Datalex plc

Re-issued and restated
Interim Report
Condensed Consolidated Financial Information
For the six months ended 30 June 2018

Datalex plc

Chief Executive Officer's Review

for the six months ended 30 June 2018

Summary

The Group's financial results for the six months ended 30 June 2018 (the "period" or "H1 2018") have been restated and are being re-issued. The Group originally published its H1 2018 half-yearly report on 28 August 2018. Subsequent to the publication of that report, the Company became aware that the adjustments to implement IFRS 15, *Revenue from Contracts with Customers*, included in the condensed consolidated interim financial statements contained therein were incorrect and that revenue for H1 2018 had been over-recognised in respect of a number of customer contracts and that, consequently, the reported revenue and profit for the six months ended 30 June 2018 as originally reported were misstated. The financial information contained within this revised report includes the necessary adjustments to properly reflect the implementation of IFRS 15 in the six months ended 30 June 2018, the correction of customer revenue recognition and certain other adjustments to account for events that have been identified since the publication of the original half-yearly report on 28 August 2018. Details of the adjustments made are presented in Note 2 to the condensed consolidated interim financial statements.

The fact that this report has had to be re-issued is extremely disappointing and the Group is taking the necessary actions to ensure that such a situation does not re-occur. The actions are outlined in the Financial and Operating Review and Directors' Report sections of our 2018 Annual Report. The underlying reasons for the need to re-issue and restate this Interim Report have also been fully explained in our 2018 Annual Report.

The restated financial performance for H1 2018 is significantly below expectation. The Group encountered severe difficulties in a number of areas relating to its services business such as incurring exceptional delivery costs, which are unlikely to be recovered in full, and extensive operating inefficiencies, which are being addressed in 2019. The Group has also incurred a number of once-off costs and expenses in the six month period which have been presented as exceptional items and which are explained more fully below.

Performance

Key financial results

For the six months ended	**30 June 2018**			**30 June 2017**	
	Before IFRS 15 adjustments US$'M	**IFRS 15 adjustments (1) US$'M**	**As now reported US$'M**	**As now reported US$'M**	***Period on period change (2) %***
Platform revenue (3)	***12.4***	***(0.6)***	***11.8***	*12.8*	*-3%*
Services revenue	***8.7***	***3.1***	***11.8***	*16.4*	*-47%*
Consultancy revenue	***1.0***	***-***	***1.0***	*1.0*	*+1%*
Other revenue	***0.1***	***-***	***0.1***	*0.1*	*+3%*
Total revenue	**22.2**	**2.5**	**24.7**	30.3	*-27%*
Operating costs (4)	**29.7**	**(1.2)**	**28.5**	28.5	*+4%*
Exceptional costs (before tax)	**26.8**	**-**	**26.8**	-	
Adjusted EBITDA (5)	**(3.8)**	**3.7**	**(0.1)**	5.4	*-170%*
(Loss)/ Profit before tax and exceptional items	**(7.4)**	**3.7**	**(3.7)**	1.6	
(Loss)/ Profit for the period	**(36.8)**	**3.7**	**(33.1)**	1.6	
Cash and cash equivalents (6)	**11.9**	**-**	**11.9**	16.9	
Cash used in operations	**(3.9)**	**-**	**(3.9)**	(1.3)	
Intangible assets	**3.4**	**-**	**3.4**	22.5	
Net working capital (7)	**0.7**	**(2.9)**	**(2.2)**	15.1	
EPS – basic (US cent)	**(48.10)**	**4.84**	**(43.26)**	2.12	
EPS – diluted (US cent)	**(48.10)**	**4.84**	**(43.26)**	2.04	

(1) IFRS 15 adjustments represent the amounts by which the restated numbers have changed as a result of the implementation of IFRS 15 in the six months ended 30 June 2018 as compared to how they would have been reported on a restated basis under IAS 18.

(2) "Period on period change" represents the change in pre-IFRS 15 adjusted numbers for H1 2018 versus the numbers reported for H1 2017 (which are on a pre-IFRS 15 basis).

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

(4) Operating costs include cost of sales, selling and marketing costs, administrative expenses and other gains/ (losses) (see Notes 5 and 8). They are stated before separately disclosed exceptional items (see Note 7).

(5) Adjusted EBITDA is defined as earnings from continuing operations before (i) interest income and interest expense, (ii) tax expense, (iii) depreciation and amortisation expense, (iv) share-based payments cost and (v) exceptional items (see Notes 4 and 7).

(6) Cash and cash equivalents exclude restricted cash balances of US$0.5m.

(7) Net working capital is calculated as current assets less current liabilities.

Revenue

The Group implemented IFRS 15, *Revenue from Contracts with Customers*, on 1 January 2018 and our revenues have been accounted for under that standard for H1 2018. The implementation of IFRS 15 incurred a very significant level of investment in time, resources and associated advisory costs. A large-scale implementation exercise was completed. Commercial changes negotiated with customers added further considerations to what was an already complex implementation exercise.

In line with the provisions of IFRS 15, we have not restated comparative financial information, and 2017 numbers in this report are reported under the previous standard, IAS 18, *Revenue*. For comparability purposes, we have also presented our revenue numbers for H1 2018 under IAS 18 and these are discussed below. Further information on the impact of the transition from IAS 18 to IFRS 15 on our reported financial numbers is given in Note 3 to the financial statements.

Revenue as reported under IAS 18
Total H1 2018 revenue of US$22.2m was US$8.1m or 27% lower than that recorded in the comparative period of 2017. This was primarily driven by poor services revenue performance.

Platform revenue
Platform revenue of US$12.4m (as reported under IAS 18) was down on H1 2017 by US$0.4m or 3%. No new customers were deployed onto the Group's digital commerce platform during the period.

Services revenue
Services revenue of US$8.7m (as reported in accordance with IAS 18) was down US$7.7m or 47% on H1 2017, predominantly due to material reductions in respect of a concentrated number of specific customer accounts where the Group encountered difficulties during the year.

Particularly in the case of one large customer account, there was a very significant increase in the overall estimated delivery effort throughout 2018 due to the increased scope of the required deployment. As a result of the continuous upward revisions in contract completion estimates over the course of 2018, the state of completion did not materially change. This resulted in no revenue recognised for this customer account in H1 2018.

Revenue impact from the implementation of IFRS 15
As a result of the implementation of IFRS 15 on 1 January 2018, total H1 2018 revenue increased by US$2.5m as compared to the amount that would have been reported under IAS 18. The impact on services and platform revenue is presented below:

	Six months ended 30 June 2018		
	Before IFRS 15 adjustments US$'M	**IFRS 15 adjustments US$'M**	**As now reported US$'M**
Platform revenue	12.4	(0.6)	11.8
Services revenue	8.7	3.1	11.8
Consultancy revenue	1.0	-	1.0
Other revenue	0.1	-	0.1
Total revenue	**22.2**	**2.5**	**24.7**

The key impacts on reported H1 2018 revenue of the application of the new revenue recognition standard were:
- Free man days included in customer contracts have been valued and reallocated from platform to services revenues. This resulted in a reduction in platform revenue of US$0.3m and an increase in services revenue of US$0.3m in H1 2018.
- Included in the services revenue adjustment of US$3.1m is an amount of US$1.9m which relates to a negative stage of completion adjustment under IAS 18 in H1 2018 which is not recognised under IFRS 15 as the performance obligations under the related customer contract are not distinct. A further amount of US$0.8m arises due to the accelerated recognition of project implementation revenues on another customer contract under IFRS 15 as compared to the stage of completion treatment under IAS 18.
- Discounts provided to customers under the terms of the related contracts have been assessed and allocated to services revenue.

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

Operating costs

Our operating costs before IFRS 15 adjustments and exceptional items grew by US$1.2m to US$29.7m (H1 2017: US$28.5m). The main cost increases were in respect of pay cost growth of US$2.0m or 15% primarily reflecting an average headcount increase of 12% in the period, amortisation of development costs which was US$0.6m or 24% higher than in 2017, receivables impairment charges under IFRS 9 of US$0.2m, a US$0.2m investment write-off, and cost growth of US$0.8m across a number of other cost categories. Offsetting these cost increases, contractor and outsource partner costs of US$11.7m (before capitalisation) were US$1.2m or 10% lower than recorded in the corresponding period of 2017 and there was a US$0.5m reduction in the share-based payments cost in 2018 due to the non-vesting of awards in 2018 and staff departures. Capitalisation of employee and contractor costs before exceptional items (see below) was US$0.8m or 13% higher than H1 2017 due to increased development activity.

The implementation of IFRS 15 in 2018 resulted in a reduction of US$1.2m in costs in the period to 30 June 2018. This was primarily due to the deferral of staff and contractor/ outsource partner costs. Contract fulfilment costs incurred of US$1.0m are related to future revenues, and there was a net deferral of sales commission costs of circa US$0.2m.

	Six months ended 30 June 2018		
	Before IFRS 15 adjustments US$'M	**IFRS 15 adjustments US$'M**	**As now reported US$'M**
Operating costs [1]	29.7	(1.2)	28.5
Net finance costs	0.1	-	0.1
Exceptional costs	26.8	-	26.8
Total costs	**56.6**	**(1.2)**	**55.4**

(1) Operating costs include cost of sales, selling and marketing costs, administrative expenses, net impairment losses on financial and contract assets and other gains/ (losses) (see Notes 5 and 8).

The majority of the Group's cost base is comprised of headcount (staff and contractor) costs. During H1 2018, the Group's cost base reached levels that were neither efficient nor sustainable. This increase in the cost base was caused by the rapid growth of the business in recent years and significant investment in its digital commerce platform, especially in the context of a major customer implementation.

Adjusted EBITDA, exceptional items, (loss)/ profit for the period

A reconciliation of Adjusted EBITDA to (loss)/ profit before income tax is presented in Note 4 to these condensed consolidated interim financial statements.

The Group recorded an Adjusted EBITDA loss of US$3.8m in H1 2018 (before IFRS 15 adjustments) which compares to a profit of US$5.4m in the equivalent period of 2017. The implementation of IFRS 15 in 2018 had a US$3.7m positive impact on Adjusted EBITDA in the period and reduced the reported EBITDA loss to US$0.1m.

Depreciation and amortisation expense of US$3.8m in the period (H1 2017: US$3.2m) includes amortisation of product development costs of US$3.1m (H1 2017: US$2.5m).

