

FINEOS CORPORATION HOLDINGS PLC
APPENDIX 4D
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

1. COMPANY DETAILS

Name of Entity

FINEOS Corporation Holdings Plc

ABN or equivalent reference

633 278 430

Financial period ended
(reporting period)

31 December 2019

Financial period ended
(previous corresponding
period)

31 December 2018

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

	Up/(down)	% change	31 December 2019 €	31 December 2018 €
Revenue from ordinary activities	11,059,718	37.7%	40,426,686	29,366,968
Profit / (loss) from ordinary activities after tax attributable to members	777,966	117%	112,814	(665,152)
Net profit / (loss) attributable to members	807,023	132%	196,539	(610,484)

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

- An increase in revenue from €29.4 million for the six-month period ended 31 December 2018 to €40.4 million for the six-month period ended 31 December 2019 which is a 37.7% improvement.
- An increase of 29.1% in subscription revenues over the results for the six-month period to 31 December 2018.
- The revenue increase of €11 million reflects the growth in new business during a transition to a subscription-based licence and billing model.
- Employee retention rates continued at over 90%.
- The profit before tax for the six-month period ended 31 December 2019 is €0.7 million compared to a loss before tax of €0.5 million for the six-month period ended 31 December 2018.
- Basic earnings per share of €0.08 cents for the six-month period ended 31 December 2019 compared to a basic loss per share of €0.28 cents for the six-month period ended 31 December 2018.

Refer to the 'Principal Activities and Review of Development and Performance of the Business during the Financial Period' section of the Directors' Report accompanying this Appendix 4D for further commentary.

3. DIVIDEND

The Company has not declared, and does not propose to pay, any dividends for the period ended 31 December 2019 (31 December 2018: Nil). There are no dividend or dividend reinvestment plans in operation.

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FINEOS CORPORATION HOLDINGS PLC
APPENDIX 4D
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

4. NET TANGIBLE ASSETS PER SECURITY

	31 December 2019	31 December 2018
	€	€
Net tangible assets per security	0.13	(0.07)

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

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

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

6. ASSOCIATES AND JOINT VENTURE ENTITIES

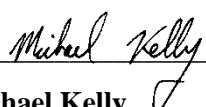
There are no associate or joint venture entities.

7. ATTACHMENTS AND FOREIGN ENTITY ACCOUNTING STANDARDS

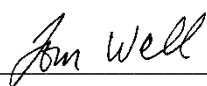
This Appendix 4D should be read in conjunction with the Condensed Interim Financial Report of FINEOS Corporation Holdings plc for the six-month period ended 31 December 2019, attached to this report.

This report is based on the Condensed Consolidated Interim Financial Statements and Notes of FINEOS Corporation Holdings plc as reviewed by Mazars. These Condensed Consolidated Interim Financial Statements are measured and recognised in accordance with International Financial Reporting Standards, as adopted by the European Union.

On behalf of the Board



Michael Kelly
Director



Tom Wall
Director

25 February 2020

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FINEOS Corporation Holdings Plc
Condensed Interim Financial Report
For the six-month period ended
31 December 2019

FINEOS CORPORATION HOLDINGS PLC

CONDENSED INTERIM FINANCIAL REPORT
for the six-month period ended 31 December 2019

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FINEOS CORPORATION HOLDINGS PLC

DIRECTORS' REPORT

for the six-month period ended 31 December 2019

The directors present herewith their report and condensed consolidated interim financial statements for the six-month period ended 31 December 2019. These financial statements reflect the performance of FINEOS Corporation Holdings plc and subsidiaries for the six-month period ended 31 December 2019.

1. PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS DURING THE FINANCIAL PERIOD

The principal activity of the Group is the development and sale of enterprise claims and policy management software for the Life, Accident and Health Insurance Industry. On 16 August 2019 the Company listed on the Australian Securities Exchange ("ASX") by means of issuing CHES Depository Interests.

FINEOS Corporation Holdings plc ("the Company") and subsidiaries (collectively "FINEOS", or "the Group") remains an innovator of enterprise claims and policy management software for the Life, Accident and Health Insurance Industry. The Group continues to develop and sell its solutions to enable greater flexibility, efficiency and profitability within business operations. FINEOS software solutions are typically integrated with existing back office administration systems and other systems in operation within insurance organisations.

Business summary and key performance indicators

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

- An increase in revenue from €29.4 million for the six-month period ended 31 December 2018 to €40.4 million for the six-month period ended 31 December 2019 which is a 37.7% improvement.
- An increase of 29.1% in subscription revenues over the results for the six-month period to 31 December 2018.
- The revenue increase of €11 million reflects the growth in new business during a transition to a subscription-based licence and billing model.
- Employee retention rates continued at over 90%.
- The profit before tax for the six-month period ended 31 December 2019 is €0.7 million compared to a loss before tax of €0.5 million for the six-month period ended 31 December 2018.
- Basic earnings per share of €0.08 cents for the six-month period ended 31 December 2019 compared to a basic loss per share of €0.28 cents for the six-month period ended 31 December 2018.

FINEOS has continued its strategy of investment in research and development during the six-month period ended 31 December 2019 in the FINEOS AdminSuite product suite, which includes the development and launch of Absence Management, Policy Administration and Billing to complement the existing FINEOS Claims solution. In addition, FINEOS also increased its investment in the FINEOS Cloud platform.

The financial statements are presented in Euro which is the functional currency of the Group. Euro based currency volatility continued during the six-month period ended 31 December 2019 in relation to the US Dollar, British Pound, Australian Dollar, New Zealand Dollar, Polish Zloty and Canadian Dollar, resulting in a foreign exchange gain of €994k for the Group in the six-month period to 31 December 2019 (six-month period to 31 December 2018: foreign exchange loss of €8k). Foreign exchange continues to be a risk for FINEOS given the export profile of the

FINEOS CORPORATION HOLDINGS PLC

DIRECTORS' REPORT

for the six-month period ended 31 December 2019

1. PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS DURING THE FINANCIAL PERIOD (continued)

Group. This is closely managed with part of the risk being covered by the natural hedge of the non-euro denominated staff costs and other overheads being paid in local currency.

