–	(24,510)
Proceeds from issue of shares	**57,245,894**	**62,612,075**

In 2020, 8,000 Ordinary shares were allotted to each of Anne O'Driscoll and Martin Fahy for their services in relation to pre-IPO work.

Notes to the Consolidated Financial Statements (continued)

18. Reserves

Foreign exchange reserve

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

Retained earnings

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

Other undenominated capital

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

Share option reserve

The share option reserve represents the movement in share-based payments. The movement in the cumulative expense since the previous year end date is recognised in the statement of comprehensive income, with a corresponding entry in 'share option reserve'.

Re-organisation reserve

FINEOS Corporation Holdings plc ('FINEOS') was incorporated on 12 December 2018 and the Directors elected at that date to account for the restructure of the Group as a capital re-organisation rather than a business combination. The reorganisation reserve represents the difference between the fair value of the shares issued to effect the reorganisation and the nominal value of the shares acquired. See Note 2(a) on page 35 of the Group's Annual Report for the year ended 30 June 2020 for further detail.

19. Share-Based Payment Expense

The total share-based payment expense for the Group's equity incentive schemes charged to general and administration costs in the consolidated statement of comprehensive income is as follows:

	2021 €	2020 €
Share-based payment expense	2,129,018	2,274,055

Details of the schemes operated by the Group are set out below.

2019 Equity Incentive Plan

The '2019 Equity Incentive Plan' was adopted by the Board on 24 June 2019 and approved by the shareholders of the Company on 9 July 2019. It became effective on Listing. The 2019 Equity Incentive Plan, administered by the Remuneration and Nomination Committee, allows for the grant of the following awards to employees and contractors: options, restricted share awards, RSU awards and performance awards. Total awards under the 2019 Equity Incentive Plan are subject to a limit of 5% of the ordinary issued share capital of the Company at any time. The exercise of awards may be conditional upon the satisfaction of performance factors during a performance period as determined by the Remuneration and Nomination Committee and set out in each award agreement.

See the table below for further detail on the terms of options issued under the 2019 Equity Incentive Plan in the year to 30 June 2021.

Grant Date	No. of Share Options	Exercise price per option	Vesting conditions	Contractual life of Options
Various grant dates	4,272,000	Range of AU$3.7546 to AU$4.4266	Three-year service period.	Expire seven years after date of grant
23 September 2020	280,355	Range of AU$0.35 to AU$1.11	Service periods ranging from one month to three and a half years at date of grant. (Related to the Limelight acquisition)	Expire between six and nine and a half years from date of grant.
12 January 2021	39,945	AU$3.61	One-year service period.	Expire three years after date of grant
11 May 2021	700,000	AU$3.8968	Options shall fully vest in three equal tranches on the 1st year, 2nd year and 3rd year anniversary from the date of grant of the options. (Related to the Spraoi acquisition)	Expire seven years after date of grant
	5,292,300			

An expense of €2,129,018 was recognised during the financial year (2020: €386,370) relating to the current year award of options under the 2019 Equity Incentive Plan.

2012 Share Option Plan, 2015 Share Option Plan and 2019 Share Option and Retention Plan

Prior to listing, FINEOS International Limited, the previous ultimate parent undertaking of the Group, operated a 2012 Share Option Plan and a 2015 Share Option Plan. The options awarded were subject to a three-year service period and the occurrence of a 'triggering event', being the acquisition by any person, or group of persons acting in concert (excluding any persons connected or related to the existing shareholders), of control of the Company as a result of purchasing and/or subscribing for shares under a trade sale or IPO.

In February 2019, the Group modified the terms and conditions of the share options granted under its 2015 Share Option Plan and granted new options under a 2019 Share Option and Retention Plan. The options granted under the 2019 Share Option and Retention Plan were issued as replacements for options granted under the Company's 2012 Share Option Plan, which lapsed on 1 February 2019 without having vested.