The Group spent US$6.6m on its platform during H1 2018 which compares to the US$5.9m spent in H1 2017, an increase of 13%. Our 2018 platform investment largely represented a continuation from 2017 activity and reflected core platform development work as well as customer specific enhancements. Investment was across areas such as Offer Management, Order Management, Omni-Channel Management, Dynamic Pricing, Digital Payments, Cloud capabilities, Componentisation and API First strategy.

We are currently reviewing our approach to market and our platform development activities with a view to focusing on our core platform product rather than on customer-specific customisation activity. In reviewing the platform investment in H1 2018 we concluded that the spend did not meet the recognition criteria of the relevant accounting standard, IAS 38, *Intangible Assets*, in particular the requirement to demonstrate that the 2018 expenditure incurred would generate probable future economic benefits. Similar to the operating inefficiencies that arose in our services business described earlier, inefficiencies were identified in our product investment. Accordingly, the product development costs of US$6.6m incurred in the six months to 30 June 2018 has been treated as an expense. Given the significance of this balance, it has been disclosed as an exceptional item (see Note 7 to the condensed consolidated interim financial statements).

Furthermore, we have decided that an impairment charge of US$20.0m against capitalised product development costs should be recognised in H1 2018, as it is uncertain to whether our platform investment will be realised through future revenues, and whether the intangible asset will generate future economic benefits. An impairment charge of US$20.0m was recorded at 31 December 2018 based on an impairment review of capitalised product development costs performed at that date. We have investigated whether the conditions that existed at 31 December 2018 which gave rise to the requirement for an impairment of the product development costs also existed at 30 June 2018 and are satisfied that they did.

The Group also recorded a number of other exceptional costs and expenses in H1 2018 amounting to US$2.6m (see also Note 7 to the condensed consolidated interim financial statements), as follows:

- Derecognition of net deferred tax assets of US$2.4m. The Directors have determined that it is not appropriate to recognise deferred tax assets in respect of past tax losses as they do not consider that there is convincing evidence to meet the necessary test of recognition of a deferred tax asset at 30 June 2018.
- The recognition in the period of an onerous contract provision of US$0.2m in relation to one customer contract.

An overall loss after tax of US$33.1m was recorded in H1 2018. The reported loss is stated after deducting exceptional costs and tax expenses of US$29.2m and includes net positive adjustments of US$3.7m that arose from the implementation of IFRS 15 in the period. The loss before tax on a pre-IFRS 15 basis and before deduction of exceptional costs amounted to US$7.4m and compares to the profit before tax of US$1.6m reported in H1 2017.

Financial position at 30 June 2018

The Group's cash reserves at 30 June 2018 were US$11.9m (30 June 2017: US$16.9m), with the reduction in cash of US$4.2m in the period being driven by costs incurred on new customer deployments and investment in product and market expansion. Cash used in operations in H1 2018 was US$3.9m (H1 2017: cash used of US$1.3m). The increase in operating cash outflow in H1 2018 largely reflects the treatment of development expenditure as an operating activity in H1 2018 as compared to an investing activity in H1 2017.

Financing completed in 2019 and further financing requirements

The Group continues to face significant financial challenges and the Board is keeping the Group's funding under close review.

Over the course of 2019, the Company:

- on 14 March 2019, completed a share placing (the "Placing") with IIU Nominees Limited ("IIU") (a company ultimately owned and controlled by Mr. Dermot Desmond and our largest shareholder), which raised proceeds of €3.859m at €1.00 per ordinary share (representing a premium of 42.9% to €0.70, the closing market price per Datalex plc ordinary share on Euronext Dublin on 11 March 2019, the day before the Company announced that it was in discussions with IIU in relation to the placing);
- on 14 March 2019, entered into a secured loan facility with Tireragh Limited ("Tireragh") (a company also ultimately owned and controlled by Mr. Desmond) which provided for a maximum drawdown aggregate amount of €6.141m, and which was fully drawn by 30 September 2019 (the "Facility"); and
- on 30 October 2019, entered into a re-financing facility agreement (the "Re-financing Facility Agreement") with Tireragh under which a further €5m has been made available to the Company by Tireragh (the "Increased Facility") and the amounts drawn down under the Facility have been re-financed and interest payable on those amounts capitalised.

The Increased Facility will mature on 1 November 2020. Interest is charged on each amount drawn down by the Company at a rate of ten per cent per annum, such interest to accrue from the date of drawdown, compounding monthly and to be rolled up until maturity. The Re-financing Facility Agreement is secured by a security package that includes fixed and floating charges over all of the Company's assets, undertaking and goodwill and those of Datalex (Ireland) Limited, and will be secured by additional, direct security over the Group's assets and operations in the USA and UK. As of the date of this report, an amount of €2.5m had been drawn down by the Company from the Increased Facility.

The Placing, the Facility and related arrangements were approved by shareholders (other than IIU) at an extraordinary general meeting ("EGM") held on 26 April 2019. The Increased Facility and related arrangements were approved by shareholders (other than IIU) at an EGM held on 15 November 2019.

It is the Company's intention to arrange an equity fundraising in the coming months to raise, net of expenses, sufficient proceeds for the repayment of the Increased Facility and the funding of the Group's working capital needs. Mr. Desmond has informed the Company that he will support the equity fundraising and procure the participation of IIU in its *pro rata* entitlement and will also work with the Company to secure underwriting of the equity fundraising.

The Directors recognise that, as detailed further in Note 2, there are material uncertainties that may cast significant doubt as to the Group's ability to continue as a going concern. Nevertheless, on the basis of Mr. Desmond's support, the Directors have a reasonable expectation that the Group will be able to successfully navigate the present uncertainties and are satisfied to prepare the condensed consolidated interim financial statements on a going concern basis.

Board changes

There have been a number of changes in the composition of the Board of Directors since the approval of the originally published Interim Report for the six months ended 30 June 2018 on 27 August 2018. The changes are detailed below:

- David Kennedy resigned as a Director and Dónal Rooney was appointed as a Director in his place on 5 December 2018;
- On 18 February 2019, Dónal Rooney resigned from his position as a Director;
- On 12 April 2019, Sean Corkery was appointed as a Non-Executive Director and as Deputy Chairman of the Company;
- The Chief Executive of the Group, Aidan Brogan, resigned his position and his Company Directorship on 1 May 2019;
- Niall O'Sullivan joined the Group as Chief Financial Officer and was appointed as a Director on 4 June 2019;
- On 24 June 2019, Paschal Taggart resigned as Chairman and member of the Board and Sean Corkery was subsequently appointed as Acting Chairman;
- On 3 October 2019, Christine Ourmières-Widener was appointed as a Non-Executive Director; and
- On 7 November 2019, David Hargaden was appointed as a Non-Executive Director of the Company and as Chairman of the Board of Directors in place of Sean Corkery.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group for the remaining part of 2018 and in 2019 to the date of the signing of this report are outlined in Note 21 to the condensed consolidated interim financial statements.

Sean Corkery
Chief Executive Officer

3 December 2019

Datalex plc

Responsibility Statement

in respect of the six months ended 30 June 2018

The Directors of Datalex plc are responsible for preparing this interim management report and the condensed consolidated interim financial information in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and with IAS 34, *Interim Financial Reporting,* as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated interim financial information for the half year ended 30 June 2018 has been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34, adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim financial information for the half year ended 30 June 2018, and a description of the principal risks and uncertainties for the remaining six months which has been provided in Note 21 of the condensed consolidated interim financial statements;

- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board

Sean Corkery	**Niall O'Sullivan**
Director	**Director**

3 December 2019

Datalex plc

Condensed Consolidated Interim Statement of Financial Position

as at 30 June 2018 – restated and unaudited

	Notes	30 June 2018 *Restated* Unaudited US$'000	31 December 2017 Audited US$'000	1 January 2017 Audited US$'000
ASSETS				
Non-current assets				
Property, plant and equipment		2,200	2,286	2,275
Intangible assets	**14**	3,441	26,630	19,178
Deferred contract fulfilment costs	**15**	10,493	-	-
Contract acquisition costs	**16**	776	-	-
Deferred income tax assets		-	2,397	2,076
Trade and other receivables	**9**	348	2,994	329
Contract assets	**9**	607	-	-
Restricted cash		500	500	-
Total non-current assets		**18,365**	**34,807**	**23,858**
Current assets				
Trade and other receivables	**9**	8,396	19,205	15,153
Contract assets	**9**	2,279	-	-
Cash and cash equivalents		11,946	16,153	24,320
Total current assets		**22,621**	**35,358**	**39,473**
TOTAL ASSETS		**40,986**	**70,165**	**63,331**
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Issued ordinary share capital	**17**	7,734	7,693	7,596
Other issued equity share capital		262	262	262
Other reserves		7,271	7,000	5,888
Retained (loss)/ earnings		(11,098)	32,378	29,093
TOTAL EQUITY		**4,169**	**47,333**	**42,839**
LIABILITIES				
Non-current liabilities				
Borrowings	**10**	159	274	458
Provision (long term incentive plan)		494	714	326
Trade and other payables	**11**	241	208	113
Contract liabilities		11,148	-	-
Total non-current liabilities		**12,042**	**1,196**	**897**
Current liabilities				
Trade and other payables	**11**	18,004	21,139	19,142
Contract liabilities		5,758	-	-
Provision (onerous customer contract)	**7**	164	-	-
Borrowings	**10**	408	334	336
Current income tax and liabilities		441	163	117
Total current liabilities		**24,775**	**21,636**	**19,595**
TOTAL EQUITY AND LIABILITIES		**40,986**	**70,165**	**63,331**