Continued close management and control of the fixed cost base continues to be a key focus for the business. This is important given the ongoing need for investment in sales, implementation and support services in the separate geographies in which the Group operates.

FINEOS continues to align its organisational structure to reflect the specific business needs in the respective regions. This is in line with the Group's strategy of focusing on actively resourcing and training staff in line with business demand in the respective locations.

The period ended 31 December 2019 reflects the continued focus on delivering value in the insurance market, primarily within the Life, Accident and Health Claims sector in the USA, Canada, Australia and New Zealand.

The cash reserves closed at €34.7 million as at 31 December 2019 compared to €4.8 million as at 31 December 2018. This increase includes the proceeds of shares issued on the Company's listing on the Australian Stock Exchange (ASX) of €61.2 million, share issue costs of €5.9 million and repayment of borrowings inclusive of accrued interest in the amount of €16.7 million.

The condensed consolidated statement of comprehensive income for the six-month period ended 31 December 2019 and the condensed consolidated statement of financial position at that date are set out on pages 5 and 6. The consolidated profit on ordinary activities for the period, before tax, amounted to €0.7 million, compared to a loss before tax of €0.5 million for the six-month period ended 31 December 2018. After deducting taxation of €0.6 million (six-month period ended 31 December 2018: €0.1 million), a profit of €0.1 million (six-month period ended 31 December 2018: loss of €0.6 million) has been credited at 31 December 2019 (six-month period ended 31 December 2018: debited) to reserves.

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 growth strategy is to increase its market share by leveraging its comprehensive FINEOS Platform and the strong reputation of the FINEOS Claims product. The Group plans to drive up-sell and cross-sell opportunities with its existing clients and attract new clients in both existing and new geographic markets.

The Group is using the proceeds raised to invest further in research and development and continue to grow FINEOS' product footprint and develop new business lines and invest in additional sales, marketing and client account management capabilities to support this strategy.

FINEOS CORPORATION HOLDINGS PLC

DIRECTORS' REPORT

for the six-month period ended 31 December 2019

2. DIRECTORS AND SECRETARY

The directors who served during the period are Michael Kelly, Peter Le Beau, Tom Wall, Gilles Biscay, Anne O'Driscoll (appointed 25 July 2019), Martin Fahy (appointed 25 July 2019) and David Hollander (appointed 15 October 2019).

Anne O'Driscoll served as Chairman of the Board for the period. Tom Wall and Vanessa Chidrawi (appointed 16 August 2019) served as Joint Company Secretary for the period.

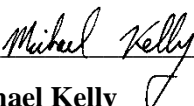
3. CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the six-month period ended 31 December 2019.

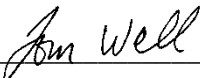
4. EVENTS SUBSEQUENT TO THE PERIOD END

On 17 January 2020, 4,475,000 options were issued to employees of FINEOS under the Company's share option and retention plan. These share options have an exercise price of AUD \$2.5038 each and an expiration date of 15 December 2026.

On behalf of the Board



Michael Kelly
Director



Tom Wall
Director

25 February 2020

FINEOS CORPORATION HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 31 December 2019

	Note	For the six-month period ended 31 December 2019 €	For the six-month period ended 31 December 2018 €
Revenue	3	40,426,686	29,366,968
Cost of sales		(12,239,821)	(8,479,884)
Gross profit		28,186,865	20,887,084
Product development and delivery		(13,968,784)	(11,891,844)
Sales and marketing		(2,071,153)	(2,063,398)
General and administration		(10,855,636)	(7,084,892)
Initial public offering costs		(688,563)	-
Other income	5	<u>593,870</u>	<u>354,631</u>
Operating profit		1,196,599	201,581
Finance income		17,505	1,997
Finance costs		(504,685)	(737,064)
Profit / (loss) on ordinary activities before taxation		709,419	(533,486)
Income tax		(596,605)	(131,666)
Profit / (loss) for the financial period		112,814	(665,152)
Other comprehensive income for the period:			
Foreign exchange differences on translation of operations of foreign subsidiaries and branches		<u>83,725</u>	<u>54,668</u>
Total comprehensive profit / (loss) for the period attributable to the equity holders of the parent		<u>196,539</u>	<u>(610,484)</u>

All results relate to continuing operations.

The notes on pages 10 to 34 are an integral part of these financial statements.

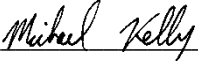
FINEOS CORPORATION HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

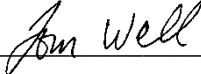
	Note	As at 31 December 2019 €	As at 31 December 2018 €
ASSETS			
Non-current assets			
Intangible assets	7	48,052,828	39,596,351
Property, plant and equipment	8	<u>7,577,082</u>	<u>3,452,005</u>
		<u>55,629,910</u>	<u>43,048,356</u>
Current assets			
Trade and other receivables	9	18,392,540	21,995,517
Cash and cash equivalents		<u>34,712,267</u>	<u>4,838,508</u>
		<u>53,104,807</u>	<u>26,834,025</u>
Total Assets		<u>108,734,717</u>	<u>69,882,381</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	10	14,134,838	22,219,508
Non-current liabilities			
Long-term liabilities	10	12,576,537	24,155,250
Provisions		<u>488,045</u>	<u>413,870</u>
Total liabilities		<u>27,199,420</u>	<u>46,788,628</u>
Capital and reserves			
Called up share capital presented as equity	11	264,382	224,402
Share premium	11	57,146,382	-
Foreign exchange reserve		(129,344)	(154,131)
Other undenominated capital		1	1
Share option reserve		3,305,134	1,083,048
Reorganisation reserve		11,123,985	11,123,985
Retained earnings		<u>9,824,757</u>	<u>10,816,448</u>
Total equity		<u>81,535,297</u>	<u>23,093,753</u>
TOTAL LIABILITIES AND EQUITY		<u>108,734,717</u>	<u>69,882,381</u>

The notes on pages 10 to 34 are an integral part of these financial statements.

