AI Avocado Holding B.V.

Annual Report 2019

CONTENTS

Report from Board of Directors

The Board of Directors present their annual report and audited financial statements for the year ended 31 December 2019 ("the Year").

General information

AI Avocado Holding B.V. ("the Company"), a limited liability company incorporated on 6 November 2013, is the Dutch top holding entity of the group of companies ("the Unit4 Group" or "we") that presents itself to the market as Unit4.

Unit4 is a leading global provider of enterprise applications, empowering people in service organizations. Thousands of organizations – from industries including Professional Services, Public Services, Higher Education and Not for Profit – benefit from our industry-focused solutions, our end-to-end Cloud ERP suite and our best-in-class applications for Financial Management and Performance Management.
All the things we do and each advance we create are driven by our commitment to make things better for everybody that our business affects.

The traditional business model of software vendors selling licenses, support and consultancy services has dramatically changed in the past years, driven by the advent of new technology and customer demand and knowledge. We recognized this opportunity for Unit4 and the over the last few years have undergone a significant transformation programme. We built an infrastructure for development, support and delivery that can support our growth on a global scale and focused our product development on cloud based applications. We believe that as a result we have a stronger position than our traditional and new competitors to capture the evolving market needs.

The Company is organized in two divisions, Unit4 Global business and Unit4 Bedrijfssoftware, the latter being focused on the Benelux market.

Our Global business includes modern cloud-based business applications serving predominantly organizations in people-centric or service industries. This is a business that benefits from scale and global reach. The flagship products of the Unit4 Global business are Unit4 Business World, Unit4 Financials, Unit4 Student Management, Prevero, and Intuo. These products deliver a superior people experience with proven flexibility utilizing the full potential of the latest cloud technologies.

Unit4 Bedrijfssoftware is focused on small and midsized companies as well as accounting firms in the Benelux market. Through this business we offer an integrated solution combining the various aspects of accounting, tax and reporting on one single platform, optimizing the underlying processes through effective use of automation. Accounting firms are able to use this platform to efficiently support their client and provide further insight based on the underlying data while ensuring compliance with local laws and regulation.

The Company is headquartered in the Netherlands. The Unit4 Group employs more than 3,000 people, and has operations in 28 countries across Europe, North America, Asia Pacific and Africa, and distributors around the world for easy, local access to sales, service and support. The local entities within the Unit4 Group act as resellers of global Unit4 products with local add-ons and are proprietors of our region-specific products.

For the legal structure of the Unit4 Group we refer to paragraph 3.2 of the Consolidated Financial Statements.

The Company has a One Tier Board comprising the following members:

Executive Directors:
M. Ettling, CEO (appointed April 15, 2019)
G. Stuart, CFO

Non-Executive Directors:
L. Apotheker, Chairman
C. Ouwinga,
F. Wakeman
A. Hale
J. Woyton (resigned September 24, 2019)

J. Messamore (appointed September 24, 2019)
H. Couturier (appointed October 31, 2019)
L. Solomon (appointed October 31, 2019)

Highlights of 2019

During the year the Company continued to focus its strategy on cloud based products and services in its selected vertical markets allowing organizations to provide a better people experience through the use of our technology. Following the appointment of Mike Ettling as CEO, our mission to drive improved people experience for our employees and customers has been further defined and communicated to our markets and stakeholders. As part of this, the acquisition of Intuo expanded the existing Cloud offering to include Talent and Performance management.

At the start of the year we separated our operations between our global activities and domestic activities. Following a strategic review of the domestic product portfolio, the Board decided to divest a number of local businesses which was largely completed by the end of 2019 and is expected to be finalized in the first half of 2020.
The proceeds will be used to further support the growth in the remaining businesses.

Following the review and divestment, our remaining domestic business was renamed Unit4 Bedrijfssoftware.

The organizational structure of Unit4 Bedrijfssoftware has been further optimized to effectively service the Benelux market in which it operates. A separate board was created with increased autonomy to ensure sufficient flexibility in addressing the local market requirements.

The results of the Domestic business up to the moment of transfer have been presented as part of the result of discontinued operations. The remaining assets and liabilities related to the Domestic business per year-end 2019 have been presented into separate positions under Assets held for sale, Note 7.

The transfer of FinancialForce.com to another entity controlled by Advent International was completed on 8 April 2019. The results up until the moment of transfer have been presented as part of the result on discontinued operations.

Financial overview

In the year under review, the Group adopted IFRS 16 Leases, which results in operating lease contracts being recognized on the balance sheet, rather than disclosed as a future commitment. Both the assets as well as the liabilities have increased due to the recognition of right-of-use Assets and lease liabilities respectively. In addition, the expenses related to the lease contracts are now presented under amortization and finance expenses, instead of operating expenses. The principal payments on leases are now presented as financing cash outflows instead of operating cash outflows.
For further details, refer to note 3.12 and 21 in the Financial Statements.

In 2019, total revenue increased by 1.4% to € 432.8 million (2018: € 426.8 million). Total recurring revenue (SaaS and subscriptions, Contracts revenue) increased 6.4% to € 292.6 million (2018: € 275.0 million), reflecting the general market trend and financial impacts of a shift to subscription revenues.

In line with market trends and our strategy, we are seeing a significant shift from licenses to a SaaS delivery model and this is reflected in the 2019 annual accounts, with SaaS revenue increasing by 16.0% to € 118.0 million from € 101.7 million in 2018. Despite the industry trend, overall licenses revenue showed a minor increase year on year (1.2%).

Services revenue amounted to € 91.1 million (2018: € 103.3 million). The decline was primarily caused by the shift from license to SaaS, which has a lower attach rate for Services, and the creation of a larger ecosystem of partners with capability to deliver our software solutions and hence give us a broader distribution base. We will continue to adjust our software delivery model and simplify implementation processes as we evolve our business model.

Operational result

Operating result before interest, tax, depreciation & amortization (hereafter "operational result") decreased by 14.7 % to € 80.7 million (2018: € 94.6 million), and operational margin decreased to 18.7%, down from 22.2% in 2018.

Operational results were impacted by the following items:

- exceptional costs (business transformation) € 32.0 million (2018: € 28.3 million)
- restructuring costs (cost reduction) € 13.1 million (2018: € 5.8 million)

Unit4's Group EBITDA as adjusted for the above items and at constant currency (December 2019 foreign exchange rates) for the individual businesses is reflected in the table below.

Reconciliation between IFRS 'Operational result' and Unit4 'Group EBITDA'

(in € x millions)	Unit4 Global	Unit4 Bedrijfssoftware	Total
Operating result before interest, tax, depreciation & amortization	64.7	16.0	80.7
Exceptional costs	30.3	1.7	32.0
Restructuring costs	11.0	2.1	13.1
Unit4 Group EBITDA (at actual rates)	106.0	19.8	125.8
Impact IFRS 15 implementation	(4.2)	(0.2)	(4.4)
Impact IFRS 16 implementation	(12.0)	(1.0)	(13.0)
Forex impact (Reported rates[1] vs December 2019 rates)	(0.4)	-	(0.4)
Unit4 Group EBITDA (at December 2019 rates)	**89.4**	**18.6**	**108.0**

Net result

The financial year 2019 shows a net loss from continuing operations of € 137.4 million (2018: loss of € 111.2 million), primarily due to:

- exceptional and restructuring costs amounting to € 32.0 million and € 13.1 million, respectively (2018: € 28.3 million and 5.8 million);
- amortization charges amounting to € 53.7 million on acquisition-related intangibles (2018: € 61.1 million);
- finance costs amounting to € 110.3 million (2018: € 119.3 million) of which € 73.7 million is non-cash (2018: € 83.6 million);
- depreciation and amortization charges on other fixed assets amounting to € 53.9 million (2018: € 36.2 million), which includes € 12.1 million amortization charges on the right-of-use assets recognized under IFRS 16.
- the remaining increase in net loss from continuing operations is mainly related to employee costs.

The profit from the discontinued operations, consisting of FinancialForce.com and the Domestic assets sold in the period, amounts to € 213.1 million in the financial year 2019 (2018: loss of € 63.3 million). This includes the gain on disposals.

The total profit for the year is € 75.7 million (2018: loss of € 174.4 million).

[1] As used in the Consolidated Financial Statements

Divestments

On April 8 2019, the transfer of FinancialForce.com to another entity controlled by Advent International within the same fund structure, was completed. This transfer was done at fair market value. FinancialForce.com is classified as a discontinued operation in the Company's consolidated financial statements for the Year.

The proceeds of the transfer amounting to € 304.2 million have been used to repay part of the subordinated shareholder loan and accrued interest.

Following a strategic review of the Domestic product portfolio, the Board decided to divest a number of assets. The divestment process was largely completed during 2019 and is expected to be finalized in the first half of 2020.
As a consequence, these assets are classified as discontinued operations in the Group's consolidated financial statements as of December 31, 2019 and presented as an asset held for sale in the Company's consolidated balance sheet as at December 31, 2019.

The proceeds received to date amount to € 117.6 million and will be used to further support the growth of the continuing businesses operations.

Acquisitions

In March 2019, Unit4 acquired the Belgian-based company Intuo. Intuo is an HCM (Human Capital Management) software business focused on mid-market professional services organization with a modern, cloud-based Talent, Engagement and Learning suite. The product of Intuo has a continuous performance management capability and is mainly differentiated from competitive offerings through a fully integrated suite covering performance, engagement and learning in a conversational style.

The 2019 consolidated income statement includes Intuo's revenue of € 1.7 million, and its operational result € (2.4) million.

In May 2019, Unit4 acquired the Netherlands-based company JSKS Software-ontwikkeling B.V., previously part of the JSKS Group. Its core product, Fiscaal Gemak, is the Dutch market leading tax software for professionals and intermediaries. Fiscaal Gemak will be integrated in the total product offering of Unit4 Bedrijfssoftware to further complete the range of services on its platform.

The 2019 consolidated income statement includes JSKS's revenue of € 0.8 million, and its operational result of € 2.0 million.

Financing structure

In May 2019, € 4.7 million of the nominal value on the Senior Facility Agreement (SFA) was repaid under the 'mandatory cash sweep' provisions of the agreement. In addition, in July, the Company revised the existing SFA agreement, extending the maturity of the SFA to September 2023 and amending certain provisions.

Our revolving credit facility ("RCF") remained at € 72.0 million (2018: € 72.0 million).

As at year-end 2019, no amounts were drawn under the revolving credit facility (2018: nil).

The changes in the principal amounts of the long-term loans during 2019 are as follows:

(in € x millions)	Subordinated loan	SFA	Other	**Total**
Balance at 1 January 2019	**718.7**	**756.2**	**1.0**	**1,475.9**
Repayment of loans	–	(4.7)	(1.0)	(5.7)
Extension of loan	–	0.8	–	0.8
Accrued interest	59.6	–	–	59.6
Payment of accrued interest	(304.2)	–	–	(304.2)
Foreign exchange	–	0.7	–	0.7
Balance at 31 December 2019	**474.1**	**753.0**	–	**1,227.1**

The subordinated loan accrues interest which is added annually to its principal amount.

Note that the lease liabilities are not incorporated in the table above, as these have no impact on the covenant ratio under the SFA.

Financial position

In 2019, the total equity increased to € 397.5 million negative (2018: € 446.1 million negative), mainly as a result of the profit for the year 2019 of € 75.7 million (2018: loss € 174.4 million). Due to the transfer of FinancialForce.com, the corresponding Non-Controlling Interest is derecognized in 2019.

Risk Management

Unit4's Enterprise Risk Assessment aims to provide a better understanding of the risks that could jeopardize our strategic objectives and future performance. The approach encompasses an overview of the major risk scenarios as well as the Group's risk-bearing capacity and risk appetite. For the identified risks, an individual risk assessment detailing triggers, potential consequences, existing countermeasures as well as ongoing mitigating actions are documented in the risk register. The risk register is updated on a quarterly basis by each of the risk owners and then discussed in the Global Leadership Team and the Audit Committee.