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

Datalex plc

Condensed Consolidated Interim Income Statement

for the six months ended 30 June 2018 – restated and unaudited

	Notes	Six months ended				Year ended
		30 June 2018 *Restated* Unaudited Before exceptional items US$'000	30 June 2018 *Restated* Unaudited Exceptional items (Note 7) US$'000	30 June 2018 *Restated* Unaudited Total US$'000	30 June 2017 Unaudited Total US$'000	31 December 2017 Audited Total US$'000
Continuing operations						
Revenue from contracts with customers	**4**	24,733	-	24,733	30,337	63,894
Cost of sales	**5**	(22,222)	(6,636)	(28,858)	(22,019)	(47,112)
GROSS PROFIT/ (LOSS)		**2,511**	**(6,636)**	**(4,125)**	**8,318**	**16,782**
Selling and marketing costs	**5**	(3,523)	-	(3,523)	(3,986)	(5,375)
Administrative expenses	**5**	(2,733)	-	(2,733)	(2,556)	(4,211)
Net impairment losses on financial and contract assets	**5**	(198)	-	(198)	-	-
Impairment of intangible assets		-	(19,959)	(19,959)	-	-
Other gains/ (losses)	**8**	148	(164)	(16)	111	69
Other income		206	-	206	-	-
OPERATING (LOSS)/ PROFIT		**(3,589)**	**(26,759)**	**(30,348)**	**1,887**	**7,265**
Finance income		8	-	8	15	23
Finance costs		(122)	-	(122)	(298)	(305)
(LOSS)/ PROFIT BEFORE INCOME TAX		**(3,703)**	**(26,759)**	**(30,462)**	**1,604**	**6,983**
Income tax (expense)/ credit	**12**	(213)	(2,397)	(2,610)	(6)	77
(LOSS)/ PROFIT FOR THE PERIOD		**(3,916)**	**(29,156)**	**(33,072)**	**1,598**	**7,060**
(LOSS)/ PROFIT PER SHARE (in US$ cents per share)						
Basic – as originally reported	**13**	2.61	-	2.61	2.12	9.32
Basic – adjustments	**13**	(7.73)	(38.14)	(45.87)	-	-
Basic – as restated	**13**	**(5.12)**	**(38.14)**	**(43.26)**	**2.12**	**9.32**
Diluted – as originally reported	**13**	2.52	-	2.52	2.04	8.94
Diluted – adjustments	**13**	(7.64)	(38.14)	(45.78)	-	-
Diluted – as restated	**13**	**(5.12)**	**(38.14)**	**(43.26)**	**2.04**	**8.94**

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

Datalex plc

Condensed Consolidated Interim Statement of Comprehensive Income

for the six months ended 30 June 2018 – restated and unaudited

	Six months ended		Year ended
	30 June 2018 *Restated* **Unaudited US$'000**	**30 June 2017 Unaudited US$'000**	**31 December 2017 Audited US$'000**
(Loss)/ Profit for the period	**(33,072)**	**1,598**	**7,060**
Other comprehensive (loss)/ income:			
Items that may subsequently be reclassified to profit or loss:			
Foreign currency translation adjustments			
- Arising in the period	(13)	38	18
Total movement in items that may be subsequently reclassified to profit or loss	**(13)**	**38**	**18**
Comprehensive (loss)/ income for the period	**(33,085)**	**1,636**	**7,078**

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

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Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June 2018 – restated and unaudited

	Issued ordinary share capital US$'000	Other issued equity share capital US$'000	Other reserves US$'000	Retained (loss)/ earnings US$'000	Total equity US$'000
Unaudited					
Balance at 1 January 2017	**7,596**	**262**	**5,888**	**29,093**	**42,839**
Profit for the period	-	-	-	1,598	**1,598**
Other comprehensive income	-	-	38	-	**38**
Total comprehensive income for the period	**-**	**-**	**38**	**1,598**	**1,636**
Share-based payments cost	-	-	299	-	**299**
Issue of ordinary shares on exercise of options	58	-	205	-	**263**
Decrease in treasury shares due to exercise of JSOP awards	-	-	46	-	**46**
Dividends payable to shareholders (Note 20)	-	-	-	(3,775)	**(3,775)**
Balance at 30 June 2017	**7,654**	**262**	**6,476**	**26,916**	**41,308**
Audited					
Balance at 1 January 2017	**7,596**	**262**	**5,888**	**29,093**	**42,839**
Profit for the year	-	-	-	7,060	**7,060**
Other comprehensive income	-	-	18	-	**18**
Total comprehensive income for the year	**-**	**-**	**18**	**7,060**	**7,078**
Share-based payments cost	-	-	599	-	**599**
Issue of ordinary shares on exercise of options	97	-	439	-	**536**
Decrease in treasury shares due to exercise of JSOP awards	-	-	56	-	**56**
Dividends paid to shareholders (Note 20)	-	-	-	(3,775)	**(3,775)**
Balance at 31 December 2017	**7,693**	**262**	**7,000**	**32,378**	**47,333**
Restated and unaudited					
Cumulative restatement of retained earnings arising from implementation of IFRS 15 (see Note 3)	-	-	-	(5,839)	**(5,839)**
Cumulative restatement of retained earnings arising from implementation of IFRS 9 (see Note 3)	-	-	-	(699)	**(699)**
Balance at 1 January 2018	**7,693**	**262**	**7,000**	**25,840**	**40,795**
Loss for the period	-	-	-	(33,072)	**(33,072)**
Other comprehensive loss	-	-	(13)	-	**(13)**
Total comprehensive loss for the period	**-**	**-**	**(13)**	**(33,072)**	**(33,085)**
Share-based payments credit	-	-	(240)	-	**(240)**
Issue of ordinary shares on exercise of options	41	-	423	-	**464**
Decrease in treasury shares due to exercise of JSOP awards	-	-	101	-	**101**
Dividends payable to shareholders (Note 20)	-	-	-	(3,866)	**(3,866)**
Balance at 30 June 2018	**7,734**	**262**	**7,271**	**(11,098)**	**4,169**

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

Datalex plc

Condensed Consolidated Interim Cash Flow Statement

for the six months ended 30 June 2018 – restated and unaudited

	Notes	Six months ended		Year ended
		30 June 2018 *Restated* Unaudited US$'000	30 June 2017 Unaudited US$'000	31 December 2017 Audited US$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (used in)/ generated from operations	**18**	(3,948)	(1,254)	9,633
Income tax received/ (paid)		35	(40)	(104)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES		**(3,913)**	**(1,294)**	**9,529**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(145)	(334)	(946)
Additions to intangible assets	**14**	-	(5,916)	(13,170)
Restricted cash		-	-	(500)
Additions to contract acquisition costs		(219)	-	-
Interest received		8	15	23
NET CASH USED IN INVESTING ACTIVITIES		**(356)**	**(6,235)**	**(14,593)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares (including share premium)		269	263	536
Proceeds from exercise of JSOP awards		101	46	56
Dividends paid to shareholders		-	-	(3,775)
Decrease in finance lease liabilities		(329)	(229)	(300)
Interest paid		(25)	(298)	(30)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES		**16**	**(218)**	**(3,513)**
Net decrease in cash and cash equivalents		**(4,253)**	**(7,747)**	**(8,577)**
Foreign exchange gain on cash and cash equivalents		46	316	410
Cash and cash equivalents at beginning of period		16,153	24,320	24,320
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**11,946**	**16,889**	**16,153**

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

1. General Information

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

Datalex plc (the "Company") is a public limited company incorporated and domiciled in Ireland and is listed on Euronext Dublin. As a result of the non-publication of the Company's financial statements for the year ended 31 December 2018 by 30 April 2019 and the non-publication of the Company's interim financial statements for the six months to 30 June 2019 by 30 September 2019 (as required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended), trading in the Company's shares has been temporarily suspended. This suspension will be in force up to and until such time as any of the Central Bank of Ireland's and/ or Euronext Dublin's requirements for lifting of the temporary suspension are complied with. The annual financial statements of the Company for the year ended 31 December 2018 were published on 6 September 2019.

This condensed consolidated interim financial information was authorised for issue by the Board of Directors on 3 December 2019.

2. Basis of preparation

The condensed consolidated interim financial statements included in this report have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and with International Accounting Standard 34, *Interim Financial Reporting,* ("IAS 34") as adopted by the European Union. These condensed statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017 included in the Datalex plc Annual Report 2017 and with the consolidated financial statements for the year ended 31 December 2018 included in the Datalex plc Annual Report 2018, which are both available on the Group's website *www.datalex.com*. The condensed consolidated interim financial statements presented do not constitute full statutory accounts. Full statutory accounts for the year ended 31 December 2017 were filed with the Irish Registrar of Companies on 26 October 2018.

The condensed consolidated interim financial statements contained in this report are unaudited.

The condensed consolidated interim financial information for the six months ended 30 June 2018 was originally authorised for issue by the Board of Directors on 27 August 2018 and published on 28 August 2018. Subsequent to the publication of that report, the Company became aware that the adjustments to implement IFRS 15, *Revenue from Contracts with Customers,* included in the condensed consolidated interim financial statements contained therein were incorrect and that revenue had been over-recognised in relation to a number of customer contracts and, accordingly, the reported revenue and profit for the six months ended 30 June 2018 were misstated.

In its announcement on 27 March 2019, the Company published a summary of the findings of the independent review performed by PwC, in conjunction with McCann Fitzgerald, into the accounting issues that had been identified relating to revenue recognition as they pertained to the interim report and condensed consolidated interim financial statements for the six months ended 30 June 2018 as published on 28 August 2018 (the "Review"). The key findings of the Review were as follows:

- the Board concluded that the Group's revenue, Adjusted EBITDA and profit for the half year ended 30 June 2018, as announced on 28 August 2018, were misstated;
- the Review confirmed that the Group's recognition of services revenue for the half year ended 30 June 2018 was not in line with the Group's accounting policy and was materially overstated;
- the Review found that the Group failed to apply IFRS 15 appropriately in its results for the half year ended 30 June 2018;
- the Review found that the Group incorrectly recognised services revenue associated with a major customer deployment in its results for the half year ended 30 June 2018. The major customer deployment is a fixed fee contract and initial estimates of time to completion of the customer deployment were significantly underestimated, with estimates of time to completion significantly increased over the period resulting in a reduction of percentage of completion for the 2018 financial year;
- the Review identified other services and platform revenue that was incorrectly recognised in H1 2018 and which was either not recoverable or should have been deferred to future financial periods; and
- the Review identified significant accounting irregularities during the period as the underlying cause for the Group's overstatement of revenues, noting material weaknesses in the internal control environment; the largely manual nature of the Group's accounting process in this area and dependency on individual judgement, the lack of internal audit oversight of the area; and a failure by the Group to track sufficiently operational and financial performance on the major customer deployment and to retain sufficient supporting documentation for accounting entries.

2. Basis of preparation (continued)

The financial information contained within this revised report includes the necessary adjustments to properly reflect the implementation of IFRS 15 in the six months ended 30 June 2018, the correction of the revenue recognition errors referred to above, and certain other adjustments to account for events that occurred since the publication of the original half-yearly report on 28 August 2018 and which have already been included in the consolidated financial statements for the year ended 31 December 2018 as published in the Datalex plc Annual Report 2018 on 6 September 2019. These adjustments address all the issues identified by management relating to the condensed consolidated interim financial statements for the six months ended 30 June 2018 and include all relevant items that were identified as part of the audit of the Group's consolidated financial statements for the year ended 31 December 2018.