On behalf of the Board



Michael Kelly
Director



Tom Wall
Director

25 February 2020

FINEOS CORPORATION HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 31 December 2019

	Called up share capital presented as equity €	Foreign exchange reserves arising on translation €	Other undenominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2018	<u>224,402</u>	<u>(208,799)</u>	<u>1</u>	<u>964,665</u>	<u>11,123,985</u>	<u>11,481,600</u>	<u>23,585,854</u>
Loss for the period	-	-	-	-	-	(665,152)	(665,152)
Other comprehensive income for the period	<u>-</u>	<u>54,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,668</u>
Total comprehensive income for the period	-	54,668	-	-	-	(665,152)	(610,484)
Share-based payment charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,383</u>	<u>-</u>	<u>-</u>	<u>118,383</u>
At 31 December 2018	<u>224,402</u>	<u>(154,131)</u>	<u>1</u>	<u>1,083,048</u>	<u>11,123,985</u>	<u>10,816,448</u>	<u>23,093,753</u>

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

The notes on pages 10 to 34 are an integral part of these financial statements.

FINEOS CORPORATION HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 31 December 2019

	Called up share capital presented as equity €	Share premium €	Foreign exchange reserves arising on translation €	Other undominated capital €	Share option reserve €	Reorganisation reserve €	Retained earnings €	Total €
At 30 June 2019	<u>224,402</u>	<u>-</u>	<u>(213,069)</u>	<u>1</u>	<u>1,762,026</u>	<u>11,123,985</u>	<u>9,711,943</u>	<u>22,609,288</u>
Profit for the period	-	-	-	-	-	-	112,814	112,814
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>83,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,725</u>
Total comprehensive income for the period	-	-	83,725	-	-	-	112,814	196,539
Issue of share capital	39,980	57,146,382	-	-	-	-	-	57,186,362
Share-based payment charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,543,108</u>	<u>-</u>	<u>-</u>	<u>1,543,108</u>
At 31 December 2019	<u>264,382</u>	<u>57,146,382</u>	<u>(129,344)</u>	<u>1</u>	<u>3,305,134</u>	<u>11,123,985</u>	<u>9,824,757</u>	<u>81,535,297</u>

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

The notes on pages 10 to 34 are an integral part of these financial statements.

FINEOS CORPORATION HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six-month period ended 31 December 2019

	For the six-month period ended 31 December 2019 €	For the six-month period ended 31 December 2018 €
<i>Cash flows from operating activities</i>		
Group profit / (loss) after tax	112,814	(665,152)
Adjusted for:		
Income tax expense	596,605	131,666
Finance costs	504,685	737,064
Finance income	(17,505)	(1,997)
Other income	(593,870)	(354,631)
Depreciation	901,031	672,033
Amortisation	4,758,921	2,821,210
Lease expense	(1,069,946)	(807,860)
Movement in trade and other receivables	(3,302,064)	(2,875,810)
Movement in trade and other payables	(6,290,084)	2,602,073
Net tax paid	(284,846)	(444,679)
Effect of movement in exchange rates	58,363	18,550
Initial public offering costs	688,563	-
Cost of shares allotted to non-executive Directors	24,510	-
Share-based payment expense	<u>1,543,108</u>	<u>118,383</u>
Net cash flows (used in) / generated from operating activities	<u>(2,369,715)</u>	<u>1,950,850</u>
<i>Cash flows from investing activities</i>		
Finance income	17,505	1,997
Payment for property, plant and equipment	(541,132)	(366,341)
Payment for intangible assets	<u>(7,907,071)</u>	<u>(6,597,084)</u>
Net cash used in investing activities	<u>(8,430,698)</u>	<u>(6,961,428)</u>
<i>Cash flows from financing activities</i>		
Interest paid	(1,656,092)	(244,296)
Repayment of bank loan	(15,000,000)	-
Proceeds from issue of shares	61,219,548	-
Share issue costs	<u>(5,953,786)</u>	<u>-</u>
Net cash generated from / (used in) financing activities	<u>38,609,670</u>	<u>(244,296)</u>
Net increase / (decrease) in cash and cash equivalents	<u>27,809,257</u>	<u>(5,254,874)</u>
Cash and cash equivalents at the beginning of the period	<u>6,903,010</u>	<u>10,093,382</u>
Cash and cash equivalents at the end of the period	<u>34,712,267</u>	<u>4,838,508</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

1. GENERAL INFORMATION

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

The principal activity of the Company and its subsidiaries (“the Group”) is that of enterprise claims and policy management software for Life, Accident and Health insurers. Foreign operations are included in accordance with the significant accounting policies set out in Note 2 and the full set of accounting policies set out in note 2 to the Annual Report for the year ended 30 June 2019.

On 16 August 2019 the Company completed an initial public offering in Australia, resulting in the raising of AUD \$99,950,302. In preparation for this the Company’s share capital was restructured as outlined in Note 11. The Group repaid the bank loans per Note 12 and outstanding interest in full on 13 September 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of financial statements*

These condensed consolidated interim financial statements are non-statutory general-purpose financial statements for the six-month period ended 31 December 2019. These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and the Companies Act 2014. They do not include all of the information required in annual financial statements in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements for the year ended 30 June 2019.

The condensed consolidated interim financial statements for the six-month period ended 31 December 2019 should be read in conjunction with the consolidated financial statements for the year ended 30 June 2019, the Group’s Annual Report for the year ended 30 June 2019, and any public announcements made by FINEOS Corporation Holdings plc during the interim reporting period in accordance with the continuous disclosure obligations of the ASX listing Rules.