The objectives of the Unit4 Risk Management Framework are to:

- set out the Risk Management objectives and requirements;
- establish a Risk Management structure embedded within the Business Areas, the Corporate Functions and the regions;
- ensure that Risk Management activities are performed in a uniform manner within the Group;
- establish the periodic reporting of risk data to the Global Leadership Team, the Audit Committee and the Board.

The risk register is reviewed and updated as new risks are identified. The financial impact of these risks cannot always be quantified reliably.

The main risks in the risk register are summarized below.

Macroeconomic; Strategic; Compliance risks

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Macro-economic	The Group is impacted by global political and economic events leading to economic downturn in geographies in which the Group operates and resulting in less investments or delayed purchases by customers and hence lower or negative growth. Macro-economic events could also affect the credit risk the Group is exposed to, see the Financial Risk section hereafter.	Moderate	Ongoing economic awareness is fed into annual and quarterly budget and forecasting cycles. Both lead and lag indicators are reviewed and monitored on a monthly and quarterly basis, globally and for every region. Flexibility in the business model regarding costs, and especially employee costs, implemented to provide the Group with the ability to flex resources up and down to respond to external market conditions.
Strategic	The Group's strategy as defined is inappropriate or ineffectively executed and fails to deliver on the Group's strategic goals.	Moderate: right balance between risk and long-term return	To ensure the relevance and effectiveness of the strategy, the long-term plan is evaluated annually, and approved by the Global Leadership Team and the Board. It is supported by an annual budget and annual operating plan, with performance monitored on a regular basis by the Board and the Global Leadership Team. Areas for acquisitions and divestments are clearly identified in the strategic plan defined and approved by the Board. Ongoing active sourcing and management of potential targets.

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Compliance with Laws/ Regulations	The Group has ineffective systems and processes to ensure up-to-date knowledge and compliance with relevant legislation leading to breaches and the resulting consequences of penalties and sanctions for the Group and its officers and employees with consequent damage to reputation and brand and potential financial losses.	Low: full compliance with legal and regulatory environments	Group General Counsel is responsible for overseeing the regulatory framework, supported by a delegation of authorities. The policies and procedures as well as standard sales and supplier agreements are regularly updated, supported by a communications plan and fit for purpose trainings regime. In its day-to-day business operations, the Group has the goal to fully comply with relevant legislation and obligations. If there is uncertainty about the interpretation of those relevant laws and regulations it will seek external specialists' advice. The Group has a Corporate Code of Conduct in place. Following the company-wide mandatory refresher training in late 2018, a new training programme is being developed covering not only the Code of Conduct by itself, but also further topics such as the whistleblower policy and anti-bribery regulations. The training is expected to be rolled out in the first half of 2020. General Data Protection Regulation ("GDPR") and further privacy regulation continue to be important following their implementation. Under the supervision of the Data Protection Officer, GDPR adherence is continuously monitored by the respective business owners. The Data Protection Officer continues to create further privacy awareness, strengthen the privacy network and ensure that policies and processes are known. Review of tax framework and strategy undertaken by the central team, supported by external experts on specific areas. Ongoing monitoring of fiscal and regulatory compliance is in place to address issues that may arise.

Operational risks

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Growth	The Group fails to meet growth ambitions and targets due to inadequate brand awareness, uncompetitive products, overselling, underperformance of implementation services or inadequate go-to-market model and execution.	Moderate: alignment of targets and related costs	The Group has clearly defined the Global business and Unit4 Bedrijfssoftware strategy and targets to allow for a tailormade approach to these different markets. For both businesses, further marketing activities were developed to increase brand awareness in the target markets. An ongoing program to engage with analysts and digital marketing campaigns is up and running, with ongoing monitoring of effectiveness. The Chief Product Officer organization actively monitors the market, technology and customer trends, to ensure that the product development team continues to develop existing products and new products to meet market demands. The direct go-to-market strategy is now running with a revised coverage model to support both growth and customer success, with implementation of customer acquisition, customer success, and inside sales capabilities, complemented with centres of excellence for key target verticals. Established cloud transformation team to focus on improving cloud delivery capabilities and shorten the time to go live. Centralized the cloud operations and support teams to reduce support backlog and shorten resolution times. The Group developed value accelerators and standard industry configurations to shorten the implementation cycles and apply industry best practices to better meet customers' requirements. Both lead and lag measures are operational across verticals, geographies, and channels to ensure effective monitoring of progress.

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Information Security	The Group may be subject to attacks or failures leading to breaches of legislation or loss of information (including data or IP theft) resulting in brand and reputational damages plus financial and legal sanctions against the Group, its officers and customers.	Low	The information security policies are based on industry best practices. Controls are implemented, risk based and improvement activities are planned based on priorities and risk appetite. These are continuously evaluated under the supervision of the Chief Information Security Officer and adjusted as needed to address recent developments presenting a risk to the Group and ensure that the risks identified are sufficiently mitigated. As an additional safeguard cybercrime insurance is in place. Where required, the effectiveness of (security) controls is demonstrated via certification & third party assurance reports.
People	The Group fails to establish a strong employer brand and supporting infrastructure leading to its inability to attract and retain high calibre people leading to loss of competitiveness and business interruption	Moderate to high	A Global HR organization is in place supported by the HR centres of excellence. Ongoing investments in employer brand are made to drive attractiveness of Unit4 as an employer of choice. A relaunch of the brand and underlying Company values has been performed to clearly communicate the mission of the organization to people inside and outside of the organization. A global job framework established to cover all business areas and functions, along with a more standardized compensation and benefits framework. The newly acquired talent management tool Intuo has been implemented during 2019 in order to drive continuous employee engagement and feedback. Various initiatives were launched to further support the development of our employees and reduce attrition, which includes the deployment of a global onboarding program as well as a global talent program.

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Product - Innovation	The Group fails to identify, track and respond to market and technological developments in the ERP market place leading to lack of product innovation and ability to compete with rival offers.	Low to moderate	Portfolio Board overseeing product strategy and execution governance, supported by product marketing and product management. Ongoing review of market developments with analysts, customer win-loss analysis and other marketing research to ensure product roadmap delivers appropriate level of innovation for ongoing market competitiveness. Innovation group identifying potential market development opportunities, starting incubation then handing over to the developments teams (e.g. self-driving ERP, digital assistant). Strategic partnership with Microsoft agreed and in execution for Unit4 Cloud offering.

Financial Risk

Risk Areas	Risk description	Risk appetite	Control Measurements and / or mitigating factors
Currency	The Group's results, which are reported in Euro but are generated with a substantial portion in other currencies, are negatively impacted by fluctuations between the reporting currency and the various functional currencies in the economic regions in which the Group's operating companies are active.	Moderate: the currency exposure of the net investments in foreign activities is not hedged. Only specific transactions with a high currency exposure are hedged with derivatives.	The Group uses, where it is deemed necessary, currency derivatives, such as forward contracts, to secure certainty in its cash flows and results as much as possible.
Interest	The Group is exposed to floating interest payments under long term financing agreements with 3rd parties, resulting in higher cash outflows.	Low to moderate	The Group's actual cash position, including the consolidated cash balances in each currency, is continuously monitored and managed by the Corporate Finance Department. In March 2018, the Group's interest derivatives matured and were not extended at that point in time. The Group continues to assess its long-term exposure to volatility in interest rates. The working capital financing needs generally are financed against floating interest. The impact of any upward direction of the floating interest rate is limited as these finance needs generally are smaller, given the current excess cash position, and short-term nature.
Credit	The Group is unable to collect its accounts receivable.	Low	The Group assesses the credit status of new customers, and when there is an immediate cause also for existing customers, using a standardized procedure in which, when deemed necessary, advice is obtained from external credit reference agencies. A large part of the Group's revenue is pre-billed on an annual basis. Where a customer does not pay, the support, maintenance or service may be stopped until payment. In some cases, the Group limits the associated risks through validation software based on annually changing pin codes that only allow use of the software after payment by a customer has been made.

Risk Areas	Risk description	Risk appetite	Control Measurements and/or mitigating factors
Liquidity	The Group has insufficient liquidity.	Low	The Group has a daily cash management process in place which monitors the daily cash inflows and outflows. The Group also has a Planning & Control process which includes the analysis of liquidity budgets for a period of 12 months ahead and also has a Revolving Credit Facility (RCF) which is used to cover short term liquidity requirements.

Covid-19

The outbreak of the Coronavirus represents a new risk which emerged in the course of 2020. What started as a localized virus outbreak in China has developed into a global pandemic. As a global business, Unit4 is exposed to a potential economic threat to its activities in many territories.

Our first priority has been to ensure the safety of our staff and their families. We have taken all steps recommended by Governments in the respective territories in which we operate. Amongst others, we have instigated a 'working from home' policy and all business related travel is restricted. We continue to monitor the situation and adapt the measures taken as required.

In addition, measures have been taken to ensure the business can continue to operate as usual as far as possible. Following our strategy in recent years, most of our products are cloud-based. We have invested in the underlying infrastructure to ensure our software continues to operate without interruption.
Using the infrastructure in place in combination with modern communication technology, our consultants are able to provide their services remotely and can continue to work on existing and future projects and assignments.

We continue to evaluate the effectiveness and operation of our Business Continuity Plans on an ongoing basis to ensure there is no interruption to the services provided both internally and to customers to determine whether additional measures are required.

The impact and reaction to the Covid-19 pandemic is unprecedented and the uncertainty created for businesses is difficult to precisely determine or quantify. However, we are confident that Unit4 is able to continue as a going concern, based on the following considerations:

- The overall revenue base is stable, given that the majority of our revenues is recurring in nature (SaaS and maintenance contracts) and is expected to continue in the near future. In addition, following the measures taken, our consultants can continue to work remotely on current projects.
- We have access to sufficient liquidity to ensure we are able to fund the business in the foreseeable future.
- Our customer base is well diversified over different geographies as well as industries, including the governmental and public sector. We continue to monitor the outstanding receivable balances, but no significant collection or default risks were identified in the existing customer portfolio.
- The covenant headroom is sufficient and no breach is expected at this stage as a result of our liquidity and stable revenue base.

Remuneration

The goal of the remuneration policy is to attract, motivate and retain talented people, who will act for the benefit of all stakeholders in the Group. The remuneration consists of fixed and variable components and the Remuneration Committee ensures the proper balance between these components to align the interest of the Group and the individual as far as possible.

Based on the articles of association of the Group and the Rules governing the Board's Remuneration Committee, the remuneration of the Non-Executive Directors is determined by the general shareholders meeting and the remuneration of the Executive Directors is determined by the Non-Executive Directors.

The Board's Remuneration Committee prepares a yearly proposal concerning the individual remuneration of the Executive Directors, to be adopted by the Non-Executive Directors. The remuneration of the members of the Global Leadership Team is determined by the CEO, with approval of the Board's Remuneration Committee.

Research and development activities

In order to best serve our customers, we continue to transition our product portfolio into a single Unit4 suite, where the products work together and add value to each other. The suite is designed around four areas which our customers require to run their business:

- a fully-fledged and integrated ERP solution;
- best-in-class applications for specific processes or regions;
- deep industry functionality that creates sustainable market differentiation;
- underpinned by a strong platform enabling our offerings to work together based on one user experience, one integration framework as well as one foundation providing the capabilities driving the Digital Revolution: Social, Mobile, Analytics (big data) and Cloud.

We determine our investment priorities through:

- prioritizing product portfolio investment according to performance and potential;
- prioritizing our investments following market-centric product roadmaps; and
- continuing to centralize our development efforts for all global products in countries where highly qualified labour is available at affordable cost.

Future outlook

For 2020 we will focus on the main drivers for growth, by increasing our investments in our core products and their cloud delivery, while maintaining our profit margins. Due to the higher degree of autonomy of the Global Business and Unit4 Bedrijfssoftware, both business will be able to determine the best course of action more independently considering the developments in each of the respective markets while still being able to utilize the common infrastructure.
We will continue to explore possibilities for strategic acquisitions.
No further changes are anticipated in the financing structure as the forecast operating cash flows in combination with the extension of the SFA up until September 2023, are expected to be sufficient to support the liquidity needs in the upcoming period.