A reconciliation of the profit for the period as originally reported on 28 August 2018 to the loss for the period as reported in these condensed consolidated interim financial statements is presented below:

	Notes	Six months ended 30 June 2018 US$'000
Profit for the period as originally reported		**1,994**
Adjustments to implement IFRS 15 and IFRS 9:		
IFRS 15 adjustments – revenue (see below)		2,698
IFRS 15 adjustments – operating costs (see below)		1,112
IFRS 9 adjustments – operating costs (see below)		(198)
Total adjustments to implement IFRS 15 and IFRS 9 in the period		**3,612**
Revenue adjustments:		
Correction of over-recognition of services revenue related to significant customer deployment in period		(6,237)
Deferral of other services and platform revenue previously recognised in period to future periods		(2,693)
Other services and platform revenue previously recognised in period not recoverable		(952)
Total revenue adjustments in the period		**(9,882)**
Other adjustments:		
Financial asset acquired in period originally capitalised and now expensed		(154)
Net credits to operating expenses recognised in period, principally related to employee costs		560
Other income		195
Additional income tax charges		(241)
Total other adjustments in the period		**360**
Loss for the period as restated before exceptional items		**(3,916)**
Exceptional items recognised:		
Write-off of net development expenditure incurred in the period	7	(6,636)
Impairment of product development intangible asset	7	(19,959)
Derecognition of net deferred tax asset	7	(2,397)
Recognition of onerous customer contract	7	(164)
Total exceptional items recognised in the period		**(29,156)**
Total adjustments made		***(35,066)***
Loss for the period as restated		**(33,072)**

The IFRS 15 and IFRS 9 adjustments for the six months ended 30 June 2018 above are analysed as:

	Notes	As originally reported US$'000	As restated US$'000	Difference US$'000
IFRS 15 adjustments - revenue	3	(157)	2,541	2,698
IFRS 15 adjustments – operating costs (employee benefits)	3	219	480	261
IFRS 15 adjustments – operating costs (contractor costs)	3	-	766	766
IFRS 15 adjustments – operating costs (amortisation of contract acquisition costs)	3	(171)	(86)	85
Net IFRS 15 adjustments		**(109)**	**3,701**	**3,810**
IFRS 9 adjustments – net impairment losses on financial and contract assets	5	-	(198)	(198)
Net IFRS 15 and IFRS 9 adjustments in the period		**(109)**	**3,503**	**3,612**

The impact on the condensed consolidated interim statement of financial position, condensed consolidated interim income statement and condensed consolidated interim cash flow statement of the above adjustments is presented in Note 24.

2. Basis of preparation (continued)

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

The Group incurred a loss of US$33.1m in the six months to 30 June 2018 (2018 financial year: loss of US$47.2m). At 30 June 2018, the Group had net assets of US$4.2m (31 December 2018: net liabilities of US$9.4m) and net current liabilities of US$2.2m (31 December 2018: net current liabilities of US$12.3m). Operating cash outflows in the six month period were US$3.9m (2018 financial year: US$3.7m outflow). The total decrease in cash in the six months to 30 June 2018 was US$4.2m (2018 financial year: US$7.8m).

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

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

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

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

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

The Company noted in its 2018 Annual Report, published on 6 September 2019, that cash flow forecasts for the Group indicated that funding of approximately US$10m would be required over the period to 30 September 2020, with approximately US$5m of this amount being required to meet the short-term cash flow needs of the Group over the remainder of 2019 with the balance attributable to the Group's working capital needs in 2020.

To address these short-term cash flow needs, the Company, on 30 October 2019, entered into the Re-financing Facility Agreement with Tireragh Limited ("Tireragh") (a company ultimately owned and controlled by Mr. Dermot Desmond) under which a further €5m has been made available to the Company by Tireragh (the "Increased Facility"). The amounts drawn down under the secured loan facility of 14 March 2019 with Tireragh (which provided for a maximum drawdown aggregate amount of €6.141m and which amount was fully drawn by 30 September 2019) have been re-financed and interest payable on those amounts capitalised. The Increased Facility will mature on 1 November 2020. The Increased Facility and related arrangements were approved by shareholders (other than IIU Nominees Limited) at an EGM held on 15 November 2019.

The latest Group cashflow forecasts indicate that further funding of approximately US$17m will be required over the period to 31 December 2020, to meet the Group's debt repayment obligations under the Increased Facility in November 2020 and its working capital needs in 2020. In preparing these forecasts, the Directors have assumed prudent downside scenarios, including provision for the scenario of a significant customer loss. While the Directors can give no assurance that these forecasts will be met, the Directors believe that these forecasts form a reasonable basis for their estimation of the future cash needs of the business.

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

2. Basis of preparation (continued)

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

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

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

3. Accounting policies

Except as described below, the accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017.

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

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

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

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

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

The impact of the implementation of IFRS 15 and IFRS 9 on the Group's accounting policies and on the condensed consolidated interim financial statements is presented below.

IFRS 15

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

New accounting policies introduced for the implementation IFRS 15

REVENUE RECOGNITION

(A) ADOPTION OF IFRS 15

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

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

3. Accounting policies (continued)

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

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

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

(B) CATEGORIES OF REVENUE

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

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

1. ***Platform revenue***

(a) License
Customer use of the Datalex software can include (i) air fare bookings, (ii) non-air ancillary bookings such as car, hotel and insurance, (iii) air ancillary items such as seat fees or bag fees, and (iv) hosting fees when the customer's software solution is hosted by Datalex.

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

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

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

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

3. Accounting policies (continued)

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

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

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

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

2. ***Professional services revenue***

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

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

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

3. ***Consultancy revenue***

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

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

3. Accounting policies (continued)

(C) SIGNIFICANT REVENUE JUDGEMENTS AND ESTIMATES

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

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

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

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

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

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

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

3. Accounting policies (continued)

Identification of performance obligations

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

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

(a) Bundled performance obligations

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

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

(b) Material rights

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

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

(c) Early releases/ beta versions of software

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

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

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

3. Accounting policies (continued)

Determination of transaction price

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

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

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

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

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

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

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

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

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

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

3. Accounting policies (continued)

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

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

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

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

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

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

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

Recognition of revenue
Judgement is required to determine whether revenue is to be recognised at a point in time or over time. For performance obligations satisfied over time, we measure progress using the method that best reflects our performance in satisfying the specific performance obligation and transferring control of the promised products or services to the customer. Our license is treated as a right to access, and license revenues are recognised rateably over time from the point at which the license is usable by the customer. For professional services we measure percentage of completion based on labour hours incurred to date as a proportion of total hours allocated to the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. For performance obligations recognised at a point in time, revenues are recognised at the point at which the customer controls the deliverable and the performance obligation has been satisfied.

Disaggregated revenue disclosures
Revenue information is analysed by operating segment, revenue category, geography and by major customer in the Group's Annual Report.

3. Accounting policies (continued)

CONTRACT ASSETS

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

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

CONTRACT LIABILITIES

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

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

CONTRACT FULFILMENT COSTS

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

CONTRACT ACQUISITION COSTS

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

CASH ADVANCES FROM CUSTOMERS

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

Impact on the condensed consolidated interim financial statements from the implementation of IFRS 15

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

Impact on opening total equity as at 1 January 2018

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

The Group has assessed the impact on deferred tax on adoption of IFRS 15. The impact on deferred tax assets was US$0.9m and the impact on deferred tax liabilities was US$0.1m. These deferred tax impacts have not been recognised in the impact on total equity, and the impacts on the opening statement of financial position set out below, as the total deferred tax asset has been derecognised in 2018 (see Note 12).

3. Accounting policies (continued)

Impact on the consolidated statement of financial position at 1 January 2018

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

The amounts by which each financial statement line item is affected as at and for the six months ended 30 June 2018 as a result of the adoption of IFRS 15, are set out below:

Impact on the condensed consolidated interim income statement for the six months ended 30 June 2018

	As now reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
Platform revenue – see (a) below	11,844	(547)	12,391
Services revenue – see (a) below	11,800	3,088	8,712
Consultancy revenue	1,004	-	1,004
Other revenue	85	-	85
Total revenue	**24,733**	**2,541**	**22,192**
Cost of sales – *see* (b) & (c) below	28,858	(1,160)	30,018
Adjusted EBITDA	(63)	3,701	(3,764)
(Loss)/ Profit per share (in US$ cents per share)			
Basic	(43.26)	4.84	(48.10)
Diluted	(43.26)	4.84	(48.10)

Impact on the condensed consolidated interim statement of financial position at 30 June 2018

	As now reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
ASSETS			
Deferred contract fulfilment costs – see (b) below	10,493	10,493	-
Contract acquisition costs – see (c) below	776	776	-
Contract assets before provision – see (d) below	2,962	2,962	-
Accrued income – see (d) below	-	(6,586)	6,586
LIABILITIES AND EQUITY			
Contract liabilities – see note (e) below	16,906	16,906	-
Deferred income and customer advances – see note (e) below	-	(7,123)	7,123
Retained loss	(11,098)	(2,138)	(8,960)

3. Accounting policies (continued)

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

i. The determination of performance obligations as bundled which combines licence and services revenue recognition. Prior to adopting IFRS 15, licence and service revenues were recognised as separate deliverables with revenue recognised on the percentage of completion basis from the commencement date of the services and licences separately. Under IFRS 15, revenue from the bundle is recognised commencing on completion of services or the go-live date over the contract term.
ii. Changes in the revenue allocation of the performance obligations, arising from the application of standalone selling prices for separate performance obligations. The Group is required to allocate the transaction price of a customer contract and the inherent discount to the performance obligations of the contract based on their respective SSP amounts. Due to the high level of judgement and estimation required to determine the SSP and the allocation of the discount and revenue amounts to each performance obligation, the resulting revenues differed from the revenue amounts recognised under IAS 18.
iii. Identification of performance obligations such as training and other support services, which were not separately recognised under the previous accounting standard, resulted in changes in the timing of revenue recognition.

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

(b) Deferred contract fulfilment costs:
Contract fulfilment costs are deferred under the current policy when the requirements for the deferral of expense recognition are met, such costs were generally expensed as incurred under the previous accounting policy. Upon adoption to IFRS 15, deferred contract fulfilment costs of US$9.5m were recognised. During the six months ended 30 June 2018, additional contract fulfilment costs of US$1.0m were deferred as further disclosed in Note 15.