On 24 June 2019, as part of the restructure, all options were exchanged for options in the new parent Company, FINEOS Corporation Holdings Limited, on a one-for-one basis. The awards were to vest six months after listing.

These 2015 and 2019 share option plans have now closed, and no further awards were issued under these plans in the current or prior financial year. An expense of €Nil was recognised during the financial year (2020: €1,887,685) relating to the February 2019 modification of options under the 2015 Share Option Plan and the grant of options under the 2019 Share Option Plan.

Details of movement and options outstanding under the Group's Equity Incentive Plans

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options granted under the schemes to Group employees during the year.

Notes to the Consolidated Financial Statements (continued)

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding (1 July 2020: €0.001 per share; 1 July 2019: €0.01 per share)	17,217,500	0.53	2,044,064	1.83
Resolution to subdivide shares by 10	–		18,396,576	
	17,217,500	0.53	20,440,640	0.18
Options granted	5,292,300	2.48	4,475,000	1.55
Options exercised	(5,072,870)	0.17	(7,648,140)	0.18
Options forfeited	(1,221,708)	2.38	(50,000)	1.55
Outstanding at 30 June at €0.001 per share	**16,215,222**	**1.17**	**17,217,500**	**0.53**
Exercisable at 30 June at €0.001 per share	**7,832,989**	**0.20**	**12,792,500**	**0.18**

For the share options not yet exercisable as at 30 June 2021 the weighted average remaining contractual life is 1.75 years (30 June 2020: 2.5 years).

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The Black-Scholes model is internationally recognised as being appropriate to value employee share schemes. The Company has used expected share price volatilities of comparable listed companies.

The following table lists the inputs to the model used for the year ended 30 June 2021 (weighted average in each case):

	2021 %	2020 %
Dividend yield	0	0
Expected volatility	45.10	42.13
Risk free interest rate	0.60	0.80
Average expected life remaining in years	4.4	5

20. Commitments and Contingencies

(a) Capital commitments

At the year end the Group had no capital commitments.

(b) Contingent liabilities

At the year end the Group had no contingent liabilities.

(c) Lease commitments

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

At 30 June 2021	Land and buildings €	Software licences €	Total €
Due within one year	1,204,860	1,330,194	2,535,054
Due within two to five years	3,390,532	741,288	4,131,820
Due after five years	2,338,968	–	2,338,968
	6,934,360	**2,071,482**	**9,005,842**

At 30 June 2020	Land and buildings €	Software licences €	Total €
Due within one year	1,313,744	655,291	1,969,035
Due within two to five years	3,791,472	883,460	4,674,932
Due after five years	3,118,624	–	3,118,624
	8,223,840	**1,538,751**	**9,762,591**

Notes to the Consolidated Financial Statements (continued)

21. Lease Liabilities

	2021 €	2020 €
Group		
Current lease liabilities	2,151,497	1,524,606
Non-current lease liabilities	5,262,444	6,251,540
Total lease liabilities	**7,413,941**	**7,776,146**

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

	2021 €	2020 €
Opening liability	(7,776,146)	(7,021,186)
Additions for the year	(1,568,915)	(2,335,075)
Disposals for the year	45,808	–
Interest for the year	(476,627)	(507,917)
Lease expense for the year	2,361,939	2,088,032
Closing lease liability	**(7,413,941)**	**(7,776,146)**
Short-term lease expenses in the statement of comprehensive income	–	–

The Group's leases include rental of office spaces for business use and right-of-use licences. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental repayments. The lease terms range from two to 15 years depending on the term set in the contract. The effective interest rate charged during the financial year ranged from 3.2% to 7% (2020: 3.2% to 7%) per annum. The lower rate of 3.2% reflects the Group's overdraft facility rate and the higher rate of 7% reflects the borrowing rate on the loan drawn by the Group in 2017 and repaid in September 2019.

The right-of-use asset of licences is classified as 'intangible assets', while the right-of-use asset of office rentals is classified as 'property, plant and equipment'. The movement in the carrying amount of the right-of-use assets of the Group at the start and end of each reporting period is disclosed in Notes 11 and 12.