For 2020 we will continue to invest in the development of our employees to achieve the overall goals set out in the remuneration policy as described above. We do not anticipate significant changes in our existing workforce based on our current business and related operations.

Subsequent events during 2020

In 2020, the outbreak of the Coronavirus evolved from a localized virus outbreak in China into a global pandemic. As a global business, Unit4 is exposed to a potential economic threat to its activities in many territories. Our first priority has been to ensure the safety of our staff and their families. We have taken all steps recommended by Governments in the respective territories in which we operate. We continue to monitor the situation and adapt the measures taken as required.

In addition, we have taken measures to ensure the business can continue to operate as usual as far as possible. As our products are mostly cloud based and our consultants have the ability to work remotely, we can continue to provide our services without interruption.

While the impact of the Covid-19 pandemic is unprecedented and the uncertainty created for businesses is difficult to precisely determine or quantify, we are confident that Unit4 is able to continue as a going concern given its stable revenue and customer base and access to liquidity.

April 24th, 2020

The Board of Directors,

L. Apotheker
Non-Executive Director

F. Wakeman
Non-Executive Director

J. Messamore (appointed September 24, 2019)
Non-Executive Director

C. Ouwinga
Non-Executive Director

H. Couturier (appointed October 31, 2019)
Non-Executive Director

L. Solomon (appointed October 31, 2019)
Non-Executive Director

A.C. Hale
Non-Executive Director

M. Ettling (appointed April 15, 2019)
Executive Director, CEO

G. Stuart
Executive Director, CFO

Consolidated Financial Statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

(in € x 1,000)	Notes	2019	2018*
Continuing operations			
Revenue from contracts with customers	9		
SAAS and Subscriptions		117,986	101,732
Licenses		49,017	48,449
Maintenance		174,628	173,280
Services and other		91,138	103,293
Total Revenue		**432,769**	**426,754**
Cost of sales	10	(54,225)	(48,033)
Gross profit		**378,544**	**378,721**
Employee costs	11	(234,344)	(205,833)
Other operating expenses	13	(63,454)	(78,264)
Operating result before interest, tax, depreciation & amortization		**80,746**	**94,624**
Depreciation and amortization	14	(107,587)	(97,291)
Operating result before interest, tax		**(26,841)**	**(2,667)**
Finance costs	15	(110,338)	(119,287)
Finance income	16	793	2,419
Share of profit / (loss) of associates		(263)	82
Profit / (loss) before tax		**(136,649)**	**(119,453)**
Income taxes (expense) / benefit	17	(721)	8,275
Profit / (loss) for the year from continuing operations		**(137,370)**	**(111,178)**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	7	213,056	(63,268)
Profit for the year		**75,686**	**(174,446)**
Profit / (loss) for the year attributable to:			
Owners of the Company		80,350	(144,463)
Non-Controlling Interests		(4,664)	(29,983)
		75,686	**(174,446)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		10,016	20,259
Reclassification to statement of profit or loss		(40,678)	-
Other comprehensive income for the year, net of income tax		**(30,662)**	**20,259**
Total comprehensive income / (loss) for the year		**45,024**	**(154,187)**
Total comprehensive income for the year attributable to:			
Owners of the Company		47,363	(130,460)
Non-Controlling Interests		(2,339)	(23,727)
		45,024	**(154,187)**

* The comparative numbers have been adjusted to reclassify the results from discontinued operations to the related line-item. For further details, refer to note 7.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December

(in € x 1,000)	Notes	2019	2018*
Assets			
Non-current assets			
Goodwill	18	495,812	502,529
Other intangible assets	18	309,810	332,590
Property, plant and equipment	20	19,946	23,916
Right-of-use assets *	21	32,369	-
Investments in associates and joint ventures	8	3,771	4,607
Deferred tax assets	17	14,231	13,337
Other financial assets	22	10,214	980
Total non-current assets		**886,153**	**877,959**
Current assets			
Contract assets	23	32,326	22,110
Trade and other receivables	24	87,201	96,499
Current tax assets	17	4,961	8,857
Cash and cash equivalents	25	110,733	69,061
Total current assets		**235,221**	**196,527**
Assets held for sale	7	23,649	417,333
Total assets		**1,145,023**	**1,491,819**

* The Group has initially applied IFRS 16 using the modified retrospective method therefore there is no requirement to restate 2018 figures. For further details we refer to note 2.1.

Consolidated statement of financial position – continued

(in € x 1,000)

	Notes	2019	2018
Equity and liabilities			
Capital and reserves			
Issued capital and share premium	26	349,351	349,351
Share-based payments reserve	12	6,190	5,467
Foreign currency translation reserve	27	(2,979)	30,008
Retained earnings		(750,056)	(830,888)
Equity attributable to owners of the Company		(397,494)	(446,062)
Non-Controlling Interests	7	-	123,548
Total equity		**(397,494)**	**(322,514)**
Non-current liabilities			
Borrowings	28	1,216,487	1,461,394
Lease liabilities	21	25,582	-
Deferred tax liabilities	17	28,346	19,413
Provisions	30	7,772	6,315
Other liabilities	33	4,034	1,963
Total non-current liabilities		**1,282,221**	**1,489,085**
Current liabilities			
Borrowings	28	-	1,000
Lease liabilities	21	11,718	-
Other financial liabilities	29	10,329	2,438
Trade and other payables	32	28,839	15,895
Current income tax liabilities	17	28,364	23,919
Provisions	30	5,894	6,330
Contract liabilities	31	92,993	90,032
Other liabilities	33	76,249	80,855
Total current liabilities		**254,386**	**220,469**
Liabilities directly associated with the assets held for sale	7	5,910	104,779
Total liabilities		**1,542,517**	**1,814,333**
Total equity and liabilities		**1,145,023**	**1,491,819**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

(in € x 1,000)	Share capital/ premium	Share-based payments reserve	Foreign currency translation reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	**Total**
Reference	26	12	27			7	
For the year ended 31 December 2019							
Balance at 1 January 2019	**349,351**	**5,467**	**30,008**	**(830,888)**	**(446,062)**	**123,548**	**(322,514)**
Effect of adoption of new accounting standards (note 2.1)	–	–	–	446	446	–	446
Balance at 1 January 2019 (restated)	**349,351**	**5,467**	**30,008**	**(830,442)**	**(445,616)**	**123,548**	**(322,068)**
Profit/(Loss) for the year	–	–	–	80,350	80,350	(4,664)	75,686
Other comprehensive income for the year, net of income tax	–	–	(32,987)	–	(32,987)	2,325	(30,662)
Total comprehensive income for the year	–	–	(32,987)	80,350	47,363	(2,339)	45,024
Change in NCI	–	–	–	36	36	(36)	–
Discontinued Operations	–	–	–	–	–	(121,173)	(121,173)
Share-based compensation	–	723	–	–	723	–	723
Balance at 31 December 2019	**349,351**	**6,190**	**(2,979)**	**(750,056)**	**(397,494)**	**–**	**(397,494)**

(in € x 1,000)	Share capital/ premium	Share-based payments reserve	Foreign currency translatio n reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	**Total**
Reference	26	12	27			7	
For the year ended 31 December 2018							
Balance at 1 January 2018	**349,351**	**6,157**	**15,849**	**(685,635)**	**(314,278)**	**127,878**	**(186,400)**
Effect of IFRS 15 correction discontinued operations (note 7)	–	–	156	8,821	8,977	5,395	14,372
Balance at 1 January 2018 (restated)	**349,351**	**6,157**	**16,005**	**(676,814)**	**(305,301)**	**133,273**	**(172,028)**
Profit/(Loss) for the year	–	–	–	(144,463)	(144,463)	(29,983)	(174,446)
Other comprehensive income for the year, net of income tax	–	–	14,003	–	14,003	6,256	20,259
Total comprehensive income for the year	–	–	14,003	(144,463)	(130,460)	(23,727)	(154,187)
Change in NCI	–	–	–	(9,611)	(9,611)	14,002	4,391
Share-based compensation	–	(690)	–	–	(690)	–	(690)
Balance at 31 December 2018	**349,351**	**5,467**	**30,008**	**(830,888)**	**(446,062)**	**123,548**	**(322,514)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December

(in € x 1,000)	Note	2019	2018
Cash flows from operating activities			
Operating result (EBIT)		(26,841)	18,865
Adjustments for:			
Depreciation, amortization and impairment	14	107,587	105,927
Share-based payment transaction expense	12	723	(690)
Changes in contract assets	18	(4,384)	(4,870)
Change in Provisions	30	927	(10,149)
Change in Goodwill	19	-	7,491
Changes in contingent consideration	6	2,508	–
Changes in Long Term liabilities		(437)	–
Changes in working capital		26,057	6,473
Cash generated from operations		**106,140**	**123,047**
Interest received		736	393
Income tax paid		(4,128)	(7,522)
Net cash generated by operating activities		**102,748**	**115,918**
Cash flows from investing activities			
Investments in intangible assets	18	(35,523)	(38,385)
Acquisition of subsidiaries, net of cash and cash equivalents	6	(76,105)	(7,125)
Proceeds from divestment in subsidiaries	7	117,642	–
Proceeds/(investments) in other financial assets	22	(67)	(86)
Loan to related parties	37	(5,000)	–
Investments in property, plant and equipment	20	(6,368)	(6,578)
Cash flows from investing activities		**(5,421)**	**(52,174)**
Cash flows from financing activities			
(Repayments)/Proceeds from borrowings – short-term	28	(4,903)	(1,000)
Interest and financial expenses paid		(37,899)	(49,728)
Payment of principal portion of lease liabilities	21	(11,885)	–
Net cash used in financing activities		**(54,687)**	**(50,728)**
Movement in cash and cash equivalents		**42,640**	**13,016**
Cash and cash equivalents at the beginning of the year (excl. Disc Ops)		**67,824**	**54,929**
Effects of exchange rate changes on the balance of cash held in foreign currencies		269	1,116
Cash and cash equivalents at the end of the year	25	**110,733**	**69,061**
Of which, cash and cash equivalents related to Discontinued Operations and Assets held for Sale		-	*1,237*
Cash and cash equivalents at the end of the year (excl. Disc Ops)		**110,733**	**67,824**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

AI Avocado Holding B.V. (hereafter "the Company") is a limited liability company and was incorporated on 6 November 2013. AI Avocado Holding B.V. (Chamber of Commerce reference 59163569) and its subsidiaries (together "the Group"). Under its core business, the Group is an international provider of enterprise applications empowering people in service organizations, and delivers ERP, industry-focused applications.

AI Avocado Holding B.V. is the head of the group. The parent of the Group is AI Avocado & Cy SCA (100% shareholding). Its ultimate holding company is Advent International Corporation, Boston United States of America. AI Avocado Holding B.V. has its registered office at Sliedrecht, The Netherlands.

The Financial Statements were authorized for issue by the Board of Directors on 24 April 2020. The adoption of these Financial Statements, including the adoption of the proposed allocation of the net loss for the year ended 31 December 2019, is subject to approval by the shareholders at the General Meeting.

2 Basis of preparation

Statement of Compliance
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as at 31 December 2019, as issued by the Internal Accounting Standards Board ("IASB") and as endorsed for use in the European Union by the European Commission.

Basis of measurement
The Group prepared its consolidated financial statements on a going-concern basis and under the historical cost convention, except for certain financial instruments that have been measured at fair value as discussed in the significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, which market participants would take into account when pricing the asset or liability at the measurement date.
In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

As in 2018, the consolidated financial statements for financial year 2019 are prepared on a going-concern basis.

The Group incurred losses over the last years and reports a negative equity attributable to owners of the parent as at 31 December 2019.

The losses primarily were incurred following high investments in the Group's transformation project, both in terms of building scalable platforms and restructuring the workforce as well as the organizational structure.
This project, however, is largely completed and the Company is now expecting to make a return on these investments, which will generate higher top line growth whilst containing costs to deliver positive operating cash generation.