(c) Contract acquisition costs:
Direct incremental contract acquisition costs, such as contract commission costs, are capitalised as an asset when the requirements for capitalisation are met. Such costs were generally expensed as incurred under the previous accounting policy. Upon adoption of IFRS 15, contract acquisition costs of US$0.6m were capitalised. During the six months ended 30 June 2018, additional contract acquisition costs of US$0.2m were capitalised and there was an amortisation charge of US$0.1m as further disclosed in Note 16.

(d) Contract assets and accrued income:
Contract assets are recognised for amounts due in respect of performance obligations satisfied in advance of receiving consideration where the receipt of consideration is conditional other than for the passage of time. Prior to adopting IFRS 15, these balances were presented as accrued income. Upon adoption of IFRS 15, contract assets of US$4.5m were recognised and accrued income decreased by US$13.4m. Contract assets recorded under the current policy are disclosed in Note 9. Contract assets decreased by US$1.5m to US$3.0m in the six months to 30 June 2018 as there were less unbilled contracts with customers at the end of the period.

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

3. Accounting policies (continued)

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

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

New accounting policy introduced for the implementation IFRS 9 (in italics)

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

Accounting policies applied from 1 January 2018

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

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

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

Classification and subsequent measurement
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- *those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and*
- *those to be measured at amortised cost.*

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

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

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

- ***Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.*

3. Accounting policies (continued)

- ***Fair value through other comprehensive income ("FVTOCI")****: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses in other expenses.*

- ***Fair value through profit or loss****: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/ (losses) in the period in which it arises.*

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

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

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

Accounting policies applied before 1 January 2018
The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, which is outlined below.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Impact of the implementation of IFRS 9

(a) Classification and measurement of financial instruments:
The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows

	US$'000
Increase in provision for trade receivables and contract assets	(699)
Adjustment to retained earnings from adoption of IFRS 9	**(699)**

The Group has assessed the impact of deferred tax on adoption of IFRS 9. The impact on deferred tax assets was US$0.1m and the impact on deferred tax liabilities was US$nil. These deferred tax impacts have not been recognised in the impact on opening retained earnings as the total deferred tax asset has been derecognised in 2018 (see Note 12).

3. Accounting policies (continued)

On 1 January 2018, the Group's management has assessed for all its financial assets:

- whether the financial asset meets the definition of debt or equity, as set out in IAS 32, *Financial Instruments: Presentation;*
- whether the financial assets that meet the criteria of debt, subsequently meet the solely payment of principal and interest ("SPPI") criteria of IFRS 9 (failure to meet the criteria would result in the asset being held at fair value through profit and loss); and
- which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (as of 1 January 2018).

Following the above assessment, the Group then classified its financial instruments into the appropriate IFRS 9 categories. All assets were reclassified from loans and receivables under IAS 39 to amortised cost under IFRS 9. These reclassifications have had no impact on the measurement categories or the subsequent measurement basis for financial assets.

(b) Impairment of financial assets:
IFRS 9 requires an impairment allowance to be measured on all financial assets that are debt instruments not at fair value through profit and loss. As a result, the Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

- Trade and other receivables; and
- Cash and cash equivalents not held at fair value through the profit and loss.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

The impact of the change in impairment methodology on the Group's equity at 1 January 2018 is as follows:

	US$'000
Opening retained earnings – IAS 39 (pre IFRS 15 implementation)	**32,378**
Increase in provision for trade receivables and contract assets	(699)
Adjustment to retained earnings from adoption of IFRS 9 impairment methodology	**(699)**
Opening retained earnings – IFRS 9	**31,679**

(1) Trade receivables
For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

(2) Loans and receivables at amortised cost to related parties
For receivables with related parties that do not have a significant financing component as defined by IFRS 15, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

For all remaining amounts that are classified as debt instruments with related parties, the impairment provision is determined as 12 months' expected credit losses if they are considered to be either low risk at the date of transition or there has not been a significant increase in credit risk since initial recognition. For all remaining positions, lifetime expected credit losses should be reflected.

(3) Cash and cash equivalents not at fair value through profit and loss
All cash and cash equivalents are considered to be low risk, and thus the impairment provision is determined as 12 months' expected credit losses. This provision was not considered material at the date of transition to IFRS 9 and at the statement of financial position date.

Other IFRSs and IFRIC interpretations
No other IFRSs or IFRIC interpretations are effective for the first time for the financial period beginning on 1 January 2018 that had a material impact on the Group.

4. Segmental information

Management has determined the reportable operating segments based on the reports reviewed by the executive management team that are used to make strategic decisions. The executive management team assesses the performance of the operating segments based on the measure of Adjusted EBITDA. Adjusted EBITDA is our primary Alternative Performance Measure and we believe its disclosure, as a measure used by management, is also useful to shareholders in assessing the financial performance of the Group. Unlike other businesses, it is not a proxy for operating cash flow as our cash flows vary by customer contract.

The executive management team considers the business from a product and service perspective. At 30 June 2018 and 2017, TPF Consulting did not meet the quantitative thresholds for mandatory disclosure under IFRS 8, *Operating Segments*. However, the executive management team have opted to continue to disclose this segment separately on the basis that TPF Consulting is managed independently and that the executive management team review the performance of the segment separately. The TPF business has different characteristics and business challenges compared to the E-business reporting segment. Throughout the year management considers the performance of E-business and TPF Consulting on a separate basis.

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

Datalex plc

Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2018 – restated and unaudited (continued)

4. Segmental information (continued)

The segment information provided to the executive management team for the reportable segments for the financial period ended 30 June 2018 is as follows:

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	E-business US$'000	TPF Consulting US$'000	Total US$'000	E-business US$'000	TPF Consulting US$'000	Total US$'000
Revenue from contracts with customers	23,729	1,424	**25,153**	29,347	1,349	**30,696**
Inter-segment revenue	-	(420)	**(420)**	-	(359)	**(359)**
External revenue	**23,729**	**1,004**	**24,733**	**29,347**	**990**	**30,337**
Adjusted EBITDA	(291)	228	**(63)**	5,204	159	**5,363**
Share-based payments credit/ (cost)	240	-	**240**	(299)	-	**(299)**
EBITDA	**(51)**	**228**	**177**	**4,905**	**159**	**5,064**
Depreciation	(535)	(1)	**(536)**	(540)	(1)	**(541)**
Amortisation	(3,230)	-	**(3,230)**	(2,636)	-	**(2,636)**
Operating (loss)/ profit before exceptional items	**(3,816)**	**227**	**(3,589)**	**1,729**	**158**	**1,887**
Exceptional items (Note 7)	(26,759)	-	**(26,759)**	-	-	**-**
Operating (loss)/ profit after exceptional items	**(30,575)**	**227**	**(30,348)**	**1,729**	**158**	**1,887**
Finance income			8			15
Finance costs			(122)			(298)
(Loss)/ Profit before income tax			**(30,462)**			**1,604**
Income tax expense			(2,610)			(6)
(Loss)/ Profit for the period			**(33,072)**			**1,598**

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

	Six months ended		Year ended
	30 June 2018 US$'000	30 June 2017 US$'000	31 December 2017 US$'000
Adjusted EBITDA	**(63)**	**5,363**	**14,194**
Depreciation	(536)	(541)	(1,049)
Amortisation – development costs	(3,118)	(2,513)	(5,046)
Amortisation – software	(112)	(123)	(235)
Finance income	8	15	23
Finance costs	(122)	(298)	(305)
Share-based payments credit/ (cost)	240	(299)	(599)
Exceptional items (Note 7)	(26,759)	-	-
(Loss)/ Profit before income tax	**(30,462)**	**1,604**	**6,983**

4. Segmental information (continued)

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

Total segment assets and liabilities are as follows:

	30 June 2018			31 December 2017		
	E-business US$'000	TPF Consulting US$'000	Total US$'000	E-business US$'000	TPF Consulting US$'000	Total US$'000
Total segment assets	40,422	564	**40,986**	69,523	642	**70,165**
Total segment liabilities	(36,425)	(392)	**(36,817)**	(22,481)	(351)	**(22,832)**

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

Analysis of revenue by category

	Six months ended		Year ended
	30 June 2018 US$'000	30 June 2017 US$'000	31 December 2017 US$'000
Platform revenue	11,844	12,817	27,159
Professional services	11,800	16,446	34,588
Consultancy	1,004	990	1,983
Other revenue	85	84	164
Revenue from contracts with customers	**24,733**	**30,337**	**63,894**

Please refer to Note 2.4 of the Group's 2017 Annual Report for the definition of the different revenue categories included in the table above.

5. Expenses by nature

	Six months ended				Year ended
	30 June 2018 Before exceptional items US$'000	30 June 2018 Exceptional Items (Note 7) US$'000	30 June 2018 Total US$'000	30 June 2017 Total US$'000	31 December 2017 Total US$'000
Employee benefit expense (Note 6) – net of capitalisation	10,392	4,423	14,815	9,847	23,008
Consultant and contractor costs – net of capitalisation	8,703	2,213	10,916	10,966	18,164
Amortisation – development costs	3,118	-	3,118	2,513	5,046
Amortisation – software	112	-	112	123	235
Amortisation – contract acquisition costs	86	-	86	-	-
Establishment costs	1,023	-	1,023	766	1,632
Hosting	692	-	692	905	1,861
Professional fees	725	-	725	464	1,191
Travel	751	-	751	807	1,497
Depreciation	536	-	536	541	1,049
Net impairment losses on financial and contract assets	198	-	198	1	26
Third party services	234	-	234	280	472
Auditor's remuneration	390	-	390	131	145
Communication	146	-	146	147	291
Software maintenance and other online charges	184	-	184	151	291
Other	1,386	-	1,386	919	1,790
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial and contract assets	**28,676**	**6,636**	**35,312**	**28,561**	**56,698**
Other (gains)/ losses (Note 8)	(148)	164	16	(111)	(69)
Total operating costs	**28,528**	**6,800**	**35,328**	**28,450**	**56,629**
Disclosed as:					
- Cost of sales	22,222	6,636	28,858	22,019	47,112
- Selling and marketing costs	3,523	-	3,523	3,986	5,375
- Administrative expenses	2,733	-	2,733	2,556	4,211
- Net impairment losses on financial and contract assets	198	-	198	-	-
- Other (gains)/ losses	(148)	164	16	(111)	(69)
Total operating costs	**28,528**	**6,800**	**35,328**	**28,450**	**56,629**