22. Controlling Party

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

23. Pension Commitments

The Group operates defined contribution pension schemes. The Group's contributions are charged to the statement of comprehensive income in the year to which they relate and amounted to €3,391,835 (2020: €2,839,647). An amount of €538,444 was payable at the year end (2020: €368,211).

24. Financial Instruments

(i) Liquidity risk

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

30 June 2021 Group	Total €	Within 1 year €	Between 1 – 5 years €	Over 5 years €
Financial liabilities	29,211,899	29,211,899	–	–
Finance lease	7,413,941	2,151,497	3,169,144	2,093,300
Research and development tax credit	6,449,366	1,269,063	3,382,583	1,797,720
Contingent consideration	4,637,242	1,759,117	2,878,125	
	47,712,448	**34,391,576**	**9,429,852**	**3,891,020**

30 June 2020 Group	Total €	Within 1 year €	Between 1 – 5 years €	Over 5 years €
Financial liabilities	25,674,688	25,674,688	–	–
Finance lease	7,776,146	1,524,606	3,551,873	2,699,667
Research and development tax credit	7,238,345	1,282,910	3,675,490	2,279,945
	40,689,179	**28,482,204**	**7,227,363**	**4,979,612**

Fair values

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

Financial instruments whose carrying amounts approximate fair value

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

Notes to the Consolidated Financial Statements (continued)

The analysis of the carrying amounts of the financial instruments of the Group required under IFRS 9 *Financial Instruments* is as set out below:

Financial assets that are debt instruments measured at amortised cost	Group 2021 €	Group 2020 €
Trade receivables	22,249,112	17,566,095
Cash and cash equivalents	13,998,945	39,831,380
Financial liabilities at amortised cost		
Trade payables	3,289,594	2,504,346
Lease liabilities	7,413,941	7,776,146

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

(ii) Credit risk

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

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

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

Expected credit losses analysis:

At 30 June 2021	Current	1 month	2 months	3 months	4+ months	Balance
Trade receivables as at 30 June 2021	12,728,346	4,353,461	3,573,807	1,715,669	(722)	22,370,561
Expected credit losses %	0%	0%	1%	5%	10%	
Loss allowance	**–**	**–**	**35,738**	**85,783**	**(72)**	**121,449**

At 30 June 2020	Current	1 month	2 months	3 months	4+ months	Balance
Trade receivables as at 30 June 2020	9,296,686	5,867,591	1,315,239	1,139,313	19,316	17,638,145
Expected credit losses %	0%	0%	1%	5%	10%	
Loss allowance	**–**	**–**	**13,152**	**56,966**	**1,932**	**72,050**

FINEOS has not noted a significant impact on its customer base due to COVID-19. The increase in the provisioning for expected future credit losses is primarily driven by the increase in revenue.

(iii) Market risk

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

(a) Foreign currency risk

The Group's foreign currency risk arises from sales and purchases denominated in foreign currencies, primarily the United States dollar, Australian dollar and New Zealand dollar. During the year, the Group used foreign currency forward exchange contracts to hedge its exposure; however at the year end the Group had no outstanding contracts in place.

Sensitivity analysis

At 30 June 2021, if the foreign currencies strengthen or weaken 5% against the functional currencies, with all variables held constant, the maximum adjustment to the pre-tax profit/loss of the Group, respectively, for the financial years presented would have been as set out below:

	2021 €	**2020 €**
NZ $	147,767	407,543
AU $	97,939	152,402
US $	2,166,724	1,214,584
CAN $	266,401	246,329
GBP £	78,380	92,008
PLN	(88,248)	(84,264)
	2,668,963	**2,028,602**

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate.

(b) Interest rate risk

There are no variable rate instruments on the balance sheet at 30 June 2021. The Group does not account for any fixed rate financial liabilities at FVTPL, therefore a change in interest rates at the reporting date would not affect profit or loss.