In 2019, the losses were primarily incurred following:

(i) investments in the Group's transformation project, resulting in one-off investments of € 45.1 million (2018: € 33.7 million). These costs break down into:

   a. exceptional costs amounting to € 32.0 million (2018: € 28.3 million);
   b. restructuring costs amounting to € 13.1 million (2018: € 5.8 million).

(ii) non-cash interest expenses amounting to € 59.6 million (2018: € 78.5 million) on a € 474.1 million (2018: € 718.7 million) subordinated shareholder loan granted by AI Avocado (Luxembourg) Sarl. The proceeds received in relation to the transfer of FinancialForce.com were used to lower the outstanding balance, resulting in a reduction of the interest expenses.

(iii) non-cash, acquisition-related amortization charges of € 53.7 million (2018: € 61.1 million);

(iv) the amortization of capitalized debt financing costs amounting to € 4.2 million (2018: € 5.1 million).

The operating result has increased significantly over the years, totaling € 80.7 million over 2019 (2018: € 94.6 million).

The company's cash balance has further increased year-on-year and amounts to € 110.7 million (2018: € 69.1 million). The increase is attributable to the strong operating cash flows over the years, which:
- Operating cash flow: € 102.7 million (2018: € 115.9 million)
- Investment cash flow: € -5.4 million (2018: € -52.2 million)
- Finance cash flow: € -54.7 million (2018: € -50.7 million)
- Net cash flow: € 42.6 million (2018: € 13.0 million)

The decrease in operating cash flows compared to 2018 is primarily the result of the lower EBITDA in 2019 compared to previous years. The operating cash flows of 2018 still included the cash flows from the Domestic business which was sold in 2019. The operating cash flows of the Domestic business amounted to € 31.3 million in 2018. In addition, due to the application of IFRS 16, principal payments on leases are presented as part of the finance cash flows instead of operating cash flows in 2019. Correcting for the impact of the divested business and the presentation of the principal lease payments, the operating cash flows increased by € 6.3 million.

The cash flow from investing activities was strongly influenced by the divestment of the domestic business as well as the acquisitions of Intuo and Fiscaal Gemak. The net impact of these activities on the cash flows amounted to € 41.5 million (2018: € -7.1 million). The remaining cash flows from investing activities are comparable YoY.

The finance cash flow of 2019 was affected by a repayment of € 4.7 million of the nominal value on the Senior Facility Agreement (SFA), which was repaid under the 'mandatory cash sweep' provisions of the agreement. In addition, costs were incurred in relation to the extension and amendment of our senior facility agreement of € 1.3 million. These cash flows are non-recurring.

The one-year forecast after sign off date of these accounts shows sufficient headroom in the existing covenant. A challenge of the assumptions by a downside deviation of 15% in EBITDA would still leave a significant headroom and therefore no breach of covenants. Also, if this downside scenario occurs, management has a variety of options at hand, such as capital expenditure reduction and working capital improvements.

The outbreak of the Coronavirus has resulted in a large degree of uncertainty in the global economy. The impact and reaction to the Covid-19 pandemic is unprecedented and the uncertainty created for businesses is difficult to precisely determine or quantify. However, the Company is confident that it is able to continue as a going concern, based on the following considerations:

- The overall revenue base is stable, given that the majority of our revenues are recurring in nature (SaaS and maintenance contracts) and are expected to continue in the near future. In addition, following the measures taken, our consultants can continue to work remotely on existing and future projects.

- We have access to sufficient liquidity to ensure we are able to fund the business in the foreseeable future.
- Our customer base is well diversified over different geographies as well as industries, including the governmental and public sector. We continue to monitor the outstanding receivable balances, but no significant collection or default risks were identified in the existing customer portfolio.
- The covenant headroom is sufficient and no breach is expected at this stage as a result of our liquidity and stable revenue base.

As a result, based on the detailed forecast prepared and sensitivity analysis performed the Company's Board of Directors is confident that the Company will have sufficient cash to pay all its suppliers over the next 12 months after sign off date.

2.1 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements. The standards below are applicable for financial statements as prepared after 1 January 2019 for IFRS.

In the current year the Group has applied the following new IFRS standards issued by the IASB that are mandatorily effective for the current accounting period.

IFRS 16 Leases

The Group applied IFRS 16 Leases for the first time during 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

(in € x 1,000)	1 January 2019
Assets	
Right-of-use assets *	39,953
Net Investment in subleases	1,571
Total assets	**41,524**
Equity	
Retained Earnings	446
Total equity	**446**
Liabilities	
Interest-bearing loan and borrowings *	44,597
Deferred tax liabilities	149
Onerous Provision Release (note 30)	(3,669)
Total liabilities	**41,077**
Total equity and liabilities	**41,524**

* The balance at 1 January 2019 also includes € 1.4 million related to lease car contracts held by Assets-held-for-sale.

The total includes The Group has lease contracts for various items of Buildings, Lease cars, IT equipment and other assets. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.
Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. Refer to Note 2.1 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of -use assets of € 40.0 million were recognized and presented separately in the statement of financial position.
- Net Investment of sublease of € 1.6 million were recognized and presented as part of the other financial assets.
- Additional lease liabilities of € 44.6 million were recognized.
- The existing onerous provisions of €3.7 million on operating leases were derecognized.
- Deferred tax liabilities increased by € 0.2 million because of the deferred tax impact of the changes in the onerous provision.
- Due to the implementation of IFRS 16 and impact on the existing onerous provision, an impact of € 0.4 million was recognized on the opening retained earnings position.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

(in € x 1,000)

Liabilities	
Operating lease commitments as at 31 December 2018	36,847
Less:	
Commitments relating to short-term leases	-408
Commitments relating to leases of low-value assets	-103
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	6,170
Undiscounted commitments as at 01 January 2019 to be considered under Lease Liabilities	**42,507**
Weighted average incremental borrowing rate as at 1 January 2019	6.01%
Lease liabilities as at 1 January 2019	**39,953**
Therein: Disc. Ops and Assets held for Sale	*1,383*
Therein: Continuing Operations	*38,570*

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It also specifies that the treatment of uncertain tax positions falls in the scope of IAS 12 and thus no longer allows these positions to be treated as a provision under IAS 37.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

The Interpretation resulted in a reclassification of the provision related to uncertain tax positions to the current tax liabilities for an amount of € 22.0 million (2018: € 20.4 million). However, it did not have an impact on the amounts recognized in relation to these positions, based on the tax compliance and transfer pricing studies performed.

No further amendments to IFRSs have been identified that have a material impact for the Group.

2.2 Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.
Actual results may differ from these estimates which, together with underlying assumptions, are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are discussed below:

Leases

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal options for lease cars are not included as part of the lease term because the Group typically leases cars for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Lease classification – Group as lessor

The Group has entered into partial sublease of its buildings. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the Right-of-use asset and the present value of the minimum lease payments not amounting to substantially all of the fair value of the building, that it retains substantially all the risks and rewards incidental to ownership of these buildings and accounts for the contracts as operating leases.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Within Unit4, the methodology applied to derive the IBR took the following blocks in consideration:

- Base Rate: Risk-free rate, based on the yield on the local government bond corresponding to the lease term (duration);
- Credit Spread: credit spread on the respective rated bonds to reflect the credit standing/default risk of the lessee;
- Adjustments for secured borrowings: a lease specific adjustment depending on the secured nature of the lease.

The effect from each of these blocks were calculated for every individual country where Unit4 was leases to be considered under IFRS 16, resulting on the final list of percentages to be used for the further calculations.

Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular whether the Group had transferred control of the goods and services to the customer. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Estimation of the stand-alone selling price

The Group has established a hierarchy to identify the stand-alone selling prices that are used to allocate the transaction price of a customer contract to the performance obligations in the contract.

- Where standalone selling prices for an offering are observable and reasonably consistent across customers, the stand-alone selling prices estimates are derived from our respective pricing history and rate cards. This applies to most of the revenue streams.
- Where sales prices for an offering are not directly observable or highly variable across customers, we use estimation techniques. For renewable offerings, these techniques consider the individual contract’s expected renewal price. For non-renewable offerings, these estimations follow a cost-plus-margin approach.
- For offerings that lack renewals and have highly variable pricing, we allocate the transaction price by applying a residual approach.

Judgment is required when estimating stand-alone selling prices. In judging whether contracts are expected to renew at their contractual renewal prices, we rely on our respective renewal history. We review the stand-alone selling prices periodically or whenever facts and circumstances change to ensure the most objective input parameters available are used.

Reference is made to note 3.8 for the criteria used regarding revenue recognition.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. Management applies judgement in the identification of assets and liabilities and the valuation thereon.

In a business combination, the Company measures the identifiable assets and liabilities at fair value. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration are:

- the probability of meeting each performance target; and
- the discount factor.

For more information on acquisitions please refer to Note 3.4 and Note 6.

Capitalization of development costs

Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Impairment of assets

Assets subject to depreciation and amortization are reviewed for impairment if events or changes in the circumstances indicate that the carrying amount may not be recoverable. Assets not subject to depreciation and amortization are reviewed for impairment once a year. In the impairment tests the lowest level of cash-generating units are used. Any changes made to the cash-generating units identified including the underlying reasons are described as part of Note 19.

The goodwill will be attributed to those cash-generating units or group of cash-generating units that are to be expected to take advantage of those business combinations in which goodwill has been generated. The judgements, estimates and assumptions used by management to determine if an impairment has to be recognized are:

- Determining the cash-generating units or group of cash-generating units;
- Timing of the review of impairment;
- Determining the discount rate;
- Projecting of cash flows including long-term expectations.

For more details regarding key assumptions and sensitivity analysis refer to Note 19.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified valuators to perform the valuation. For further information on fair values of financial instruments we refer to note 5 of the Consolidated Financial Statements.

Tax assets and liabilities

The Company and its subsidiaries estimate the tax positions upon their interpretations of the applicable tax laws and regulations in various jurisdictions. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. For material positions the Company consults with external tax advisors. For the tax declarations that were not formally approved by the tax authorities yet, there is a risk that these positions may be challenged by the local tax authorities. When the risk is considered to be probable, a tax liability will be recognized to reflect the effect of the uncertainty based on either the most likely amount or the expected value.

The Group recognizes deferred tax assets related to losses carried forward or tax receivables as long as the respective fiscal unity or legal entity has sufficient taxable temporary differences or when there are reliable estimates that taxable profits will be available for use by the fiscal unity or legal entity. For more details regarding tax assets and liabilities refer to Note 17.

Share-based payments

a. Management Equity Participation (MEP)
The value of the underlying Hurdle Shares as determined on the grant date depends on the proceeds realized by the majority shareholder upon an Exit. As a result, the grant date fair value of the Plan awards has been measured using a Monte Carlo simulation model.

b. Long Term Incentive Plan (LTIP)
The cash bonus will depend on the proceeds realized by the majority shareholder upon an Exit. As a result, the fair value of the liability has been measured using a Monte Carlo simulation model. This model takes into account the Enterprise Value on the reporting date, the capital structure, the expected asset volatility, the interest rate on debt, and the risk-free interest rate.

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities that are directly or indirectly controlled by the Company. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the right, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The accounting policies set out below have been applied consistently by all subsidiaries to all periods presented in these consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the Non-Controlling Interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the Non-Controlling Interests even if this results in the Non-Controlling Interests having a deficit balance.