6. Employee benefit expense

	Six months ended 30 June 2018 US$'000	Six months ended 30 June 2017 US$'000	Year ended 31 December 2017 US$'000
Wages and salaries	13,079	11,396	24,414
Social security costs	1,716	1,255	2,566
Pension costs – defined contribution schemes	480	340	670
Employee benefit expense before capitalisation	**15,275**	**12,991**	**27,650**
Capitalised labour	(4,423)	(3,920)	(5,629)
Employee benefit expense after capitalisation	**10,852**	**9,071**	**22,021**
Share-based payments (credit)/ cost	(240)	299	599
Employee long term incentive plan (credit)/ cost	(220)	477	388
Total	**10,392**	**9,847**	**23,008**

7. Exceptional items

	Six months ended		Year ended
	30 June 2018 US$'000	30 June 2017 US$'000	31 December 2017 US$'000
Impairment of intangible asset (product development expenditure)	19,959	-	-
Write-off of net product development expenditure incurred in the period	6,636	-	-
Recognition of onerous customer contract provision	164	-	-
Exceptional items included in (loss)/ profit before income tax	**26,759**	**-**	**-**
Derecognition of net deferred tax asset	2,397	-	-
Exceptional items included in income tax expense	**2,397**	**-**	**-**
Total	**29,156**	**-**	**-**

Impairment of intangible asset (product development expenditure)
The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. An impairment charge of US$20.0m was recorded at 31 December 2018 based on an impairment review of capitalised product development costs performed at that date. We have investigated whether the conditions that existed at 31 December 2018 which gave rise to the requirement for an impairment of the product development costs also existed at 30 June 2018 and are satisfied that they did. Accordingly, we have decided that an impairment charge of US$20.0m should be recognised in the six months to 30 June 2018, which represents the net book value of the product development intangible asset at the statement of financial position date (US$23,149,000) net of the expected amortisation charge to be recorded in the six month period to 31 December 2018 (US$3,190,000).

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

Write-off of net product development expenditure incurred in the period
An amount of US$6.6m was incurred by the Group during the six months ended 30 June 2018 in respect of development expenditure. As mentioned above, the Group is currently reviewing, under a new management team, its approach to market and its platform development activities. As a result, it is uncertain as to whether the specific enhancements to the platform in the period to 30 June 2018 will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have concluded that the net product development cost incurred in the six months to 30 June 2018 of US$6.6m did not meet the recognition criteria for capitalisation set out in paragraph 21 of IAS 38, *Intangible Assets*. The classification of this development expenditure expense as an exceptional item in the period reflects the materiality and size of the expense.

Recognition of onerous customer contract provision
On a particular customer contract, costs incurred to date and expected costs to complete the contract are anticipated to be in excess of expected total contract revenues and, accordingly, an onerous contract provision of US$164,000 has been recognised at 30 June 2018 (see also Note 8 below).

Derecognition of net deferred tax asset
Having considered the uncertainties as to the future profitability of the Group and its trading subsidiaries, the Directors have determined that it is not appropriate to recognise deferred tax assets in respect of losses carried forward and research and development tax credits. Accordingly, an amount of US$2.4m has been derecognised in the six months ended 30 June 2018 and charged to income tax expense in the consolidated statement of profit or loss. The classification of this derecognition as an exceptional item in the period reflects its materiality and size.

8. Other gains/ (losses)

	Six months ended		Year ended
	30 June 2018 US$'000	30 June 2017 US$'000	31 December 2017 US$'000
Net foreign exchange gain	148	111	69
Recognition of onerous customer contract provision (Note 7)	(164)	-	-
Net total	**(16)**	**111**	**69**

9. Trade and other receivables and contract assets

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Current trade and other receivables and contract assets			
Trade receivables	6,862	6,521	3,306
Less: allowance for expected credit losses on trade receivables	(820)	-	(31)
Trade receivables – net	**6,042**	**6,521**	**3,275**
Contract assets	2,355	-	-
Less: allowance for expected credit losses on contract assets	(76)	-	-
Contract assets – net	**2,279**	**-**	**-**
Research and development tax credits	423	351	257
Prepayments	1,476	967	830
Accrued income	-	10,866	9,984
VAT receivable	165	500	733
Other receivables	290	-	74
Total other receivables	**2,354**	**12,684**	**11,878**
Total current trade and other receivables and contract assets – net	**10,675**	**19,205**	**15,153**
Non-current trade and other receivables and contract assets			
Contract assets – gross and net	**607**	**-**	**-**
Research and development tax credits	348	430	329
Accrued income	-	2,564	-
Total other receivables	**348**	**2,994**	**329**
Total non-current trade and other receivables and contract assets – net	**955**	**2,994**	**329**
Total trade and other receivables and contract assets	**11,630**	**22,199**	**15,482**

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

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
US dollar	6,217	9,052	6,979
Euro	3,502	10,656	5,693
Pound sterling	105	167	35
Chinese renminbi	-	76	583
Total	**9,824**	**19,951**	**13,290**

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

10. Borrowings

Financial lease liabilities

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Non-current	159	274	458
Current	408	334	336
Total borrowings	**567**	**608**	**794**

At 30 June 2018, the carrying amounts of the Group's borrowings were primarily denominated in euro. Lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default. The fair value of the finance leases has been determined using discounted cash flow analysis, where the inputs required (the payments and discount rates) are observable and do not require significant estimation (Level 2 fair value in the fair value hierarchy).

11. Trade and other payables

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Trade payables	6,751	7,067	6,964
Accruals	4,755	6,334	5,855
Deferred income	-	2,927	2,826
Customer advances	-	3,000	2,475
Pension contributions	55	186	132
Social security and other taxes	2,512	1,524	725
Dividend payable (Note 20)	3,866	-	-
Other payables	65	101	165
Total current trade and other payables	**18,004**	**21,139**	**19,142**
Total non-current trade and other payables (lease incentives)	**241**	**208**	**113**
Total trade and other payables	**18,245**	**21,347**	**19,255**

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

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

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
US dollar	5,661	4,754	5,643
Euro	1,058	2,048	865
Pound sterling	19	264	446
Chinese renminbi	13	1	6
Australian dollar	-	-	4
Total	**6,751**	**7,067**	**6,964**

12. Income tax

	Six months ended		Year ended
	30 June 2018 US$'000	**30 June 2017 US$'000**	**31 December 2017 US$'000**
Current tax			
Income tax expense	213	6	244
Deferred tax			
Recognition of deferred tax asset	-	-	(321)
Derecognition of net deferred tax asset	2,397	-	-
Income tax expense/ (credit) for the period	**2,610**	**6**	**(77)**

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

As also explained in Note 7, having considered the uncertainties surrounding the future profitability of the Group and its trading subsidiaries, the Directors have determined that it is not appropriate to recognise deferred tax assets in respect of losses carried forward and research and development ("R&D") tax credits. Accordingly, an amount of US$2.4m has been derecognised in the six months ended 30 June 2018 and charged to income tax expense in the consolidated statement of profit or loss. The classification of this derecognition as an exceptional item in 2018 reflects its materiality and size. The US$2.4m of net deferred tax assets which were carried as of 31 December 2017 had been recognised on losses carried forward and R&D tax credits in respect of Datalex (Ireland) Limited for an amount of US$3.9m, and in respect of Datalex USA, Inc. for an amount of US$1.7m. In addition, an amount of US$3.3m was recognised in Datalex (Ireland) Limited in respect of deferred tax liabilities arising on capitalised development expenditures.

The 2017 tax credit relates mainly to the recognition of deferred tax losses forward which was addressed in Note 6 of the Group's 2017 Annual Report, together with an explanation of the key judgements involved.

13. (Loss)/ earnings per share

Basic	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
(Loss)/ Profit attributable to ordinary shareholders (US$'000)	(33,072)	1,598	7,060
Weighted average number of ordinary shares outstanding	76,454,463	75,212,783	75,763,895
Basic (loss)/ earnings per share (in US$ cents)	**(43.26)**	**2.12**	**9.32**

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

Diluted	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
(Loss)/ Profit attributable to ordinary shareholders (US$'000)	(33,072)	1,598	7,060
Weighted average number of ordinary shares outstanding – basic	76,454,463	75,212,783	75,763,895
Adjustment for share options and share awards	-	3,307,317	3,243,152
Weighted average number of ordinary shares outstanding – diluted	76,454,463	78,520,100	79,007,047
Diluted (loss)/ earnings per share (in US$ cents)	**(43.26)**	**2.04**	**8.94**

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

No share options have been included in the calculation of diluted earnings per share because they are anti-dilutive for the six months ended 30 June 2018 due to the loss recorded by the Group. The share options could potentially dilute basic earnings per share in the future. The weighted average potential dilutive impact of share options at 30 June 2018 amounted to 2,219,476 shares (31 December 2017: 2,581,626 shares treated as dilutive). A total of 442,128 share options under the 2012 Group Share Option Scheme have been excluded from the number of potential dilutive shares as at 30 June 2018 as performance conditions have not yet been achieved (31 December 2017: 152,178 share options were excluded).

No JSOP or Deferred Share Scheme share awards have been included in the calculation of diluted earnings per share for the six months ended 30 June 2018 as these are anti-dilutive due to the loss recorded by the Group. The share awards could potentially dilute basic earnings per share in the future. The weighted average potential dilutive impact of share awards at 30 June 2018 amounted to 436,063 shares (31 December 2017: 661,526 shares treated as dilutive). At 30 June 2018, no deferred share awards were excluded from the potential dilutive share calculation as the performance conditions attached to them had been met (31 December 2017: no deferred share awards were excluded).