Fixed rate instruments – nominal amount	**2021 €**	**2020 €**
Financial liabilities	–	–

Notes to the Consolidated Financial Statements (continued)

25. Business Combinations

The acquisitions completed during the year ended 30 June 2021, together with the completion dates, are detailed below; these transactions entailed the acquisition of an effective 100% stake in all cases:

Limelight Health Inc. ('Limelight') (14 August 2020)
DigIn Technologies LLC ('Spraoi') (11 May 2021)

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

ASSETS	Limelight 2021 €	Spraoi 2021 €	Total 2021 €
Non-current assets			
Property, plant and equipment	149,761	5,777	155,538
Identifiable intangible assets	26,259,192	3,024,754	29,283,946
Total non-current assets	**26,408,953**	**3,030,531**	**29,439,484**
Current assets			
Trade and other receivables (i)	2,466,143	347,764	2,813,907
Deferred tax asset	-	1,438	1,438
Cash and cash equivalents	13,184,041	211,253	13,395,294
Total current assets	**15,650,184**	**560,455**	**16,210,639**
LIABILITIES			
Trade and other payables	(1,429,039)	(447,899)	(1,876,938)
Provision for deferred tax	(887,772)	–	(887,772)
Total liabilities	**(2,316,811)**	**(447,899)**	**(2,764,710)**
Total identifiable assets acquired and liabilities assumed	39,742,326	3,143,087	42,885,413
Goodwill arising on acquisition (ii)	36,828,359	4,612,692	41,441,051
Total consideration	**76,570,685**	**7,755,779**	**84,326,464**
Consideration satisfied by:			
Cash payments	69,570,941	3,177,897	72,748,838
Issue of equity instruments (ordinary shares of the Company) (iii)	6,999,744	–	6,999,744
Accrued consideration on true-up	–	130,349	130,349
Contingent consideration (stated at net present cost) (Note 16)	–	4,447,533	4,447,533
Total consideration	**76,570,685**	**7,755,779**	**84,326,464**
Net cash outflow arising on acquisition			
Cash consideration	69,570,941	3,177,897	72,748,838
Less: cash and cash equivalents acquired	(13,184,041)	(211,253)	(13,395,294)
Total outflow in the Condensed Consolidated Statement of Cash Flows	**56,386,900**	**2,966,644**	**59,353,544**

(i) Trade and other receivables

	Gross contractual value 2021 €	Loss allowance 2021 €	Fair value 2021 €
Limelight	2,466,143	–	2,466,143
Spraoi	347,764	–	347,764
Total Group	**2,813,907**	**–**	**2,813,907**

(ii) The principal factor contributing to the recognition of goodwill on acquisitions entered into by the Group is the realisation of cost savings and other synergies with existing entities in the Group which do not qualify for separate recognition as intangible assets. The goodwill is not expected to be deductible for income tax purposes.

(iii) The fair value of the 2,743,315 ordinary shares issued as part of the consideration paid for Limelight was determined on the basis of a volume weighted average price per CDI on ASX for the 20 consecutive trading days ending with the complete trading day five days prior to the acquisition closing date. The fair value of the share consideration was determined on this basis to be AU$11,705,176 (AU$4.2688 per CDI). The value of the shares issued as part consideration for Limelight in Note 17 of €7,149,946 represents the value of the shares when translated to Euro at date of issue, 26 August 2020, when the AU$/EUR exchange rate was 1.6371. The difference has been recorded as a foreign exchange loss in the Income Statement.

Acquisition-related costs

	2021 €
Limelight	1,798,147
Spraoi	303,677
Total Group	**2,101,824**

Acquisition-related costs, which exclude post-acquisition integration costs, are included in general and administration costs in the consolidated statement of comprehensive income.