Incorporation of FINEOS Corporation Holdings Plc and restructure of the Group

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

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Basis of financial statements (continued)*

The directors elected to account for the restructure as a capital re-organisation rather than a business combination as in the directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to operate as a listed entity and most appropriately reflects the substance of the internal restructure. As such, the consolidated financial statements of FINEOS Corporation Holdings plc have been presented as a continuation of the pre-existing accounting values of assets and liabilities in FINEOS Corporation Limited's financial statements, and those of its intermediate holding companies FINEOS Europe Limited and FINEOS International Limited. Therefore, although FINEOS was only incorporated on 12 December 2018 the results, assets and liabilities of the entire Group are accounted for as if these entities had been combined throughout the period ended 31 December 2018. The reorganisation reserve represents the difference between the fair value of the shares issued to effect the reorganisation and the nominal value of the shares acquired. Commentary on performance and financial position has also been made as if the current legal structure has been in place from 1 July 2018.

Historical cost, presentation currency and going concern

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than where described below. The condensed consolidated interim financial statements of the Group are presented in Euro ("€") which is also the functional currency of the Company.

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

Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 30 June 2019.

New standards and interpretation

There are no changes to IFRS which became effective for the Group during the financial period ended 31 December 2019 which resulted in material changes to the financial statements.

Significant judgements, estimates and assumptions

The same significant judgements, estimates, and assumptions included in the notes to the financial statements in the Group's consolidated financial statements for the year ended 30 June 2019 have been applied to these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 25 February 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition

The Group recognises revenue from the following major sources:

- Initial product licence fees;
- Annual subscriptions; and
- Rendering of services, including professional services and support contracts

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Initial product licence fees

Initial software licence revenue is recognised upon delivery of the software to the customer, provided that the Group has no significant related obligations or collection uncertainties remaining.

Annual subscriptions

Annual subscriptions are recognised on a straight-line basis, for the right to continued access to the licenced intellectual property (IP) and the support and maintenance services for the licences held, in accordance with the master licence agreement in place. Annual subscriptions include all support, maintenance, software updates and cloud services provided by FINEOS to customers.

Rendering of services, including professional services and support contracts

Revenue from rendering of services is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably.

Professional services are provided primarily on a time and materials basis for which revenue is recognised in the period that the services are provided.

For the services element of fixed price project engagements, revenue is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is generally measured using output measures, primarily arrangement milestones, where such milestones indicate progress to completion. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, an entity shall recognise revenue only to the extent that the expenses recognised are recoverable.

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

When the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the effective rate of interest.

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

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Intangible assets*

Intangible assets acquired separately

Computer software

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

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

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

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

Computer software is amortised on a straight-line basis over its useful economic life, which is considered to be between 3 to 5 years. The amortisation expense is included within general and administration expenses in 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 ability to measure reliably the expenditure attributable to the intangible asset during its development;
- 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; and
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Intangible assets (continued)*

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

Borrowing costs, which meet the criteria as set out in note 2(g) on page 49 of the Group's Annual Report for the year ended 30 June 2019, incurred in respect of an internally generated intangible asset arising from development which meets each of the aforementioned criteria is capitalised and classified as an intangible asset.

Development expenditure is amortised on a straight-line basis over its useful economic life, which commences when the asset is brought into use, and is considered to be between 5 and 10 years. The amortisation expense is included within general and administration expenses in the consolidated statement of comprehensive income.

Contract costs

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

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

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

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 general and administration 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Intangible assets (continued)

Derecognition of intangible assets

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

d) Impairment of tangible and intangible assets

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

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

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

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

e) Financial instruments

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

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial instruments (continued)*

Effective interest method

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

Financial assets

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

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through the statement of other comprehensive income, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial instruments (continued)*

Financial liabilities and equity

Classification of debt or equity

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

Equity instruments

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

Ordinary share capital

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

Share premium

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

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

This reserve represents the difference between the nominal value of the shares issued in the Company and the book value of the investment acquired arising from the capital reorganisation as outlined in Note 2e).

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.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial instruments (continued)*

Other financial liabilities

Trade and other payables

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

Borrowings

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

Derecognition of financial liabilities

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

Derivative financial instruments

In order to manage interest rate and foreign currency risks, the Group has from time to time entered into derivative financial instruments (principally interest rate swaps, currency swaps and forward foreign exchange contracts). Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The carrying value of derivatives is fair value based on discounted future cash flows and adjusted for counterparty risk. Future floating rate cash flows are estimated based on future interest rates (from observable yield curves at the end of the reporting period). Fixed and floating rate cash flows are discounted at future interest rates and translated at period-end foreign exchange rates.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

3. REVENUE

	6 months ended 31 December	
	2019	2018
	€	€
<i>Amount of revenue by class of activity:</i>		
Professional services	27,123,970	18,848,677
Annual subscriptions	11,817,804	9,154,040
Initial product licence fees	<u>1,484,912</u>	<u>1,364,251</u>
	<u>40,426,686</u>	<u>29,366,968</u>
<i>Amount of revenue by market:</i>		
APAC	15,626,918	14,061,925
North America	22,164,104	12,133,620
EMEA	<u>2,635,664</u>	<u>3,171,423</u>
	<u>40,426,686</u>	<u>29,366,968</u>

Segment information

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

Initial product licence fees

Initial software licence is considered a distinct performance obligation to the customer. Revenue is recognised when control is transferred to the customer which is upon delivery of the licenced intellectual property (IP) at a point in time, provided that the Group has no significant related obligations remaining which would significantly enhance or modify the licenced IP or any collection uncertainties over the term of the contract.

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 period-end date is deferred and recognised as the service is provided.

Annual subscriptions

Annual subscriptions include all support, maintenance, software updates and cloud services provided by FINEOS to customers.

Annual support and maintenance is considered a distinct performance obligation. The performance obligation is satisfied over time and the annual licence fees are recognised using the output method on a straight-line basis which reflects time lapsed, for the right to continued support and maintenance for licences held, in accordance with the master licence agreement in place.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 31 December 2019

3. REVENUE (continued)

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

Cloud services are made available to the customer through the Group's preferred Virtual Private Cloud (VPC) provider. In accordance with the master agreement, the subscription includes the provision of the licence along with annual support and maintenance services. The promises are considered a single performance obligation which is satisfied over time and the subscription fees, including the third-party fees, are recognised using the output method on a straight-line basis which reflects time lapsed, for the continued right to access the licenced IP and to benefit from the support and maintenance services.