As previously disclosed in Note 2, certain adjustments have been made to the condensed consolidated interim financial statements for the six months ended 30 June 2018 to reflect the correction of misstatements contained in the financial statements as originally published on 28 August 2018. The impacts of the adjustments on basic and diluted earnings per share in the period, which arise due to changes in the result for the period and the non-recognition of anti-dilutive share options and share awards in the restated diluted earnings per share calculation, are as follows:

13. (Loss)/ earnings per share (continued)

	As originally reported	Adjustments	As now reported
Basic			
(Loss)/ Profit attributable to ordinary shareholders (US$'000)	1,994	(35,066)	(33,072)
Weighted average number of ordinary shares outstanding	76,454,463	-	76,454,463
Basic earnings/ (loss) per share (in US$ cents)	**2.61**	**(45.87)**	**(43.26)**
Diluted			
(Loss)/ Profit attributable to ordinary shareholders (US$'000)	1,994	(35,066)	(33,072)
Weighted average number of ordinary shares outstanding	79,110,002	(2,655,539)	76,454,463
Diluted earnings/ (loss) per share (in US$ cents)	**2.52**	**(45.78)**	**(43.26)**

14. Intangible assets

	Software US$'000	Product development US$'000	Total US$'000
Period to 30 June 2017			
Opening net book value	555	18,623	**19,178**
Additions	34	5,882	**5,916**
Amortisation charge	(123)	(2,513)	**(2,636)**
Closing net book value	**466**	**21,992**	**22,458**
Year ended 31 December 2017			
Opening net book value	555	18,623	**19,178**
Additions	43	13,127	**13,170**
Government research and development tax credit assistance	-	(437)	**(437)**
Amortisation charge	(235)	(5,046)	**(5,281)**
Closing net book value	**363**	**26,267**	**26,630**
At 31 December 2017			
Cost	2,299	72,900	**75,199**
Accumulated amortisation	(1,936)	(46,633)	**(48,569)**
Closing net book value	**363**	**26,267**	**26,630**
Period to 30 June 2018			
Opening net book value	363	26,267	**26,630**
Additions (Note 7)	-	-	**-**
Amortisation charge	(112)	(3,118)	**(3,230)**
Impairment charge (Note 7)	-	(19,959)	**(19,959)**
Closing net book value	**251**	**3,190**	**3,441**
At 30 June 2018			
Cost	2,299	72,900	**75,199**
Accumulated amortisation and impairment	(2,048)	(69,710)	**(71,758)**
Closing net book value	**251**	**3,190**	**3,441**

14. Intangible assets (continued)

Capitalised development costs are amortised over a period of three to five years (the majority being amortised over five years) commencing from when the related product is generally available for use.

Impairment of product development expenditure
The Group is currently reviewing, under a new management team, its approach to market and its product development activities. In this context, it is uncertain as to whether our platform investment will be realised through future revenues and whether the intangible asset will generate future economic benefits. An impairment charge of US$20.0m was recorded at 31 December 2018 based on an impairment review of capitalised product development costs performed at that date. We have investigated whether the conditions that existed at 31 December 2018 which gave rise to the requirement for an impairment of the product development costs also existed at 30 June 2018 and are satisfied that they did. Accordingly, we have decided that an impairment charge of US$20.0m should be recognised, which represents the net book value of the product development intangible asset at 30 June 2018 net of the amount of amortisation expected to be charged in the six months ended 31 December 2018 of US$3,190,000 (see also Note 7).

Write-off of product development expenditure incurred in the six months to 30 June 2018
An amount of US$6.6m was incurred by the Group during the six months ended 30 June 2018 in respect of development expenditure. The Group is currently reviewing its approach to market and its platform development activities. In this context, it is uncertain as to whether our platform investment in 2018 will be realised through future revenues and whether the intangible asset will generate future economic benefits. Accordingly, we have concluded that the net product development cost incurred in the six months to 30 June 2018 of US$6.6m did not meet the recognition criteria for capitalisation set out in paragraph 21 of IAS 38. This development expenditure has been classified as an exceptional item in the six months ended 30 June 2018 within Note 7, due to the materiality and size of the expense.

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

15. Deferred contract fulfilment costs

The movements in the contract fulfilment costs asset in the period were as follows:

	30 June 2018 US$'000	31 December 2017 US$'000
At start of period	**-**	**-**
Implementation of IFRS 15 on 1 January 2018 – recognition of deferred contract fulfilment costs (Note 3)	9,467	-
Costs incurred to fulfil customer contracts in period	1,026	-
At end of period	**10,493**	**-**

The deferred contract fulfilment costs asset at 30 June 2018 is analysed as follows:

	30 June 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Current			
Costs incurred to fulfil customer contracts	-	-	-
Non-current			
Costs incurred to fulfil customer contracts	10,493	-	-
Total	**10,493**	**-**	**-**

15. Deferred contract fulfilment costs (continued)

Deferred contract fulfilment costs arise from customer service contracts and comprise staff and contractor/ outsource partner costs incurred up to 30 June 2018. These costs are being deferred under IFRS 15 and will be recognised in profit or loss as the related performance obligations are fulfilled.

The Directors are of the opinion that the contract fulfilment costs of US$10.5m at 30 June 2018 will be recovered by offset against related contract liabilities of US$10.4m or from related future revenues, and that deferral of such costs continues to be appropriate.

The deferred costs will be amortised on a systematic basis consistent with the pattern of the transfer of the services to which the asset relates, generally the licence term. There was no transfer of the service to which the asset relates in the six months ended 30 June 2018 and as a result there was no associated amortisation.

16. Contract acquisition costs

	Total US$'000
At 1 January	-
Implementation of IFRS 15 on 1 January 2018 – contract costs arising on capitalisation of incremental commission costs (Note 3)	643
Additions	219
Amortisation charge	(86)
At 30 June	**776**
At 30 June 2018	
Cost	**862**
Accumulated amortisation	**(86)**
Closing net book value	**776**

17. Share capital

During the six months to 30 June 2018, 400,950 Datalex plc ordinary shares were issued upon the exercise of employee share options into ordinary share capital (six months ended 30 June 2017: 581,500 ordinary shares issued upon the exercise of employee share options).

18. Cash (used in)/ generated from operations

	Six months ended		Year ended
	30 June 2018 US$'000	30 June 2017 US$'000	31 December 2017 US$'000
(Loss)/ Profit before income tax	(30,462)	1,604	6,983
Adjustments for:			
Finance income	(8)	(15)	(23)
Finance costs	122	298	30
Depreciation	536	541	1,049
Amortisation	3,230	2,636	5,281
Amortisation – contract acquisition costs	86	-	-
Impairment of intangible assets	19,959	-	-
Share-based payments (credit)/ cost	(240)	299	599
Foreign currency gain on operating activities	(148)	(111)	(69)
LTIP provision movement	(220)	151	388
Deferred contract fulfilment costs	(1,026)	-	-
Changes in working capital:			
Trade and other receivables	(631)	(6,899)	(7,354)
Contract assets	1,614	-	-
Trade and other payables	(884)	242	2,749
Other provisions	164	-	-
Contract liabilities	3,960	-	-
Cash (used in)/ generated from operations	**(3,948)**	**(1,254)**	**9,633**

19. Related party transactions

The following transactions were carried out with related parties:

(a) Key management personnel include the two Executive Directors who held office during the period (six months ended 30 June 2017: two Executive Directors), the five Non-Executive Directors (six months ended 30 June 2017: five Non-Executive Directors) and seven members of the senior management team (six months ended 30 June 2017: eight members). Key management compensation comprises:

	Six months ended 30 June 2018 US$'000	Six months ended 30 June 2017 US$'000
Emoluments (including Directors' fees)	1,650	1,476
Benefits under long-term equity settled incentive schemes	4	42
Benefits under long-term cash settled incentive scheme	(83)	32
Contributions to defined contribution schemes (1)	74	58
Total	**1,645**	**1,608**

(1) Retirement benefits accrued in the period to two Directors (six months ended 30 June 2017: two Directors) and seven members of the senior management team (six months ended 30 June 2017: eight members) under a defined contribution scheme.

19. Related party transactions (continued)

The remuneration of, and transactions with, all Non-Executive Directors was as follows:

	Six months ended 30 June 2018 US$'000	Six months ended 30 June 2017 US$'000
Directors' fees	**181**	**161**

Details of related party transactions in respect of the year ended 31 December 2017 are contained in Note 23 of the Datalex plc Annual Report 2017. The Group continued to enter into transactions in the normal course of business with its related parties during the period. There were no transactions with related parties in the first half of 2018 or changes to transactions with related parties disclosed in the 2017 Annual Report that had a material effect on the financial position or performance of the Group.

20. Dividends

A dividend of US$3.8m was paid on 5 September 2018 (year ended 31 December 2017: US$3.8m). This represented a dividend of five US cents per share (2017: five US cents per share) which was paid to shareholders who were on the register at 3 August 2018. This dividend was proposed by the Board of Directors on 22 March 2018 and approved by shareholders on 18 June 2018. The dividend is accordingly recorded as a liability at 30 June 2018 in these financial statements based on the estimated amount of the dividend at that date (US$3,866,000) – see Note 11.

Unlawful distribution and dividend received from Datalex (Ireland) Limited
As reported above, Datalex plc paid a dividend to shareholders of US$3.8m on 5 September 2018. To enable the dividend to be paid, Datalex plc received a dividend from its subsidiary, Datalex (Ireland) Limited ("Datalex Ireland") of US$4.0m on 30 May 2018. The dividend payment by Datalex plc had been approved by shareholders at the AGM held on 18 June 2018 and interim financial statements to 31 May 2018 were filed at the Companies Registration Office to support this payment.

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

In accordance with applicable legislation, the dividend of US$4.0m paid by Datalex Ireland to Datalex plc is repayable by Datalex plc at 30 June 2018. Accordingly, an intercompany payable to Datalex Ireland has been recognised for US$4.0m in the financial statements of Datalex plc and the dividend received has been derecognised in the income statement of the Company for the six months to 30 June 2018. As these transactions and balances eliminate on consolidation, there is no impact on these condensed consolidated interim financial statements for the six months ended 30 June 2018.

21. Principal risks and uncertainties

(a) Principal risks:

The principal risks and uncertainties faced by the Group are outlined in the Group's 2017 Annual Report on pages 30 to 33 and in the Group's 2018 Annual Report on pages 14 and 15. The 2017 and 2018 Annual Reports are available on our website *www.datalex.com.* The principal risks and uncertainties remained substantially the same for the remaining six months of the financial year as those outlined in the Group's 2017 Annual Report and 2018 Annual Report.

(b) Litigation and disputes:

On 4 September 2019, the Group received a termination notice from Lufthansa AG ("Lufthansa"). The Group strongly disputes the legality of this notice and has commenced proceedings against Lufthansa in Landgericht Frankfurt (Regional Court of Frankfurt) in order to achieve resolution of the matter. The outcome of this process is currently uncertain but a financial loss to the Group cannot be ruled out.

Other than the customer termination notice matter noted above, there has been no material change in the Group's contingent liabilities in respect of the period ended 30 June 2018 since the approval of the Datalex plc consolidated financial statements for the year ended 31 December 2018.

22. Seasonality

Management do not believe that seasonality has a material impact on the business of the Group. Business performance is impacted by the timing of satisfaction of the performance obligations that the Group has been contracted to provide to customers.

23. Events occurring after the statement of financial position date

As outlined in Note 20, a dividend of US$3.8m was paid on 5 September 2018.