The post-acquisition impact of acquisitions completed during the year on the Group's loss for the financial year was as follows:

	Limelight 2021 €	Spraoi 2021 €	Total 2021 €
Revenue	9,167,397	387,971	9,555,368
(Loss)/profit for the financial year before tax	(4,718,127)	12,835	(4,705,292)

The revenue and loss on ordinary activities before tax of the Group for the financial year determined in accordance with IFRS as though the acquisitions effected during the year had been completed on the first day of the financial year would have been as follows:

	2021 Acquisitions €	FINEOS Group excluding 2021 acquisitions €	FINEOS Group including 2021 acquisitions €
Revenue	15,184,733	98,783,267	113,968,000
Loss for the financial year before tax	(5,309,784)	(8,839,824)	(14,149,608)

Notes to the Consolidated Financial Statements (continued)

26. Related Party Transactions

A Group subsidiary, FINEOS Corporation Limited (Ireland), is party to a lease arrangement with a company controlled by Michael Kelly. Its term extends until 13 June 2029 with no express options for renewal in favour of either party. The lease provides for a rent review on 13 June 2024 at market rates. Rent payable by FINEOS is currently €779,656 per annum (excluding taxes). The rental expense for the year was €779,656 (2020: €779,656). The total rent due at 30 June 2021 was €Nil (2020: €Nil).

Consulting fees invoiced by Non-executive Directors during the year amounted to €Nil (2020: €9,862).

In common with other companies, which are members of a group of companies, the financial statements reflect the effect of such membership.

Key management personnel

All Directors of the FINEOS Group are considered key management personnel. The current Directors are set out on page 6 of the Annual Report. Total remuneration in respect of these individuals is split as follows:

	2021 €	2020 €
Wages and salaries	1,169,025	1,226,598
Employer's PRSI	40,690	44,375
Pension	42,597	41,207
Shares allotted to Directors	–	24,510
Share-based payment expense	25,752	–
Share awards gain on exercise	3,319,860	921,117
	4,597,924	**2,257,807**

During the financial year ended 30 June 2021, there were no material changes to, or material transactions between, the Company and its key management personnel or members of their close family, other than in respect of remuneration.

27. Capital Management Policies and Objectives

Capital management

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

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

Given that all of the Group's external borrowings were repaid during the previous year, the gearing ratio has been reflected as nil.

The gearing ratio of the Group at 30 June 2021 was as follows:

	Group 2021 €	**Group 2020 €**
Total borrowings	–	–
Less: cash and cash equivalents	(13,998,945)	(39,831,380)
Net funds	(13,998,945)	(39,831,380)
Total equity	136,340,578	83,181,856
Total capital	**136,340,578**	**83,181,856**
Gearing ratio	**Nil**	**Nil**

28. Subsidiary Undertakings

The Company has the following subsidiary undertakings. All subsidiaries are wholly owned unless otherwise indicated:

Subsidiary Undertaking	**Country of Incorporation**	**Principal Activity**
FINEOS International Ltd	Jersey	Holding Company
FINEOS Europe Unlimited	Jersey	Holding Company
FINEOS Corporation Limited (previously FINEOS Corporation U.C.)	Republic of Ireland	Innovator of enterprise claims management and policy administration software
FINEOS UK Limited (previously FINEOS Corporation Limited)	United Kingdom	Provision of professional services to its parent undertaking
FINEOS Corporation	United States of America	Provision of professional services and sales and marketing services to its parent undertaking
FINEOS Australia Pty Limited	Australia	Provision of professional services and sales and marketing services to its parent undertaking
FINEOS New Zealand Limited	New Zealand	Provision of professional services to its parent undertaking
FINEOS Polska S.p Z.o.o	Poland	Provision of product engineering services to its parent undertaking
FINEOS Canada Limited	Canada	Provision of professional services to its parent undertaking
FINEOS Hong Kong Limited	Hong Kong	Provision of sales and marketing services to its parent undertaking
FINEOS Esp Entity, S.L.U	Spain	Provision of product engineering services to its parent undertaking
Limelight Health Inc.	United States of America	Provision of professional services and sales and marketing services to its parent undertaking
DigIn Technologies LLC	United States of America	Provision of professional services and sales and marketing services to its parent undertaking
Spraoi Software Development Services Private Limited	India	Provision of product engineering services to its parent undertaking