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

Rendering of services, including professional services

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

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

For the services element of fixed price project engagements, the performance obligations are satisfied over time and the satisfaction of the promises are reliably measured primarily on a percentage-of-completion basis over the term of the contract. Revenue is recognised using the output method based on pre-agreed milestones indicating progress to completion.

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

Contract assets and contract liabilities

Contract assets

Contract assets in the amount of a credit of €307,559 (2018: credit of €176,641) are included in the figure for trade and unbilled receivables within Note 9.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

3. REVENUE (continued)

Contract liabilities

Contract liabilities are disclosed separately as deferred revenue in Trade and other payables and at the interim reporting date amounted to €5,520,958 (31 December 2018: €13,750,596) (Note 10). 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.

4. EMPLOYEE COSTS

The average monthly number of persons employed by the Group (including the Executive Directors) during the period was as follows:

	6 months ended 31 December	
	2019	2018
	Number	Number
Product development and delivery	656	557
Sales and marketing	19	13
General and administration	<u>43</u>	<u>40</u>
	<u>718</u>	<u>610</u>
The staff costs comprise:		
Wages and salaries	27,164,383	21,972,545
Social welfare costs	2,207,311	1,847,615
Pension costs	1,340,063	1,115,786
Share-based payments	<u>1,543,108</u>	<u>118,383</u>
	<u>32,254,865</u>	<u>25,054,329</u>

In the six-month period ended 31 December 2019 employee costs in the amount of €6,155,061 qualified for capitalisation under IAS 38 'Intangible Assets' as development expenditure (six-month period to 31 December 2018: €5,526,936).

5. OTHER INCOME

	6 months ended 31 December	
	2019	2018
	€	€
Research and development tax credit	<u>593,870</u>	<u>354,631</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

6. EARNINGS PER SHARE

	6 months ended 31 December	
	2019	2018
	€	€
Basic earnings per share		
Profit / (loss) attributed to ordinary shareholders	196,539	(610,484)
Weighted average number of ordinary shares outstanding	<u>254,550,534</u>	<u>219,990,350</u>
Basic profit / (loss) per share (in cents)	<u>0.08</u>	<u>(0.28)</u>

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

Diluted earnings per share		
Profit / (loss) attributed to ordinary shareholders	196,539	(610,484)
Weighted average number of ordinary shares outstanding	<u>272,928,591</u>	<u>219,990,350</u>
Diluted profit / (loss) per share (in cents)	<u>0.07</u>	<u>(0.28)</u>

The calculation of diluted earnings per share has been based on the profit / (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.

The calculation of basic and diluted earnings per share for the comparative period presented has been adjusted retrospectively to reflect the resolution passed to subdivide all issued and unissued ordinary shares of €0.01 each in the capital of the Company by 10 (see Note 11).

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 31 December 2019

7. INTANGIBLE ASSETS

GROUP 2019	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	<u>877,412</u>	<u>7,574,072</u>	<u>332,999</u>	-	<u>8,784,483</u>
At 31 December 2019	<u>3,621,289</u>	<u>72,486,281</u>	<u>1,993,416</u>	<u>341,736</u>	<u>78,442,722</u>
Amortisation					
At 30 June 2019	2,371,132	22,744,835	271,833	243,173	25,630,973
Charged in period	<u>387,234</u>	<u>4,148,604</u>	<u>188,851</u>	<u>34,232</u>	<u>4,758,921</u>
At 31 December 2019	<u>2,758,366</u>	<u>26,893,439</u>	<u>460,684</u>	<u>277,405</u>	<u>30,389,894</u>
Net book amounts					
At 31 December 2019	<u>862,923</u>	<u>45,592,842</u>	<u>1,532,732</u>	<u>64,331</u>	<u>48,052,828</u>
At 30 June 2019	<u>372,745</u>	<u>42,167,374</u>	<u>1,388,584</u>	<u>98,563</u>	<u>44,027,266</u>
GROUP 2018					
Cost					
At 30 June 2018	2,743,877	50,986,528	316,585	341,736	54,388,726
Additions	-	<u>6,405,326</u>	<u>191,758</u>	-	<u>6,597,084</u>
At 31 December 2018	<u>2,743,877</u>	<u>57,391,854</u>	<u>508,343</u>	<u>341,736</u>	<u>60,985,810</u>
Amortisation					
At 30 June 2018	1,688,038	16,603,105	49,884	174,722	18,515,749
Charged in period	<u>341,547</u>	<u>2,449,303</u>	<u>48,638</u>	<u>34,222</u>	<u>2,873,710</u>
At 31 December 2018	<u>2,029,585</u>	<u>19,052,408</u>	<u>98,522</u>	<u>208,944</u>	<u>21,389,459</u>
Net book amounts					
At 31 December 2018	<u>714,292</u>	<u>38,339,446</u>	<u>409,821</u>	<u>132,792</u>	<u>39,596,351</u>
At 30 June 2018	<u>1,055,839</u>	<u>34,383,423</u>	<u>266,701</u>	<u>167,014</u>	<u>35,872,977</u>

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FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

7. INTANGIBLE ASSETS (continued)

Development expenditure

In total, research and development costs for the Group amounted to €13,398,812 (2018: €11,437,283) in the reporting period, out of which €7,574,072 (2018: €6,405,326) qualifies for capitalisation under IAS 38 'Intangible assets'. Qualifying development expenditure is amortised on a straight-line basis over its useful economic life, which is considered to be between 5 and 10 years. The amortisation expense amounting to €4,148,604 for the six-month period to 31 December 2019 (six-month period to 31 December 2018: €2,449,303) is included within general and administration expenses in the consolidated statement of comprehensive income.

No borrowing costs were capitalised within Group development expenditure additions in the six-month period to 31 December 2019 (six-month period to 31 December 2018: €Nil). The amortisation expense relating to previously capitalised borrowing costs is €52,500 for the six-month period ended 31 December 2019 (six-month period ended 31 December 2018: €52,500).