In finalising its 2018 financial results, the Group identified a number of accounting irregularities, which are disclosed in the *Accounting Review and Internal Financial Control Findings* section on page 18 and 19 of the Group's Annual Report 2018. The Group announced a restructuring on 14 February 2019 which has impacted employees and outsourced contractors, and new aggregate equity and debt funding of €10m from IIU Nominees Limited and Tireragh Limited, both related parties, was announced on 14 March 2019. This funding was provided by means of a share placing of €3.9m (completed in March 2019) and a secured loan facility of €6.1m. The first draw down from the facility occurred in June 2019 and the facility was fully drawn down by 30 September 2019.

On 5 December 2018, David Kennedy resigned as a Director of the Company and as Chief Financial Officer, and Dónal Rooney was appointed as a Director and as Chief Financial Officer on that day. On 18 February 2019, Dónal Rooney resigned from his position as a Director. On 12 April 2019, Sean Corkery was appointed as a Non-Executive Director and Deputy Chairman of the Company. The Chief Executive of the Group, Aidan Brogan, resigned his position and his Company Directorship on 1 May 2019, and Sean Corkery subsequently assumed the role of Interim Chief Executive of the Group on 2 May 2019. Niall O'Sullivan joined the Group as Chief Financial Officer and was appointed as a Director on 4 June 2019. On 24 June 2019, Paschal Taggart resigned as Chairman and member of the Board and Sean Corkery was subsequently appointed as Acting Chairman. On 3 October 2019, the Company announced both the appointment of Christine Ourmières-Widener as a Non-Executive Director and of Sean Corkery as CEO of the Company on a permanent basis. On 7 November 2019, David Hargaden was appointed as a Non-Executive Director of the Company and as Chairman of the Board of Directors in place of Sean Corkery.

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

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

23. Events occurring after the statement of financial position date (continued)

On 4 September 2019, the Group received a termination notice from Lufthansa AG (“Lufthansa”). The Group strongly disputes the legality of this notice and has commenced proceedings against Lufthansa in Landgericht Frankfurt (Regional Court of Frankfurt) in order to achieve resolution of the matter.

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

On 12 September 2019, the Group’s auditors, Ernst & Young, informed the Company of their resignation as auditors of the Company with immediate effect. The Company is currently engaged in a process to appoint new auditors.

On 15 November 2019, shareholders approved a re-financing facility agreement (the “Re-financing Facility Agreement”) with Tireragh Limited. Under the terms of the Re-financing Facility Agreement, a further €5m in secured debt funding has been made available to the Company (the “Increased Facility”). The Increased Facility is provided in addition to the existing facility of €6.1m (the “Existing Facility”) and has been coupled with a re-financing of, and a capitalisation of interest payable on, amounts drawn down under the Existing Facility. As of the date of this report, an amount of €2.5m had been drawn down by the Company from the Increased Facility.

There were no other events that would impact on the condensed consolidated interim financial statements for 30 June 2018, up to the date of issue.

24. Impact of adjustments to restated condensed consolidated interim financial statements

The adjustments made to restate the condensed consolidated interim financial statements as originally reported on 28 August 2018 are outlined in Note 2. The impact of these adjustments on the reported condensed consolidated interim statement of financial position, the condensed consolidated interim income statement and the condensed consolidated interim cash flow statement are presented below.

The impact of the restatement adjustments on retained (loss)/ earnings at 30 June 2018, analysed into 1 January 2018 and period to 30 June 2018 components, is as follows:

Retained (loss)/ earnings	***As originally reported***	***Adjustments***			***As restated***
	Unaudited US$'000	**IFRS 15 US$'000**	**Exceptional items US$'000**	**Other adjustments US$’000**	**Unaudited US$'000**
Retained earnings – at 31 December 2017	32,378	-	-	-	32,378
Cumulative restatement adjustments – IFRS 15 and IFRS 9	(163)	(5,676)	-	(699)	(6,538)
Retained (loss)/ earnings – at 1 January 2018	**32,215**	**(5,676)**	**-**	**(699)**	**25,840**
(Loss)/ profit for the period ended 30 June 2018	1,994	3,810	(29,156)	(9,720)	(33,072)
Dividends payable to shareholders	(3,866)	-	-	-	(3,866)
Retained (loss)/ earnings – at 30 June 2018	**30,343**	**(1,866)**	**(29,156)**	**(10,419)**	**(11,098)**

24. Impact of adjustments to restated condensed consolidated interim financial statements (continued)

Condensed Consolidated Interim Statement of Financial Position
as at 30 June 2018 – restated and unaudited

	As originally reported		*Adjustments*		*As restated*
	Unaudited US$'000	**IFRS 15 US$'000**	**Exceptional items US$'000**	**Other adjustments US$'000**	**Unaudited US$'000**
ASSETS					
Non-current assets					
Property, plant and equipment	2,200	-	-	-	2,200
Intangible assets	30,036	-	(26,595)	-	3,441
Deferred contract fulfilment costs	-	10,493	-	-	10,493
Contract acquisition costs	600	176	-	-	776
Financial assets	154	-	-	(154)	-
Deferred income tax assets	2,397	-	(2,397)	-	-
Trade and other receivables	345	-	-	3	348
Contract assets	-	607	-	-	607
Restricted cash	-	-	-	500	500
Total non-current assets	**35,732**	**11,276**	**(28,992)**	**349**	**18,365**
Current assets					
Trade and other receivables	23,066	872	-	(15,542)	8,396
Contract assets	-	(4,231)	-	6,510	2,279
Deferred contract fulfilment costs	-	-	-	-	-
Restricted cash	500	-	-	(500)	-
Cash and cash equivalents	11,946	-	-	-	11,946
Total current assets	**35,512**	**(3,359)**	**-**	**(9,532)**	**22,621**
TOTAL ASSETS	**71,244**	**7,917**	**(28,992)**	**(9,183)**	**40,986**
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Issued ordinary share capital	7,734	-	-	-	7,734
Other issued equity share capital	262	-	-	-	262
Other reserves	7,717	-	-	(446)	7,271
Retained (loss)/ earnings	30,343	(1,866)	(29,156)	(10,419)	(11,098)
TOTAL EQUITY	**46,056**	**(1,866)**	**(29,156)**	**(10,865)**	**4,169**
LIABILITIES					
Non-current liabilities					
Borrowings	408	-	-	(249)	159
Provision (long term incentive plan)	911	-	-	(417)	494
Trade and other payables	170	-	-	71	241
Contract liabilities	-	11,148	-	-	11,148
Total non-current liabilities	**1,489**	**11,148**	**-**	**(595)**	**12,042**
Current liabilities					
Trade and other payables	23,296	-	-	(5,292)	18,004
Contract liabilities	-	(1,365)	-	7,123	5,758
Provision (onerous customer contract)	-	-	164	-	164
Borrowings	159	-	-	249	408
Current income tax and liabilities	244	-	-	197	441
Total current liabilities	**23,699**	**(1,365)**	**164**	**2,277**	**24,775**
TOTAL EQUITY AND LIABILITIES	**71,244**	**7,917**	**(28,992)**	**(9,183)**	**40,986**

24. Impact of adjustments to restated condensed consolidated interim financial statements (continued)

Condensed Consolidated Interim Income Statement
for the six months ended 30 June 2018 – restated and unaudited

	As originally reported	*Adjustments*			*As restated*
	Unaudited US$'000	**IFRS 15 US$'000**	**Exceptional items US$'000**	**Other adjustments US$'000**	**Unaudited US$'000**
Continuing operations					
Revenue from contracts with customers	31,917	2,698	-	(9,882)	24,733
Cost of sales	(23,202)	1,123	(6,636)	(143)	(28,858)
GROSS PROFIT/ (LOSS)	**8,715**	**3,821**	**(6,636)**	**(10,025)**	**(4,125)**
Selling and marketing costs	(3,880)	(6)	-	363	(3,523)
Administrative expenses	(3,011)	(5)	-	283	(2,733)
Net impairment losses on financial and contract assets	-	-	-	(198)	(198)
Impairment of intangible assets	-	-	(19,959)	-	(19,959)
Other gains/ (losses)	148	-	(164)	-	(16)
Other income	-	-	-	206	206
OPERATING (LOSS)/ PROFIT	**1,972**	**3,810**	**(26,759)**	**(9,371)**	**(30,348)**
Finance income	19	-	-	(11)	8
Finance costs	(25)	-	-	(97)	(122)
(LOSS)/ PROFIT BEFORE INCOME TAX	**1,966**	**3,810**	**(26,759)**	**(9,479)**	**(30,462)**
Income tax (expense)/ credit	28	-	(2,397)	(241)	(2,610)
(LOSS)/ PROFIT FOR THE PERIOD	**1,994**	**3,810**	**(29,156)**	**(9,720)**	**(33,072)**

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Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2018 – restated and unaudited (continued)

24. Impact of adjustments to restated condensed consolidated interim financial statements (continued)

Condensed Consolidated Interim Cash Flow Statement

for the six months ended 30 June 2018 – restated and unaudited

	As originally reported		***Adjustments***		***As restated***
	Unaudited US$'000	**IFRS 15 US$'000**	**Exceptional items US$'000**	**Other adjustments US$'000**	**Unaudited US$'0000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash (used in)/ generated from operations	3,069	(552)	(6,636)	171	(3,948)
Income tax received/ (paid)	(6)	-	-	41	35
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	**3,063**	**(552)**	**(6,636)**	**212**	**(3,913)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(219)	-	-	74	(145)
Additions to intangible assets	(6,636)	-	6,636	-	-
Restricted cash	-	-	-	-	-
Additions to contract acquisition costs	(771)	552	-	-	(219)
Additions to financial assets	(154)	-	-	154	-
Interest received	19	-	-	(11)	8
NET CASH USED IN INVESTING ACTIVITIES	**(7,761)**	**552**	**6,636**	**217**	**(356)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares (including share premium)	464	-	-	(195)	269
Proceeds from exercise of JSOP awards	101	-	-	-	101
Dividends paid to shareholders	-	-	-	-	-
Decrease in finance lease liabilities	(115)	-	-	(214)	(329)
Interest paid	(25)	-	-	-	(25)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	**425**	**-**	**-**	**(409)**	**16**
Net decrease in cash and cash equivalents	**(4,273)**	**-**	**-**	**20**	**(4,253)**
Foreign exchange gain on cash and cash equivalents	66	-	-	(20)	46
Cash and cash equivalents at beginning of period	16,153	-	-	-	16,153
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**11,946**	**-**	**-**	**-**	**11,946**

25. Distribution of interim report

This interim report is available on the Group's website *www.datalex.com*. Copies are also available to the public from the Company's registered office at Block U, EastPoint, Dublin, D03 H704, Ireland.