Transactions eliminated on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the Non-Controlling Interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the Non-Controlling Interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any Non-Controlling Interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Overview of Group companies

As at 31 December 2019, the following companies are consolidated:

COMPANY	Statutory seat	Business activities	% of ownership
AI Avocado B.V.	Sliedrecht, the Netherlands	Holding	100%
UNIT4 N.V.	Sliedrecht, the Netherlands	Corporate	100%
UNIT4 Bedrijfssoftware B.V.	Sliedrecht, the Netherlands	Operational	100%
UNIT4 Business Software N.V.	Antwerp, Belgium	Operational	100%
UNIT4 Domestic Holding B.V.	Sliedrecht, the Netherlands	Operational	100%
UNIT4 Wholesale B.V.	Sliedrecht, the Netherlands	Operational	100%
UNIT4 C-Logic N.V.	Bruges, Belgium	Operational	100%
UNIT4 Business Software Holding B.V.	Sliedrecht, the Netherlands	Corporate	100%
JSKS Software Development B.V.	Sliedrecht, the Netherlands	Operational	100%
INTUO N.V.	Gent, Belgium	Operational	100%
UNIT4 Nordics Holding AB	Solna, Sweden	Holding	100%
UNIT4 AB	Solna, Sweden	Operational	100%
UNIT4 A/S	Copenhagen, Denmark	Operational	100%
UNIT4 AS	Oslo, Norway	Operational	100%
UNIT4 Eesti OU	Tallinn, Estonia	Operational	100%
UNIT4 Norway Holding AS	Oslo, Norway	Holding	100%
UNIT4 R&D AS	Oslo, Norway	Operational	100%
UNIT4 UK Software Holdings Ltd.	Reading, United Kingdom	Holding	100%
UNIT4 Business Software Ltd.	Reading, United Kingdom	Operational	100%
CODA Ltd.	Reading, United Kingdom	Operational	100%
CODA Group International Ltd.	Reading, United Kingdom	Operational	100%
UNIT4 Business Software Cyprus Ltd.	Nicosia, Cyprus	Operational	100%
UNIT4 Asia Pacific Pte Ltd.	Singapore, Singapore	Operational	100%
UNIT4 Business Software (Ireland) Ltd.	Dublin, Ireland	Operational	100%
UNIT4 Business Software South S.L.	Granada, Spain	Operational	100%
UNIT4 Portugal Unipessoal LDA	Lisbon, Portugal	Operational	100%
UNIT4 Business Software S.r.l.	Milan, Italy	Operational	100%
UNIT4 Business Software GmbH	Munich, Germany	Operational	100%
UNIT4 Business Software France SA	Courbevoie, France	Operational	100%
UNIT4 R&D Spain S.L.	Granada, Spain	Operational	100%
UNIT4 Business Software Pty Ltd.	Sydney, Australia	Operational	100%
UNIT4 CODA Hungary Kft	Budapest, Hungary	Operational	100%
UNIT4 CODA Czech s.r.o	Praha, Czech Republic	Operational	100%
UNIT4 Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	Operational	100%
PT. UNIT Four Indonesia	Jakarta, Indonesia	Operational	100%
UNIT4 Business Software (Pty) Ltd.	Gauteng, South Africa	Operational	100%
UNIT4 Polska Sp. z.o.o.	Wroclaw, Poland	Operational	100%
UNIT4 Software Engineering Sp. z.o.o.	Wroclaw, Poland	Operational	100%
UNIT4 Americas Holding Inc.	Wilmington, United States	Holding	100%
UNIT4 Education Solutions, Inc.	Ellisville, United States	Operational	100%
UNIT4 Business Software Americas Inc.	Victoria (BC), Canada	Operational	100%
UNIT4 Business Software Corp	Alberta, Canada	Operational	100%
UNIT4 Business Software, Inc.	Massachusetts, United States	Operational	100%
Prevero GmbH	Munich, Germany	Operational	100%
UNIT4 Business Software Malta Ltd.	Ta' Xbiex, Malta	Operational	100%
UNIT4 Oy	Vantaa, Finland	Operational	100%
Ambic GmbH	Munich, Germany	Operational	100%
Prevero Software GmbH	Graz, Austria	Operational	100%
Prevero Schweiz AG	Zug, Switzerland	Operational	100%
MIK GmbH	Reichenau, Germany	Operational	100%
Prevero UK Ltd.	Birmingham, UK	Operational	100%

In 2019 the Polish entity UNIT4 BI Center Sp. z.o.o. was merged into UNIT4 Polska Sp. z.o.o.
In 2019, the Spanish entity UNIT4 Business Software Iberica SAU transferred the non-ekon business activities to the newly established entity UNIT4 Business Software South S.L. through a legal demerger process. Unit4 Business Software Iberica SAU, containing the ekon business, was subsequently sold. Refer to Note 7 on discontinued operations.
In 2019, UNIT4 Business Software B.V. went through a legal demerger process during which the various business lines within the Benelux organization were being split off into separate legal entities to align the operational processes with the legal structure. The following entities were set up:

UNIT4 Bedrijfssoftware B.V.
UNIT4 Domestic Holding B.V.
UNIT4 Wholesale B.V.
UNIT4 Cura B.V. *
UNIT4 Verzuimsignaal B.V. *
*Entities are part of Discontinued Operations. Refer to Note 7.

3.3 Foreign currencies

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For purpose of the consolidated financial statements, the results and the financial position of each entity are expressed in Euros, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis as either finance income or expenses, depending on whether the foreign currency movements results in a net income or a net loss position

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (none of which has the currency of a hyperinflationary economy) are expressed in Euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Exchange differences, if any, arising on net investments, including receivables from or payables for a foreign operation for which settlement is neither planned nor likely to occur are recorded directly in Other Comprehensive Income ('OCI').

When control over a foreign operation is lost, in part or in full, the relevant amount in the FCTR (foreign currency translation reserve) is transferred to profit or loss.

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

	2019		2018	
	Year-end	Average	Year-end	Average
Australian dollar (AUD)	1.5995	1.6087	1.6220	1.5788
Canadian dollar (CAD)	1.4598	1.4856	1.5605	1.5299
Czech krone (CZK)	25.4080	25.6712	25.7240	25.6551
Danish krone (DKK)	7.4715	7.4661	7.4673	7.4531
Hungarian forint (HUF)	330.5304	325.2694	320.9799	319.1552
Indonesian rupiah (IDR)	15,595.7580	15,834.4163	16,498.9276	16,779.7584
Malaysian ringgit (MYR)	4.5953	4.6359	4.7317	4.7619
Norwegian krone (NOK)	9.8638	9.8441	9.9483	9.6086
Polish zloty (PLN)	4.2568	4.2988	4.3014	4.2609
Pound sterling (GBP)	0.8508	0.8766	0.8945	0.8850
Singapore dollar (SGD)	1.5111	1.5266	1.5591	1.5919
South African rand (ZAR)	15.7773	16.1806	16.4594	15.5810
Swedish krone (SEK)	10.4468	10.5789	10.2548	10.2650
Swiss frank (CHF)	1.0854	1.1131	1.1269	1.1539
US dollar (USD)	1.1234	1.1196	1.1450	1.1813

3.4 Business combinations

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any Non-Controlling Interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, exceeds the sum of the consideration transferred, the amount of any Non-Controlling Interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-Controlling Interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the Non-Controlling Interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) relating to facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

The equity method is a method of accounting whereby the investment is initially recognized at cost (including goodwill) and adjusted thereafter for the post-acquisition change in the investor’s share of net assets of the investee. The profit or loss of the investor includes the investor's share of the yearly result of the investee.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Investments in associates accounted for using the equity method are classified as non-current assets.

3.7 Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.
The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. For more details regarding the discontinued operations and assets held for sale refer to Note 7.

3.8 Revenue recognition

The Group derives its revenues from the sale of a license and optional bespoke effort on the standard product, SaaS, hardware or implementation services as well as maintenance and support. The Group makes a distinction between all of the components which have their own features, specific pricing and timing of delivery. The value of the remaining performance obligations will be deferred until they are delivered. If a discount is offered in a contract with multiple performance obligations, a proportionate amount of that discount is applied to each element included in the arrangement based on each element's stand-alone selling price without regard to the discount. Where a contract has multiple performance obligations, involving software and consulting, training, or other professional services that are not essential to the functionality of the software, the service revenues are accounted for separately from the software revenues.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

SaaS (Software as a Service) is delivered remotely in a cloud-based environment and priced with a periodic flat fee, where there is little need for implementation services and there is no need to install and manage software at the customer site. The customer is not entitled to take possession of the software and manage it independently.
The revenue is recognized over the time of the contract as the client simultaneously receives and consumes the benefits provided by Unit4 evenly throughout the obligation period. The Group uses the as-invoiced practical expedient as described in IFRS 15 paragraph B16 for recognizing the SaaS revenue.

Licenses revenue is the sum of proprietary software revenues and third-party software products. The revenue from license sales is recognized immediately (at a point in time) when the customer either takes possession of the software via a download or is provided with the access codes that allow the customer to take immediate possession of the software on its hardware. At that point, transfer of control has taken place.

Maintenance revenue is the contracted post implementation services revenue, consisting of maintenance and support services. This is generally straightforward where the customer simultaneously receives and consumes the benefits of the M&S promises provided by Unit4. Therefore, the performance obligation is satisfied over time and the M&S revenue has to be recognized over time.

Services and other revenues is the sum of professional services, customer services, training and IT services. Service revenues involving modification or customization of the software are recognized depending on the fee structure, on a time-and material basis, or using the percentage of completion method, based on direct labor costs incurred to date as a percentage of total estimated project costs required to complete the project.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group has concluded that it is acting as a principal in most of its revenue arrangements and therefore records revenue on a gross basis.

In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). Revenue is reduced for estimated customer returns, rebates and other similar allowances. In making this judgment, we consider our history with the respective customer as well as the broader economic context. Warranties and related obligations are not applicable to the company in the consideration of performance obligations.

Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.18.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract costs
The Group pays sales commission to its employees for each contract that they obtain for bundled sales of equipment and installation services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

3.9 Cost of sales

The cost of sales is recognized in the same period as the corresponding revenue and relates to direct external costs such as external contractors who generate direct revenue on external projects or third-party components. Costs of personnel, generating direct revenue on external projects for which the Group runs the economic risk are presented under Personnel Costs.

3.10 Finance income and expenses

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, fair value losses on financial assets at fair value through profit and loss and foreign exchange gains and losses. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the costs of those assets, until such time as the assets are ready for their intended use or sale.

The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Interest and dividend income

Revenue arising from the use by others of Company’s assets yielding interest, royalties and dividends are recognized on the following bases:

- Interest income is recognized in the income statement as it accrues, using the effective interest method.
- Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Dividends are recognized when the shareholder's right to receive payment is established.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years (temporary difference) and items that are never taxable or deductible (permanent differences). The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax group liability (the Netherlands)

The Company forms a fiscal unity with some of its Dutch subsidiaries for corporate income tax purposes. In accordance with standard conditions, the Company, along with the subsidiaries that are part of the fiscal entity, is wholly and severally liable for taxation payable by the fiscal unity.

3.12 Leasing

The Unit4 Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognized right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the expected lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Unit4 Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group’s lease liabilities are separately disclosed in Note 21).

Furthermore, reference is made to note 21 of the notes for more detailed information about amounts recognized in profit or loss.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3.13 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Land and buildings:	
- Freehold land	not depreciated
- Freehold buildings	50 years
- Technological equipment	2 - 10 years
- Other tangible assets	2 - 10 years

Other tangible assets include alterations and renovations on buildings and all remaining tangible assets not specifically attributable to separate categories.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating expenses in the income statement.

An item of property, plant and equipment that qualifies for recognition as an asset shall initially be measured at its cost. The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

3.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.
Intangible assets with finite lives are amortized over the useful economic life or technical life expectancy, of which the shortest is applied, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life of the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortization is calculated on a straight-line or accelerated ('Sum-of-the-years' digits) basis over the estimated useful life of the asset as follows:

- Internally developed software	3 – 5 years (straight line)
- Trademark	8 years (straight line)
- Acquired software	5 – 8 years (accelerated)
- Customer contracts	8 – 15 years (accelerated)
- Other intangible assets	10 – 20 years (straight line)

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated software development costs is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Reinstatement of expenditure previously recognized as an expense is not allowed.

The cost of internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are:
- Costs of materials and services used or consumed in generating the intangible asset.
- Costs of employee benefits (as defined in IAS 19 Employee Benefits) arising from the generation of the intangible asset.
- Fees to register a legal right
- Amortization of patents and licenses that are used to generate the intangible asset.

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

3.15 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset or cash-generating unit is the greater of either its value in use or its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

Impairment losses on assets other than goodwill recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss on assets other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for financial assets replacing IAS 39’s incurred loss approach with forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit and loss and contract assets.