Notes to the Consolidated Financial Statements (continued)

Details of registered offices are listed below:

Incorporated in Jersey	Registered Address
FINEOS International Ltd FINEOS Europe Unlimited	2nd Floor, The Le Gallais Building, 54 Bath Street, St. Helier, Jersey JE1 1FW
Incorporated in Ireland	**Registered Address**
FINEOS Corporation Limited	FINEOS House, East Point Business Park, Dublin 3, D03 FT97
Incorporated in United Kingdom	**Registered Address**
FINEOS UK Limited	5 Clapham Chase, Bedford, Bedfordshire, MK41 6FA
Incorporated in United States of America	**Registered Address**
FINEOS Corporation	60 State Street, Suite 700, Boston, MA 02109
Limelight Health Inc.	26 O'Farrell Street, Suite 410, San Francisco, CA 94108
DigIn Technologies LLC	326 Ardmore Avenue, Ardmore, PA 19003
Incorporated in Australia	**Registered Address**
FINEOS Australia Pty Limited	Level 8, 224–228 Queen Street, Melbourne, VIC 3000
Incorporated in New Zealand	**Registered Address**
FINEOS New Zealand Limited	Offices of DLA Phillips Fox, Level 22, DLA Phillips Fox Tower, 209 Queen Street, Auckland 1010
Incorporated in Poland	**Registered Address**
FINEOS Polska S.p Z.o.o	ul. Cypriana Kamila Norwida 2, 80-280 Gdansk
Incorporated in Canada	**Registered Address**
FINEOS Canada Limited	900-1959 Upper Water Street, Halifax, NS, B3J 3N2
Incorporated in Hong Kong	**Registered Address**
FINEOS Hong Kong Limited	16th floor, Wing On Centre, 111 Connaught Road Central
Incorporated in Spain	**Registered Address**
FINEOS Esp Entity, S.L.U	Calle Principe de Vergara 112, 28002 Madrid
Incorporated in India	**Registered Address**
Spraoi Software Development Services Private Limited	23, Siva Archade, 29th Main, BTM Layout 1st Stage, Bangalore KA 560068

29. Events Subsequent to the Year End

There are no events subsequent to the year end that would require disclosure in or adjustment to the consolidated financial statements.

30. Prior Year Comparatives

Costs have been reclassified in the comparative year ended 30 June 2020 to ensure comparability.

The reclassifications have had no impact on operating profit or loss on ordinary activities before tax in the comparative year.

31. Approval of Consolidated Financial Statements

The consolidated financial statements and Company statement of financial position in respect of the year ended 30 June 2021 were approved and authorised for issue by the Directors on 25 August 2021.

Additional Security Holder Information

Information required by ASX Listing Rules and not disclosed elsewhere in this document is set out below. Information is correct as at 19 August 2021, unless otherwise indicated.

(1) There are 301,676,608 CHESS Depositary Interests (CDIs) on issue.

(2) The number of securities held by substantial shareholders are set out below:

	Balance as at 19 August 2021	%
JACQUEL INVESTMENTS LIMITED	162,333,430	53.8%

(3) FINEOS has issued the following securities:

(a) 301,683,588 CDIs held by 3,879 CDI holders; and

(b) 16,254,165 unquoted options held by 639 option holders.

(4) Voting Rights:

Since Chess Deposit Nominees Pty Limited (CDN) is the legal holder of applicable shares but the holders of CDIs are not themselves the legal holders of their applicable shares, the holders of CDIs do not have any directly enforceable right to vote under the FINEOS constitution.