8. PROPERTY, PLANT AND EQUIPMENT

GROUP 2019	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2019	8,894,069	685,451	2,996,543	1,701,812	14,277,875
Additions	623,183	2,683	489,216	49,233	1,164,315
Translation adjustment	<u>28,856</u>	<u>3,377</u>	<u>4,347</u>	<u>2,240</u>	<u>38,820</u>
At 31 December 2019	<u>9,546,108</u>	<u>691,511</u>	<u>3,490,106</u>	<u>1,753,285</u>	<u>15,481,010</u>
Depreciation					
At 30 June 2019	2,613,940	623,448	2,120,443	1,624,320	6,982,151
Charged in the period	578,804	21,772	278,138	22,317	901,031
Translation adjustment	<u>13,162</u>	<u>(2,733)</u>	<u>10,333</u>	<u>(16)</u>	<u>20,746</u>
At 31 December 2019	<u>3,205,906</u>	<u>642,487</u>	<u>2,408,914</u>	<u>1,646,621</u>	<u>7,903,928</u>
Net book amounts					
At 31 December 2019	<u>6,340,202</u>	<u>49,024</u>	<u>1,081,192</u>	<u>106,664</u>	<u>7,577,082</u>
At 30 June 2019	<u>6,280,129</u>	<u>62,003</u>	<u>876,100</u>	<u>77,492</u>	<u>7,295,724</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

8. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP 2018	Right of use assets €	Office equipment €	Computer equipment €	Fixtures & fittings €	Total €
Cost					
At 30 June 2018	4,818,466	726,557	1,871,394	2,720,325	10,136,742
Additions	-	11,692	354,649	-	366,341
Translation adjustment	-	(1,156)	4,369	(57)	3,156
At 31 December 2018	<u>4,818,466</u>	<u>737,093</u>	<u>2,230,412</u>	<u>2,720,268</u>	<u>10,506,239</u>
Depreciation					
At 30 June 2018	1,908,471	638,158	1,394,273	2,474,261	6,415,163
Charged in the period	317,579	20,023	192,312	142,119	672,033
Translation adjustment	(28,918)	(1,181)	(3,087)	224	(32,962)
At 31 December 2018	<u>2,197,132</u>	<u>657,000</u>	<u>1,583,498</u>	<u>2,616,604</u>	<u>7,054,234</u>
Net book amounts					
At 31 December 2018	<u>2,621,334</u>	<u>80,093</u>	<u>646,914</u>	<u>103,664</u>	<u>3,452,005</u>
At 30 June 2018	<u>2,909,995</u>	<u>88,399</u>	<u>477,121</u>	<u>246,064</u>	<u>3,721,579</u>

9. TRADE AND OTHER RECEIVABLES

	2019 €	2018 €
GROUP		
Trade and unbilled receivables	11,541,726	15,743,093
Other receivables	284,504	122,405
Prepayments	1,896,546	1,221,551
Research and development tax credits	3,671,144	4,340,348
Value added tax recoverable	569,379	23,147
Corporation tax recoverable	112,058	276,068
Deferred tax asset	<u>317,183</u>	<u>268,905</u>
	<u>18,392,540</u>	<u>21,995,517</u>

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 normal terms, which is 30 days. Trade receivables are shown net of a provision for expected credit losses.

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.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

10.	TRADE AND OTHER PAYABLES	2019 €	2018 €
	<i>Current</i>		
	Trade payables	718,776	852,274
	Corporation tax	102,921	308,377
	Value added tax payable	27,696	187,745
	PAYE and PRSI	1,231,220	1,060,073
	Accruals	3,868,229	3,961,252
	Deferred revenue	5,520,958	13,750,596
	Research and development tax credit	1,257,604	335,151
	Lease liabilities (Note 13)	<u>1,407,434</u>	<u>1,764,040</u>
		<u>14,134,838</u>	<u>22,219,508</u>
	<i>Non-current</i>		
	Long-term loan (Note 12)	-	15,000,000
	Research and development tax credit	6,267,209	7,325,819
	Lease liability (Note 13)	<u>6,309,328</u>	<u>1,829,431</u>
		<u>12,576,537</u>	<u>24,155,250</u>

Trade and other payables

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

Reservation of title

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

Accruals

The terms of the accruals are based on underlying invoices.

Taxes and social welfare costs

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

Deferred revenue

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

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

11. SHARE CAPITAL AND RESERVES

Authorised share capital

	Nominal value	Ordinary shares	Preferred A shares	B Ordinary Redeemable shares	C Ordinary Redeemable shares	Total
	€	€	€	€	€	€
At 30 June 2019	€0.01 per share	<u>4,312,175</u>	<u>79,782</u>	<u>24,629</u>	<u>83,414</u>	<u>4,500,000</u>
At 31 December 2019	€0.001 per share	<u>4,500,000</u>	—	—	—	<u>4,500,000</u>

The movement in the number of authorised shares during the financial period was as follows:

	Ordinary shares	Preferred A shares	B Ordinary Redeemable shares	C Ordinary Redeemable shares	Total number of authorised shares
At 30 June 2019	431,217,456	7,978,180	2,462,944	8,341,420	450,000,000
Resolution to subdivide shares by 10	<u>3,880,957,104</u>	<u>71,803,620</u>	<u>22,166,496</u>	<u>75,072,780</u>	<u>4,050,000,000</u>
	4,312,174,560	79,781,800	24,629,440	83,414,200	4,500,000,000
Conversion to Ordinary shares	<u>187,825,440</u>	<u>(79,781,800)</u>	<u>(24,629,440)</u>	<u>(83,414,200)</u>	—
At 31 December 2019	<u>4,500,000,000</u>	—	—	—	<u>4,500,000,000</u>