3.16 Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.17 Employee benefits

The Group has defined benefit pension plans in Germany and France. The pension plan in France is managed by the government. The pension plan in Germany is contracted to a (local) pension insurer.

The plans at other entities, when available, qualify as defined contribution plans. The pension plans are financed from payments by employees and the relevant entities.

For the defined benefit pension plans in Germany and France the pension costs are measured using the projected unit credit method. Re-measurements comprising of actuarial gains and losses and the return on plan assets (excluding net Interest) are recognized immediately in the statement of financial position with a corresponding debit or credit to accumulated deficit through Other Comprehensive Income (“OCI”) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of
- The date of the plan amendment or curtailment;
- The date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'Employee expenses' in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and no-routine settlements.
- Net interest expense or income.

Provisions for jubilees are recognized in the statement of financial position at a value (per employee) which considers:

- the proportional composition of the deferred benefit;
- actuarial gains or losses;
- tax law effects;
- discounting of the calculated obligation.

Share-based payments

The Group recognizes the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are rendered. A corresponding increase in equity is recognized if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If their fair value cannot be estimated reliably, the Group measures their value, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted (intrinsic value).

3.18 Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Provisions are then determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The discount rate arising on the provision is amortized in future years through interest.

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

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision should include only the direct expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the company.

3.19 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized costs, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Classification and measurement

Assets are subsequently classified as debt instruments, equity or derivatives.

The subsequent valuation of the debt instruments is based on two criteria: whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding; and the Group’s business for managing the assets. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized costs (debt instruments)

The Group measures financial assets at amortized costs if both of the following conditions are met:

- The financial asset is held within the business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in the principal amount outstanding.

Financial assets at amortized costs are subsequently measured using the effective interest (EIR) method and are subjected to impairment. Gains and losses are recognized in profit and loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost includes trade receivables, and loan to an associate included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within the business model with the objective of holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit and loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit and loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition or equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on a instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit and loss. Dividends are recognized as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subjected to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit and loss, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit and loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit and loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit and loss are carried in the statement of the financial position at fair value. Net changes in fair value are recognized in the statement of profit and loss.

This category also includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit and loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flow from the assets have expired; or
- The Group has transferred its rights to receive cash from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and neither(a) the Group has transferred substantially all the risk and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continued involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligation of the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure of significant assumptions — Note 2.2
- Contract assets — Note 23
- Trade and other receivables — Note 24

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life off the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables or as derivatives

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated derivatives are also classified as held for trading.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 28.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of a net investment in a foreign operation (net investment hedge).

The Group enters into a derivative financial instrument to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts and interest rate swaps. The derivative financial instruments are measured at fair value and classified at fair value through profit or loss. The Group does not apply hedge accounting.

3.20 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.21 Cash and cash equivalents

Cash and cash equivalents only includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents, including short-term investments, is valued at face value, which equals its fair value.

3.22 Cash flow statement

The consolidated statement of cash flows is prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Cash flows in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are separately shown. Payments and receipts of corporate income taxes and interest paid are included as cash flow from financing activities.

4 Financial risk management

The Group has exposure to the following financial risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- other risks (including currency risk, interest rate risk and other price risk).

This note presents information about the Group's exposure to each of the above risks, the Group's goals, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the oversight of the Group's risk management framework.

The Group continues developing and evaluating the Group's risk management policies with a view to identifying and analyzing the risks it faces, to setting appropriate risk limits and controls, and to monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees the way management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks the Group faces.

The Group seeks to minimize the effects of certain risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

4.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. A credit risk is run on the financial assets of the Group, which consist of cash and cash equivalents, securities, loans and receivables and certain derivatives, arising from default of the other party, with a maximum risk equal to the carrying amount of these instruments.
As described in section 3.18, an allowance is recognized to reflect the credit risk embedded in the debt instruments not held at fair value through profit and loss, through the application of the expected credit losses model. For further details, refer to the aforementioned note.

Trade and other receivables

Group only trades with reputable, creditworthy counterparties. It is the Group's policy that all customers who wish to pay in instalments are subject to a credit assessment procedure. Moreover, the outstanding balances are continually monitored, so that the Group does not run any unforeseen significant risks in respect to doubtful debtors. Refer to the credit quality disclosure of trade and other receivables in Note 24.

Trade receivables relate to many customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's standard terms require contracted services to be paid in advance of these services being delivered. In the event that a customer fails to pay amounts that are due, the Group has a clearly defined escalation policy that can result in a customer's access to their SaaS environment being denied or maintenance and support service being suspended.

The Group does not have significant credit risk exposure to any single counterparty. Concentration of credit risk to any other counterparty did not exceed 10% of gross monetary assets at any time during the year.

Bank counterparties

The credit risk on balances with banks and financial institutions and derivative financial instruments is limited because the counterparties are banks with minimum A- credit-ratings assigned by international credit-rating agencies.

Guarantees

Certain of our subsidiaries have granted guarantees to our lending banks in relation to our facilities. The Company grants rent guarantees to landlords of certain of the Group's property leases.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation or jeopardizing its future.

A large part of the Group's revenues and operating costs are contracted, which assists it in monitoring cash flow requirements, which is done on a daily and weekly basis. Typically, the Group ensures that it has sufficient cash on demand to meet expected normal operational expenses, including the servicing of financial obligations, for a period of 60 days; this excludes the potential impact of extreme circumstances, such as natural disasters, that cannot reasonably be predicted. The company's revolving credit facility of € 72 million remained undrawn as at 31 December 2019.

All significant expansion and/or M&A projects are subject to formal approval by the Board of Directors, and material expenditure are only made once the management is satisfied that the Group has adequate committed funding to cover the anticipated expenditure.

The Group's objective is to find a balance between continuity and flexibility of financing through the use of bank facilities, cash loans, factoring of trade receivables and lease and rental contracts. The Group monitors its liquidity risk by using a procedure in which the bank balances linked to the electronic banking system are analyzed. The principal daily movements are clarified. In addition, all bank balances are reviewed every month and compared with the monthly estimated cash balances. This monthly cash flow forecast has a forecasting period of 12 months. The table below represents the undiscounted cash flow analysis of the liabilities recognized by the Group as at 31 December 2019 and 31 December 2018.

At 31 December 2019
(in € x 1,000)

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	**Total**
Non-derivative financial liabilities						
Subordinated loan	–	–	–	768,352	–	768,352
Senior facilities	–	8,565	25,884	846,278	–	880,727
Lease Liabilities	–	2,685	9,033	22,392	3,190	37,300
Trade and other payables	–	28,839	–	–	–	28,839
	–	40,089	34,917	1,637,022	3,190	1,715,218

At 31 December 2018
(in € x 1,000)

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	**Total**
Non-derivative financial liabilities						
Subordinated loan	–	–	–	–	1,304,515	1,304,515
Senior facilities	–	8,132	21,033	800,831	–	829,996
Trade and other payables	–	15,895	–	–	–	15,895
	–	24,027	21,033	800,831	1,304,515	2,150,406

4.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Forward currency contracts and currency swaps to hedge the exchange rate risk arising on sales or purchase transactions made by subsidiaries
- Interest rate swaps to mitigate the risk of rising interest rates.

Currency risk

Due to the presence of investment activities in the United States, Canada, the United Kingdom, Norway, Sweden, Switzerland, Denmark, Indonesia, South Africa, Poland, Hungary, the Czech Republic, Singapore, Malaysia and Australia, the Group income statement and statement of financial position are exposed to changes in the respective exchange rates against the Euro.

The Group operates in an international environment and is exposed to foreign currency exchange risks arising from commercial transactions made by Group companies in other currencies than their functional currency.
To manage this exposure, the Group identifies, assesses and hedges the foreign currency exchange risks relating to these transactions in co-operation with the subsidiaries using a variety of financial derivatives.

In addition, the Group uses currency swaps to optimize the interest charges and interest income.
For the derivatives the Group's Corporate Finance Department enters into contracts with accredited banks.
The Group is primarily exposed to changes in GBP, NOK, SEK and USD exchange rates. The table below presents the increase or (decrease) of the net result of the year as a result of a 10% strengthening of the Euro against these currencies during 2019. In addition, the increase or (decrease) in the equity balance is shown, including the translation effect of underlying subsidiaries, resulting from a 10% strengthening of the Euro against the following currencies at December 31. This analysis assumes that all other variables remained constant.

	Equity	**Profit or loss**
		(€'000)
31 December 2019		
GBP	(7,064)	760
NOK	419	623
SEK	(8,340)	457
USD	950	268

A 10% weakening of the Euro against the above currencies at December 31 would have had the equal, but opposite, effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

The majority of the Group's borrowings are Euro denominated and the Company believes that the Interest on these borrowings will be serviced from the cash flows generated by the underlying operations of the Group, the functional currency of which is the Euro. The Group's investments in subsidiaries are not hedged.

Interest rate risk

The exposure from the Group due to fluctuations in the market interest rates primarily relates to the Group's bank accounts with a floating interest, of which most are based on 1 month. The Group uses derivatives to manage the interest rate risk on the long-term loans.

The Group does not use derivatives or other instruments to manage the interest risk on short-term bank overdrafts, as the interest rate risk is currently estimated to be low. The interest charges and interest income are optimized by centralizing the bank balances in a so-called "cash pool". Excess cash and cash equivalents when available will be put on shorter-term deposits. Need for short term financing is depending on the interest conditions fulfilled by cash loans and exiting working capital facilities.

For more information regarding the interest-bearing loans refer to Note 28. At year-end the company does not hold active interest rate swap agreements. For more information regarding derivative financial instruments refer to Note 29.

The impact on the profit and loss and equity due to changes in the floating interest rate at the reporting date, based on the current net interest-bearing loans (including Cash and Cash equivalents), is presented in the table below:

Interest rate	Impact on pre-tax profit / (loss) and equity	
	2019	**2018**
Increase by 100 basis points	7,530	7,554
Decrease by 100 basis points	(7,530)	(7,554)

The Group's receivables are carried at amortized cost. They are, therefore, not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Price risk

There is a risk that changes in market circumstances, such as strong unanticipated increases in operational costs, new products from competitors or churn in customer contracts, will negatively affect the Group's income. Customers individually have medium-term contracts that require notice prior to termination. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Capital management

The Group has a capital base comprising its equity, including reserves, loans under the Senior Facility Agreement, other loans, and committed debt facilities. It monitors its solvency ratio, financial leverage, funds from operations and net debt with reference to multiples of its previous twelve months' Adjusted EBITDA[2] levels. The Company's policy is to maintain a strong capital base and access to capital in order to sustain the future development of the business and maintain shareholders', creditors' and customers' confidence.

In order to maintain or adjust the capital structure, the group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital based on the leverage ratio as per the Senior Facility Agreement. This ratio is calculated as net debt (excluding FinancialForce.com and the subordinated loan) divided by Adjusted EBITDA. The Group's policy is to keep the leverage ratio well within the bank covenants. The Group includes within net debt, interest-bearing loans and borrowings (Note 28), less cash and cash equivalents (Note 25), excluding discontinued operations. The interest-bearing loans and borrowings exclude the Loan from AI Avocado (Luxembourg) Finance SARL, as this is subordinated and excluded in the covenant testing as per the Senior Facility Agreement.

Total equity (excluding Non-Controlling Interest) increased to € 397.5 million negative (2018: € 446.1 million negative), mainly as a result of the profit in 2019 of € 80.4 million (2018: loss of € 144.5 million) and the removal of the participation in FinancialForce.com (2018: 61.8%).

[2] Adjusted EBITDA is defined as Operating result before interest, tax, depreciation and amortization adjusted for restructuring and exceptional expenses and pro-forma adjustments as defined in the Senior Facility Agreement.

5 Fair value estimation

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. The Group has several financial instruments measured at fair value. The interest rate swap is classified as level 2 valuation in accordance with the fair value hierarchy as described in IFRS 7.