In order to vote at general meetings, CDI holders have the following options:

(a) instructing CDN, as the legal owner of the underlying shares, to vote the shares underlying their CDIs in a particular manner;

(b) informing FINEOS that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the shares underlying their CDIs for the purposes of attending and voting at the general meeting; or

(c) converting their CDIs into a holding of shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the shares back to CDIs).

Option holders are not afforded any voting rights by the options held by them.

(5) Distribution of Security Holders

Distribution spread of Security Holdings as at 19 August 2021

Holding Ranges	Holders	Total Units	%
1-1,000	2,225	958,218	0.32
1,001-5,000	1,128	2,750,026	0.91
5,001-10,000	252	1,819,294	0.60
10,001-100,000	241	5,828,170	1.93
100,001-9,999,999,999	33	290,327,880	96.24
Totals	**3,879**	**301,683,588**	**100.00**

(6) Unmarketable Parcels of Shares

Unmarketable Parcels (UMP) as at 19 August 2021 (based on a share price of $3.50)

Total Securities/Issued Capital	UMP Securities	UMP Holders	UMP Percent
301,683,588	332,709	1,382	0.11028

(7) Top 20 Security Holders

	Balance as at 19 August 2021	%
JACQUEL INVESTMENTS LIMITED	162,333,430	53.8%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	38,917,454	12.9%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,108,431	7.7%
CITICORP NOMINEES PTY LIMITED	15,845,024	5.3%
BNP PARIBAS NOMINEES PTY LTD<AGENCY LENDING DRP A/C>	8,891,152	2.9%
CARMEN INVESTMENTS LIMITED	8,009,040	2.7%
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	7,338,177	2.4%
BNP PARIBAS NOMS PTY LTD <DRP>	4,786,208	1.6%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,140,324	1.4%
NATIONAL NOMINEES LIMITED	3,842,216	1.3%
MIRRABOOKA INVESTMENTS LIMITED	3,424,380	1.1%
AMCIL LIMITED	2,262,763	0.8%
DJERRIWARRH INVESTMENTS LIMITED	1,105,000	0.4%
JASON ANDREW & WENDY ANDREW <JASON&WENDY ANDREW RECOV A/C>	986,825	0.3%
POWERWRAP LIMITED <SCHEME - IML TRADES A/C>	784,471	0.3%
TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND>	761,024	0.3%
GARRETT VIGGERS	609,509	0.2%
ALAN LEARD	435,364	0.1%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	402,202	0.1%
HIGHSCALE VENTURES CLASSIC FUND LLC	365,603	0.1%
Total Securities of Top 20 Holdings	**288,348,597**	**95.7%**
Total of Securities	**301,683,588**	

(8) FINEOS' securities are listed on the ASX and are not listed on any other securities exchange.

(9) Securities subject to Voluntary Escrow

The following securities are subject to voluntary escrow:

(a) 81,166,715 securities on escrow on behalf of Jacquel Investments Limited; and

(b) 4,004,520 securities on escrow on behalf of Carmen Investments Limited,

until FINEOS releases its financial results for the financial year ended 30 June 2021 to the ASX.

(10) During the financial year ended 30 June 2021, the Company has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the prospectus dated 26 July 2019.

(11) FINEOS is incorporated in Dublin, Ireland.

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Company Information

Directors

Anne O'Driscoll (Chairman)
Michael Kelly
Gilles Biscay
Martin Fahy
David Hollander
Tom Wall

Company Secretary - Joint

Tom Wall

Company Secretary - Joint

Vanessa Chidrawi

Registered Office

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Registered Number

639640

Solicitors

William Fry
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Dublin 2, Ireland

Bankers

Bank of Ireland
Lower Baggot Street,
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HSBC Bank
1 Grand Canal Square,
Dublin 2, Ireland