Issued share capital presented as equity

	Nominal value	Ordinary shares	Preferred A shares	B Ordinary Redeemable shares	C Ordinary Redeemable shares	Total
	€	€	€	€	€	€
At 30 June 2019	€0.01 per share	<u>152,971</u>	<u>4,411</u>	<u>365</u>	<u>66,655</u>	<u>224,402</u>
At 31 December 2019	€0.001 per share	<u>264,382</u>	—	—	—	<u>264,382</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

11. SHARE CAPITAL AND RESERVES (continued)

The movement in the number of issued shares during the financial period was as follows:

	Ordinary shares	Preferred A shares	B Ordinary Redeemable shares	C Ordinary Redeemable shares	Total number of issued shares
At 30 June 2019	15,297,109	441,124	36,440	6,665,486	22,440,159
Resolution to subdivide shares by 10	<u>137,673,981</u>	<u>3,970,116</u>	<u>327,960</u>	<u>59,989,374</u>	<u>201,961,431</u>
	152,971,090	4,411,240	364,400	66,654,860	224,401,590
Conversion to Ordinary shares	71,430,500	(4,411,240)	(364,400)	(66,654,860)	-
Share capital issue	<u>39,980,121</u>	-	-	-	<u>39,980,121</u>
At 31 December 2019	<u>264,381,711</u>	-	-	-	<u>264,381,711</u>

A resolution was passed on 9 July 2019 to subdivide all issued and unissued ordinary shares of €0.01 each in the capital of the Company by 10 so that the nominal value of each share in the Company would be €0.001 rather than €0.01 and to redesignate all the issued and unissued "A Ordinary Shares" as "Ordinary Shares" but with no change to the rights attached to the shares.

On 15 August 2019, in preparation for the Company's admission to the official list of the Australian Stock Exchange (ASX) and its initial public offering, the Company issued and allotted 39,980,121 new ordinary shares at a price of A\$2.50 per Ordinary share. In addition, the Preferred A shares, B Ordinary Redeemable shares and C Ordinary Redeemable shares were converted into Ordinary shares.

	Share premium €
At 30 June 2019	-
Premium arising on shares issued	61,204,078
Transaction costs accounted for as a deduction from equity	<u>(4,057,696)</u>
At 31 December 2019	<u>57,146,382</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

11. SHARE CAPITAL AND RESERVES (continued)

Reconciliation of shares issued to proceeds	2019
	€
Share issued at nominal amount	39,980
Premium arising on shares issued	<u>61,204,078</u>
Total value of shares issued	61,244,058
Shares allotted to Non-executive Directors	<u>(24,510)</u>
Proceeds from issue of shares	<u>61,219,548</u>

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

12. BANK LOANS	2019	2018
	€	€
Due after one year	<u>-</u>	<u>15,000,000</u>

Following completion of its initial public offering in Australia, the Group repaid the bank loan and outstanding interest in full on 13 September 2019.

13. LEASE LIABILITIES	2019	2018
	€	€
Group		
Current lease liabilities	1,407,434	1,764,040
Non-current lease liabilities	<u>6,309,328</u>	<u>1,829,431</u>
	<u>7,716,762</u>	<u>3,593,471</u>

The Group's total lease liability is as follows:

	6 months to 31 December	2018
	2019	2018
	€	€
Opening liability	7,021,186	4,261,063
Additions for the period	1,500,595	-
Interest for the period	264,927	140,268
Operating lease expense for the period	<u>(1,069,946)</u>	<u>(807,860)</u>
Closing lease liability	<u>7,716,762</u>	<u>3,593,471</u>
Short-term lease expenses through income statement	<u>-</u>	<u>-</u>

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FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

13. LEASE LIABILITIES (continued)

The Group's leases include rental of office spaces for business use and right of use licences. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental repayments. The operating lease terms range from 2 to 15 years depending on the term set in the contract. The effective interest rate charged during the financial period ranges from 3.2% to 7% (six-month period ended 31 December 2018: 7%) per annum. The lower rate of 3.2% reflects the Group's overdraft facility rate and the higher rate reflects the borrowing rate on the loan drawn by the Group in 2017.

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 7 and 8.

14. SHARE-BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options granted under the schemes to employees of the Group during the period. There were no shares issued during the period or prior period.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at 30 June at €0.01 per share	2,044,064	1.83	2,064,839	1.83
Options granted during the period	-	-	-	-
Options expired during the period	-	-	(10,775)	-
Resolution to subdivide shares by 10	<u>18,396,576</u>	-	<u>-</u>	-
Outstanding at 31 December at €0.001 per share	<u>20,440,640</u>	<u>0.18</u>	<u>2,054,064</u>	<u>1.83</u>

If the subdivision of shares by 10 had occurred in the prior period, the weighted average exercise price at the prior period end would have been €0.18.

The Group's share-based payment transactions which were recognised as an expense through the statement of comprehensive income for the reporting period amounted to €1,543,108 (six-month period ended 31 December 2018: €118,383). Liabilities arising from share-based payment transactions at 31 December 2019 amounted to €Nil (31 December 2018: €Nil).

For the share options outstanding as at 31 December 2019 the weighted average remaining contractual life is less than one year. 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 table on page 72 of the Group's Annual Report for the year ended 30 June 2019 lists the inputs to the model used for the year ended 30 June 2019.

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 31 December 2019

15. RELATED PARTY TRANSACTIONS

A Group subsidiary, FINEOS Corporation Limited (Ireland), is party to a lease arrangement with Jacquel Properties Limited, 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 six-month period ended 31 December 2019 was €389,826 (six-month period ended 31 December 2018: €200,000). The total rent due to Jacquel Properties Limited at 31 December 2019 was €Nil (31 December 2018: €Nil).

In common with other companies, which are members of a Group of companies, the financial statements reflect the effect of such membership. The Group is availing of the exemption contained in IAS 24 Related Party Disclosures and is not disclosing its transactions between wholly owned Group companies.

During the six-month period ended 31 December 2019 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.

16. DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The Directors and Company Secretary had the following interests in shares of the Company at the beginning and end of the financial period:

		<u>Number of Shares Held</u>		
		<u>Ordinary shares</u>	<u>'A' Ordinary shares</u>	<u>C Ordinary Redeemable shares</u>
Executive Directors				
Michael	At 30 June 2019	-	11,851,673	6,381,670
Kelly	Resolution to subdivide shares by 10	<u>-</u>	<u>106,665,057</u>	<u>57,435,030</u>
			118,516,730	63,816,700
	Conversion to Ordinary shares (i)	182,333,430	(118,516,730)	(63,816,700)
	Shares sold through the initial public offering (ii)	(20,000,000)	-	-
	Shares acquired during the period (iii)	<u>4,084,610</u>	<u>-</u>	<u>-</u>
	At 31 December 2019	<u>166,418,040</u>	<u>-</u>	<u>-</u>

FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 31 December 2019

16. DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES (continued)

		<u>Number of Shares Held</u>		
		<u>Ordinary</u>	<u>'A'</u>	<u>C Ordinary</u>
		<u>shares</u>	<u>shares</u>	<u>Redeemable</u>
Non-executive Directors				<u>shares</u>
Anne O'Driscoll	At 30 June 2019	-	-	-
	Shares allotted on appointment	8,000	-	-
	Shares acquired during the period (iv)	<u>60,000</u>	<u>-</u>	<u>-</u>
	At 31 December 2019	<u>68,000</u>	<u>-</u>	<u>-</u>
Gilles Biscay	At 30 June 2019	-	-	-
	Shares acquired during the period (v)	<u>29,400</u>	<u>-</u>	<u>-</u>
	At 31 December 2019	<u>29,400</u>	<u>-</u>	<u>-</u>
Martin Fahy	At 30 June 2019	-	-	-
	Shares allotted on appointment	8,000	-	-
	At 31 December 2019	<u>8,000</u>	<u>-</u>	<u>-</u>
Peter Le Beau	At 30 June 2019	-	-	-
	At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
David Hollander	At 30 June 2019	-	-	-
	At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>

- (i) Refers to shares held by Jacquel Investments Limited, a company held by Michael and his wife Jacqueline Kelly in equal proportions, and by Jacquel First Limited, a company owned by Jacquel Investments Limited, an Offerer under the initial public offering.
- (ii) Represents shares sold through Jacquel First Limited.
- (iii) Michael Kelly, through Jacquel Investments Limited, acquired CDIs in FINEOS Corporation Holdings plc through a 51% interest in Carmen Investments Limited. The remaining 49% interest in Carmen Investments Limited is held by Jonathan Boylan, Chief Technology Officer at FINEOS.
- (iv) Represent CDIs acquired through a company called AJEC Holdings Pty Limited, a company owned solely by Anne O'Driscoll (equivalent to 60,000 ordinary shares).
- (v) Represent CDIs acquired by Gilles Biscay (equivalent to 29,400 ordinary shares).

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FINEOS CORPORATION HOLDINGS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six-month period ended 31 December 2019

16. DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES (continued)

		<u>Number of Options Held</u>		
		Ordinary shares	'A' Ordinary shares	C Ordinary Redeemable shares
Executive Directors				
Tom Wall	At 30 June 2019	-	277,564	-
	Resolution to subdivide shares by 10	<u>-</u>	<u>2,498,076</u>	<u>-</u>
			2,775,640	
	Conversion to Ordinary shares	<u>2,775,640</u>	<u>(2,775,640)</u>	<u>-</u>
	At 31 December 2019	<u>2,775,640</u>	<u>-</u>	<u>-</u>

Tom Wall holds 2,775,640 options over CDIs on a 1:1 basis (2,500,000 exercisable at €0.135 per option and 275,640 exercisable at €0.249 per option) expiring 3 February 2026.

17. EVENTS SUBSEQUENT TO THE PERIOD END

On 17 January 2020, 4,475,000 options were issued to employees of FINEOS under the Company's share option and retention plan. These share options have an exercise price of AUD \$2.5038 each and an expiration date of 15 December 2026.

18. PRIOR PERIOD COMPARATIVES

Costs have been reclassified in the comparative period of six months ended 31 December 2018 to ensure comparability.

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

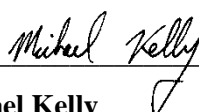
Cost of sales for the period ended 31 December 2018 has reduced by €635,358 arising from the reclassification.

FINEOS CORPORATION HOLDINGS PLC


DIRECTORS' DECLARATION

The directors of the Company confirm that to the best of their knowledge, the condensed consolidated interim financial statements and accompanying notes for the six month period ended 31 December 2019, which are set out on pages 2 to 34, have been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34 Interim Financial Reporting, as adopted by the European Union.

On behalf of the Board



Michael Kelly
Director



Tom Wall
Director

25 February 2020

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INDEPENDENT REVIEW REPORT TO
FINEOS CORPORATION HOLDINGS PLC

Introduction

We have been engaged by FINEOS Corporation Holdings plc to review the condensed set of consolidated financial statements in the interim financial report of FINEOS Corporation Holdings plc for the six months ended 31 December 2019, which comprises the condensed consolidated statement of financial position as at 31 December 2019, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ('FRC's') International Standard on Review Engagements ('ISRE') (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated condensed financial statements of FINEOS Corporation Holdings plc for the six month period ended 31 December 2019, are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the consolidated condensed financial statements based on our review.

Scope

We conducted our review having regard to the Financial Reporting Council's ('FRC's') International Standard on Review Engagements ('ISRE') (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT

FINEOS CORPORATION HOLDINGS PLC

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we will consider the implications for our report.

The purpose of our review and to whom we owe our responsibilities

This report is made solely to Fineos Corporation Holdings plc in accordance with the terms of our engagement. Our review has been undertaken so that we might state to Fineos Corporation Holdings plc those matters we are required to state to the company in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Fineos Corporation Holdings plc for our review work, for our report, or for the conclusions we have reached.

Mazars

Chartered Accountants & Statutory Audit Firm

Harcourt Centre,

Block 3,

Harcourt Road,

Dublin 2

25 February 2020