The following table presents the group's financial assets and liabilities that are measured at fair value. Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value (in € × 1,000) as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/19	31/12/18		
Foreign currency forward contracts	Assets – € 106 Liabilities - € 37	Assets – € 85	Level 2	Discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparty.
Derivative – Interest floor in B1 facility	Liabilities – € nil	Liabilities – € 438	Level 3	Discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative – Interest floor in B2 facility	Liabilities – € nil	Liabilities – € 2,000	Level 3	Discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative – Interest floor in B3 facility	Liabilities – € 10,292	Liabilities – € nil	Level 3	Discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Contingent considerations	Liabilities – € 5,922	Liabilities – € 2,003	Level 3	Contingent considerations payable are measured at fair value at the time of acquisition based on the expected future cash outflows. These fair values are reassessed periodically based on the actual performance of the acquired subjects in comparison to the targets set.

Except as detailed in the following table, the Board of Directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

(in € x 1,000)	Fair value hierarchy as at 31/12/19			
	Level 1	Level 2	Level 3	Total
Financial assets	–	–	–	–
Financial assets at fair value through profit and loss				
- Derivatives – Foreign currency forward contracts	–	106	–	106
Total	–	106	–	106
Financial liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives – Interest rate swap	–	–	–	–
- Derivative – Interest floor B1 facility	–	–	–	–
- Derivative – Interest floor B2 facility	–	–	–	–
- Derivative – Interest floor B3 facility	–	–	10,292	10,292
- Derivatives – Foreign currency forward contracts	–	37	–	37
- Contingent liability consideration	–	–	5,922	5,922
Total	–	37	16,214	16,251

	Fair value hierarchy as at 31/12/18			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit and loss				
- Derivatives – Foreign currency forward contracts	–	85	–	85
Total	–	85	–	85
Financial liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives – Interest rate swap	–	–	–	–
- Derivative – Interest floor B1 facility	–	–	438	438
- Derivative – Interest floor B2 facility	–	–	2,000	2,000
- Derivatives – Foreign currency forward contracts	–	–	–	–
- Contingent liability consideration	–	–	2,003	2,003
Total	–	–	4,441	4,441

There have been no transfers between Level 1 and Level 2 during the periods.

The movement in the fair value of the derivative instruments is the result of fluctuations in the forward interest rate affecting the future cash flows in combination with the effects of discounting based on the remaining terms of the contracts.
The fair value of the contingent consideration liability has been updated to reflect the estimated future cash outflows based on the actual performance of the acquired entity, as well as reflecting contingent considerations arising on acquisitions made during 2019 (reference is made also to Provisions, note 30, sub “Earn out provision”).

6 Business combinations

In March 2019, the Group acquired 100% of the shares in Intuo. Intuo is a Belgian HCM (Human Capital Management) software business. The company mainly focuses on mid-market professional services organization with a modern, cloud-based Talent, Engagement and Learning suite. The product of Intuo consists in a modern continuous performance management capability. It is mainly differentiated through a fully integrated suite covering performance, engagement and learning in a conversational style.

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
			(%)	(in € x1,000)
Intuo	Human Capital Management Software Business	March 2019	100%	9,939

(in € x 1,000)	Intuo
Consideration paid in cash	8,317
Contingent consideration arrangement	1,622
Total purchase consideration	9,939

As part of the share purchase agreement with the previous owners, a contingent consideration has been agreed. The actual pay-out of the consideration is subject to achieving certain agreed business and financial performance criteria over an agreed period of time. The contingent consideration will be paid in the medium term therefore the amount considered is the only expected outcome.

Assets acquired and liabilities assumed

Under the acquisition method, the total purchase price as shown in the table above is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions used were subject to change. At the reporting date, no events took place that would trigger any changes to the preliminary valuation. Based upon the fair values acquired, the purchase price allocation is as follows (in thousands):

(in € x 1,000)	Intuo
Assets	
Intangible assets (IP and customer relationships)	8,500
Plant and equipment	77
Trade and other receivables	1,040
	9,617
Liabilities	
Trade and other payables	188
Other liabilities	1,728
Deferred tax liability	1,996
	3,912
Total identifiable net assets at fair value	**5,705**
Goodwill arising on acquisition	**4,234**
Total purchase consideration	**9,939**

The fair value of receivables acquired in this transaction, which mainly included trade receivables, were consistent with the underlying carrying amounts. As a result, no additional provision was recognized.

The goodwill of € 4.2 million mainly comprises the fair value of the expected synergies arising from the acquisition and the value of the company workforce and know-how.

In May 2019, the Group acquired 100% of the shares in JSKS Software-development BV. With the product Fiscaal Gemak, JSKS is the Dutch-market leader in tax software for professionals and intermediaries.

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
			(%)	(in € x1,000)
JSKS	Administrative and Tax Software Business	May 2019	100%	70,166

(in € x 1,000)	Fiscaal Gemak
Consideration paid in cash	65,866
Contingent consideration arrangement	4,300
Total purchase consideration	70,166

As part of the share purchase agreement with the previous owners, a contingent consideration has been agreed. The actual pay-out of the consideration is subject to achieving certain agreed business and financial performance criteria over an agreed period of time. The contingent consideration will be paid in the medium term therefore the amount considered is the only expected outcome.

Assets acquired and liabilities assumed

Under the acquisition method, the total purchase price as shown in the table above is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions used were subject to change. At the reporting date, no events took place that would trigger any changes to the preliminary valuation. Based upon the fair values acquired, the purchase price allocation is as follows (in thousands):

(in € x 1,000)	Fiscaal Gemak
Assets	
Intangible assets (IP and customer relationships)	42,681
Plant and equipment	26
Trade and other receivables	945
	43,652
Liabilities	
Trade and other payables	1,378
Other liabilities	614
Deferred tax liability	10,670
	12,662
Total identifiable net assets at fair value	**30,990**
Goodwill arising on acquisition	**39,176**
Total purchase consideration	**70,166**

The fair value of receivables acquired in this transaction, which mainly included trade receivables, were consistent with the underlying carrying amounts. As a result, no additional provision was recognized.

The goodwill of € 39.2 million mainly comprises the fair value of the expected synergies arising from the acquisition.

7 Discontinued operations

On 17 December 2018, the Board of Directors of the Company approved the plan to sell its stake in the FinancialForce.com (FFDC) Group to another Company controlled by Advent International. The transfer was expected to be completed within a year from the reporting date. At 31 December 2018, FFDC was classified as a disposal group held for sale and as a discontinued operation. With FinancialForce.com being classified as discontinued operations, the results from its operations were no longer disclosed into the individual notes.

The transfer was completed on 8 April 2019, with a transaction price amounting to € 304.2 million. There was no write-down as the carrying amount of the disposal group did not fall below its fair value less costs of disposal.
The proceeds have been used to repay part of the subordinated loan with AI Avocado (Luxembourg) Finance SARL.

In FinancialForce.com a Non-Controlling Interest was held by third parties, including Salesforce, TCV and (former) employees and directors of FFDC through the employee stock option plan. The rights of the holders of preference shares and employee options are not affected by the transfer of FinancialForce.com from the Group to another Company controlled by Advent International. The NCI percentage amounted to 38.2% as per 31 December 2018.
The NCI has been derecognized on the date of the transfer.

In 2018, the impact of IFRS 15 was not included in the asset held for sale balance related to FFDC, resulting in an understatement of the net asset value directly associated with the disposal group of € 14.4 million. The increase in assets is primarily related to the deferral of costs to obtain a contract resulting in a contract asset. This increase is partially offset by the recognition of a deferred tax liability.

The aforementioned impact has been corrected in the 2018 opening equity and in the 2018 comparative figures. The 2018 income statement was not affected. The price at which FFDC was transferred was not affected.

The results of FinancialForce.com for the year 2019 up until the moment of transfer and 2018 are presented below:

(in € x 1,000)	2019	2018
Revenue from contracts with customers	31,706	104,050
Expenses	(40,610)	(146,773)
Operating income / (loss)	**(8,904)**	**(42,723)**
Finance costs	(2,694)	(6,006)
Profit / (loss) before tax from a discontinued operations	**(11,598)**	**(48,729)**
Tax benefit/(expense)	(250)	(30,789)
Profit/(loss) for the year	**(11,848)**	**(79,518)**
Gain/(loss) on disposal	160,721	-
Profit/(loss) for the year from discontinued operations	**148,873**	**(79,518)**
Of which, reclassification from Other comprehensive income	*40,678*	**-**

The major classes of assets and liabilities of FFDC classified as held for sale as at 31 December 2018 are, as follows:

(in € x 1,000)	2018
Goodwill	347,272
Non-current assets	35,105
Current assets	34,956
Total Assets held for sale	**417,333**
Non-current liabilities	(45,246)
Current liabilities	(59,533)
Total Liabilities directly associated with the assets held for sale	**(104,779)**
Net assets directly associated with disposal group	**312,554**

The net cash flows incurred by FFDC are, as follows:

(in € x 1,000)	2019	2018
Operating	766	(23,169)
Investing	(611)	(3,698)
Financing	7,219	(3,491)
Total	**7,374**	**(30,358)**

Domestic business

Following a strategic review on the product portfolio in place, the Board decided to fully divest the Domestic business. This business consisted of a number of products aimed at specific local markets. A plan was developed to support the divestment process of this disposal group, which was largely completed by the end of 2019 and is expected to be finalized within a year from the reporting date. At 31 December 2019, the Domestic business was classified as a disposal group held for sale and as a discontinued operation. With the Domestic business being classified as discontinued operations, the results from its operations were no longer disclosed into the individual notes.

The transactions completed to date resulted in a total transaction price amounting to € 121.5 million. Of this amount, 117.6 million was received in cash. There was no write-down as the carrying amount of the disposal group did not fall below its fair value less costs of disposal.

The results of the Domestic business for the year 2019 up until the moment of transfer and 2018 are presented below:

(in € x 1,000)	2019	2018
Revenue from contracts with customers	53,542	65,725
Expenses	(43,613)	(44,193)
Operating income / (loss)	**9,929**	**21,532**
Finance costs	15	78
Profit / (loss) before tax from a discontinued operations	**9,914**	**21,610**
Tax benefit/(expense)	(2,627)	(5,360)
Profit/(loss) for the year	**7,287**	**16,250**
Gain/(loss) on disposal	56,896	-
Profit/(loss) for the year from discontinued operations	**64,183**	**16,250**

The major classes of assets and liabilities of the Domestic business classified as held for sale as at 31 December 2019 are, as follows:

(in € x 1,000)	2019
Goodwill	13,732
Non-current assets	4,854
Current assets	5,063
Total Assets held for sale	**23,649**
Non-current liabilities	(1,168)
Current liabilities	(4,742)
Total Liabilities directly associated with the assets held for sale	**(5,910)**
Net assets directly associated with disposal group	**17,739**

The net cash flows incurred by the Domestic business are, as follows:

(in € x 1,000)	2019	2018
Operating	26,606	31,308
Investing	(2,431)	(1,701)
Financing	(726)	-
Total	**23,449**	**29,607**

8 Investments in associates and joint ventures

Name of associate	Country of incorporation	Associate / joint venture	Proportion of ownership interest / voting rights held by the Group 31/12/19	31/12/18
InsERT SA	Poland	Associate	35.00%	35.00%
Acqualogy Business Software S.A.	Spain	Associate	30.00%	30.00%
BPO4U AB	Sweden	Joint venture	50.00%	50.00%
A-Plaza B.V. *	The Netherlands	Joint venture	0.00%	50.00%

* A-Plaza B.V. shares were sold as part of the Financial Intermediaries sale in 2019. The portion of results allocated to the Unit4 Group will be reported as Discontinued Operations. Refer to Note 7.

All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

Summarized financial information in respect of each of the Group's material associates and joint ventures, based on IFRS financial statements, is set out below.