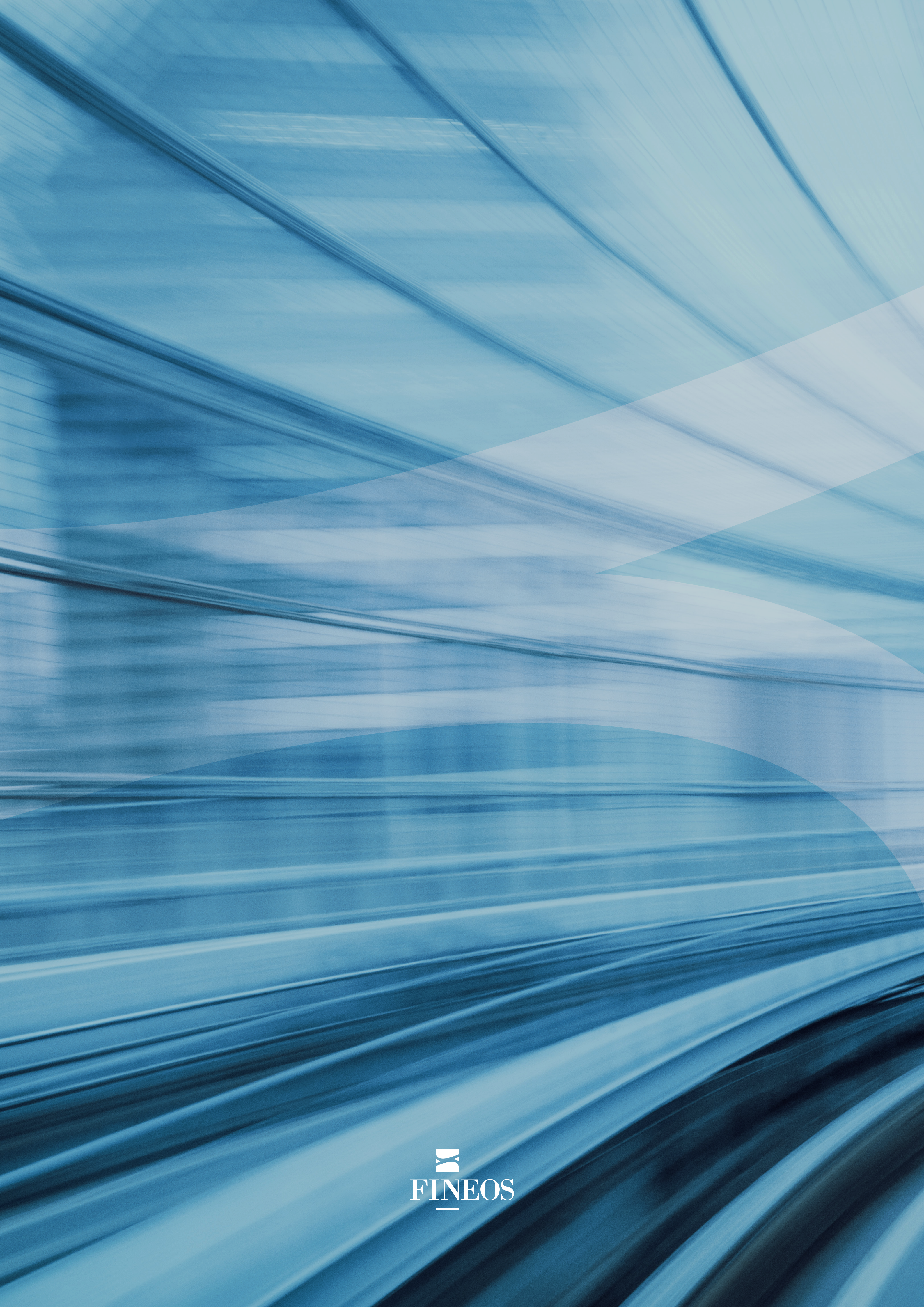
Auditors

Mazars
Chartered Accountants and Statutory Audit Firm
Harcourt Centre,
Block 3,
Harcourt Road,
Dublin 2, Ireland

Share Registry

Boardroom Pty Ltd
GPO Box 3993,
Sydney, NSW 2001
Australia

Ph: +61 2 9290 9600


FINEOS