At 31 December 2019

(in € x 1,000)	InsERT SA	Acqualogy	BPO4U	**Total**
Revenue	9,476	8,029	13	17,518
Expenses (including cost of sales)	(9,165)	(9,088)	17	(18,236)
Profit / (loss) before tax	311	(1,059)	30	(718)
Tax expenses / benefit	(92)	(309)	–	(401)
Profit / (loss) for the year	219	(1,368)	30	(1,119)

(in € x 1,000)	InsERT SA	Acqualogy	BPO4U	**Total**
Non-current assets	6,325	2,682	–	9,007
Current assets	3,085	3,046	54	6,185
Non-current liabilities	(759)	–	–	(759)
Current liabilities	(1,155)	(1,987)	(4)	(3,146)
Equity	7,496	3,741	50	11,287
The share of the Group is:				
In percentage	35.00%	30.00%	50.00%	
Carrying amount of the investment	2,624	1,122	25	3,771

At 31 December 2018

(in € x 1,000)	InsERT SA	Acqualogy	BPO4U	A-Plaza	**Total**
Revenue	9,358	12,857	1,150	1,095	24,460
Expenses (including cost of sales)	(8,446)	(13,588)	(1,203)	(821)	(24,058)
Profit / (loss) before tax	912	(731)	(53)	274	402
Tax expenses / benefit	(195)	118	–	(59)	(136)
Profit / (loss) for the year	717	(613)	(53)	215	266

(in € x 1,000)	InsERT SA	Acqualogy	BPO4U	A-Plaza	**Total**
Non-current assets	5,742	3,236	–	–	8,978
Current assets	3,781	4,939	305	772	9,797
Non-current liabilities	(748)	–	–	–	(748)
Current liabilities	(986)	(3,153)	(222)	(107)	(4,468)
Equity	7,789	5,022	83	665	13,559
The share of the Group is:					
In percentage	35.00%	30.00%	50.00%	50.00%	
Carrying amount of the investment	2,726	1,507	41	333	4,607

9 Revenue

The Group's revenue from continuing operations from external customers by location of operations are detailed below.

(in € x 1,000)	Revenue	
	2019	2018
Primary geographical markets		
Benelux	97,982	101,099
United Kingdom and Ireland	81,365	85,510
Scandinavia	119,244	115,998
North America	41,472	35,432
Rest of Europe and Africa	74,657	73,623
Asia-Pacific	18,049	15,092
Total	**432,769**	**426,754**

The Group derives its revenues from the sale of Software as a Service (SaaS), the sale of software licenses (Products revenue), providing maintenance and support (Maintenance revenue) and professional services and other revenue (Services and other revenues). No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

(in € x 1,000)	Revenue	
	2019	2018
Timing of revenue recognition		
Products and services transferred at a point in time	140,155	151,742
Products and services transferred over time	292,614	275,012
Total	**432,769**	**426,754**

10 Cost of sales

(in € x 1,000)	2019	2018
SAAS and Subscriptions	24,982	21,481
Products	2,137	1,647
Maintenance	6,190	7,647
Services and other	20,916	17,258
Total	**54,225**	**48,033**

11 Employee costs

(in € x 1,000)	2019	2018
Wages and salaries	154,416	135,093
Social security costs	28,642	27,920
Pension costs	11,060	10,285
Other Employee share-based payment charge (Note 12)	723	(690)
Other employee costs	39,503	33,224
Total	**234,344**	**205,832**

The employee costs include restructuring and exceptional costs for an amount of € 19.9 million (2018: € 5.8 million). Total R&D employee costs amount to € 57.8 million (2018: € 55.3 million).

During the year 2019, the Group employed 3,003 employees (2018: 3,016) (calculated on a full-time equivalent basis), of these employees were 2,417 employed abroad (2018: 2,353).

12 Share-based payments

Management Equity Participation (MEP)

In 2014, the management participation plan (hereafter: "the Plan") was agreed between the shareholders, the non-executive directors and management. Under the Pan, the Remuneration Committee is authorized to grant depositary receipts ("DRs") to participants for Hurdle Shares of AI Avocado & CY SCA (Luxembourg). The DRs are issued by Stichting Administratiekantoor Unique B.V. (hereafter: "the STAK") and are not at free disposal of the participants.

The participants purchase such DRs, and each DR represents 20 underlying shares in AI Avocado & CY SCA. The Plan includes customary provisions such as leaver provisions (e.g. a 5-year vesting period for good leavers), conditions on pre-emption rights and drag-along rights and obligations. The DRs do not carry voting rights.

The Plan is accounted for as equity-settled since the Company and its subsidiaries do not have an obligation to settle the Plan in cash or to repurchase any DRs. As at 31 December 2019, the shares underlying the DRs represent 4.14% of total shares outstanding (2018: 4.14%).

The number of outstanding DRs for Hurdle Shares are as follows:

	2019	2018
Outstanding at 1 January	281,321	285,671
Granted during the year	12,250	18,750
Forfeited during the year	(11,850)	(23,100)
Total	**281,721**	**281,321**

In general, the participants will only be entitled to the fair value of the underlying shares if they stay with a Group company until the completion of an Exit (i.e. an Exit by the investor of its investment in the Group, whether in the form of a Sale or a Listing, or a liquidation following the sale and transfer of the majority of the assets of the Group).

Accordingly, since the DRs will only vest for accounting purposes upon the completion of an Exit, an expense is only recognized if an Exit event is probable. If such an Exit is probable, the Group recognizes the services received from the participants over the service period. As an Exit is deemed to be probable as of 31 December 2019, the grant fair value of the Plan awards is expensed in the income statement for 2019 based on the period occurred between (i) the grant date and (ii) the estimated Exit date.
The fair value at the grant date of the DRs is determined by an independent valuator. For accounting purposes, the fair value of an award is equal to the fair value of the underlying Hurdle Shares less the acquisition price for the DRs paid by a participant.

The value of the underlying Hurdle Shares as determined on the grant date depends on the proceeds realized by the majority shareholder upon an Exit. As a result, the grant date fair value of the Plan awards has been measured using a Monte Carlo simulation model.

The weighted average grant date fair value and the inputs used in the measurement of the grant date fair values of the equity-settled awards are as follows:

	2019	2018
Fair value at grant date (weighted-average)	1.38	2.62
Expected volatility (weighted average)	22%	27%
Expected life (weighted average)	2.0	2.5
Expected dividends	0%	0%
Risk-free interest rate (based on government bonds)	-0.62%	-0.63%

The share-based payment expense recognized in 2019 for the equity-settled Plan amounted to € 0.7 million (2018: gain of € 0.7 million).

Long-Term Incentive Plan

Under the Group's Long-Term Incentive Plan ("the LTIP"), eligible and selected employees have been provided with the right to receive a gross cash bonus upon the completion of an Exit by AI Avocado (Luxembourg) S.à.r.l. of its investment in the Group, a listing or a liquidation following the sale and transfer of the majority of the assets of the Group.

The LTIP is classified as a cash-settled share-based payment plan since the gross bonus will be based on the value of equity instruments upon an Exit, and the participants will only be entitled to the cash bonus if they stay with a Group company until the completion of an Exit.

Since the right to receive the cash bonus will vest only upon the completion of an Exit, an expense is only recognized if an Exit event is probable. If such an Exit is probable, the Group recognizes the services received and a liability to pay for those services over the service period. As an Exit is deemed to be probable as of 31 December 2019, the fair value of the LTIP liability is expensed in the income statement for 2019 based on the period occurred between (i) the grant date and (ii) the estimated Exit date.

The cash bonus will depend on the proceeds realized by the majority shareholder upon an Exit. As a result, the fair value of the liability has been measured using a Monte Carlo simulation model. This model takes into account the Enterprise Value on the reporting date, the capital structure, the expected asset volatility, the interest rate on debt, and the risk-free interest rate.

The share-based payment gain recognized in 2019 for the cash-settled LTIP amounted to € 0.6 million (2018: expense of € 0.3 million).

Management Equity Participation II (MEP II)

In 2019, selected and eligible employees have invested in equity instruments of the indirect parent company AI Avocado (Luxembourg) Subco SARL under a new management participation plan (hereafter: "the new Plan").

The new Plan is accounted for as an equity-settled share-based payment plan since the Company and its subsidiaries do not have an obligation to settle awards in cash or to repurchase any equity instruments. As of 31 December 2019, the investments made by employees represent 0.2% of the total share capital of AI Avocado (Luxembourg) Subco SARL.
The number of outstanding equity instruments of AI Avocado (Luxembourg) Subco SARL held by participants in the Plan are as follows:

	2019
Outstanding at 1 January	-
Granted during the year	512,346
Forfeited during the year	-
Total	**512,346**

In general, the participants will be entitled to the fair market value of the underlying shares only if they stay with a Group company until the completion of an Exit or becoming a good leaver. The grant fair value of awards made under the new Plan is expensed in the income statement for 2019 based on the period occurred between (i) the grant date and (ii) the estimated vesting date.

The fair value at the grant date of the equity instruments is determined by an independent valuator. For accounting purposes, the fair value of an award is equal to the fair market value of the underlying equity instruments less the acquisition price paid by a participant. The value of the equity instruments as determined on the grant date partly depends on the proceeds realized by the shareholders upon an Exit. As a result, the grant date fair value of the awards made under the new Plan has been measured using a Monte Carlo simulation model.

The weighted average grant date fair value and the inputs used in the measurement of the grant date fair values of the equity-settled awards are as follows:

	2019
Fair value at grant date (weighted-average)	0.72
Expected volatility (weighted average)	23%
Expected life (weighted average)	2.4
Expected dividends	0%
Risk-free interest rate (based on government bonds)	-0.94%

The share-based payment expense recognized in 2019 for the equity-settled new Plan amounted to € 0.1 million (2018: nil).

Long-Term Incentive Plan - Unit4 Bedrijfssoftware

Under Exit Bonus Plan ("the SME-Plan") operated by Unit4 MKB Software B.V., eligible and selected employees have been provided with the right to receive a gross cash bonus upon the completion of the shareholder's Exit of its investment in this entity.

The exit bonus entitlements under the Plan are partly classified as long-term employee benefits and partly as a cash-settled share-based payment awards since the gross bonus will partly be based on the value of a Group company's equity instruments upon an Exit. The participants will only be entitled to the cash bonus if they stay with a Group company until the completion of an Exit.

Since the right to receive the cash bonus will vest only upon the completion of an Exit, an expense is only recognized if an Exit event is probable. As an Exit is deemed to be probable as of 31 December 2019, the fair value of the Plan liability is expensed in the income statement for 2019 based on the period occurred between the grant date and the estimated Exit date.

The cash bonus will partly depend on the proceeds realized by the shareholder upon an Exit. As a result, the fair value of this portion of the liability has been measured using a valuation model. This model takes into account the Enterprise Value on the reporting date, the capital structure, the expected asset volatility, the interest rate on debt, and the risk-free interest rate.

The total share-based payment expense recognized in 2019 for the awards made under the cash-settled SME-Plan and the liability as of 31 December 2019 amounted to € 0.3 million (2018: EUR nil),

13 Other operating expenses

Other operating expenses can be specified as follows:

(in € x 1,000)	2019	2018
Exceptional	19,922	28,271
Selling costs	9,360	8,358
Accommodation costs	3,292	12,699
Advisory costs	7,185	6,769
Subscription/Maintenance	11,183	10,301
Outsourcing costs	9,171	8,633
Telephone/Internet	1,777	2,305
Computer/Office supplies	1,031	1,016
Provision movement	870	(334)
Other expenses	(337)	246
Total	**63,454**	**78,264**

In the exceptional costs, costs are included related to one-off investments made by the Company in relation to internal group transformation efforts, including the underlying IT platforms and administrative structure of the Group.

The exceptional costs of 2018 also include EUR 7.5 million related to the impact of earn-out payments previously treated as a contingent consideration.
Other expenses include intercompany recharges to the Domestic business classified as a Discontinued Operations. Refer to Note 7.

14 Depreciation and amortization

(in € x 1,000)	2019	2018
Amortization of internally developed software	32,486	26,740
Amortization of acquired software	28,065	33,847
Amortization of customer contracts	22,614	24,032
Amortization of other intangible assets	3,291	3,473
Amortization of contract costs	2,356	1,917
Depreciation of property, plant and equipment	6,718	7,282
Depreciation of Right-of-use assets	12,057	-
Total	**107,587**	**97,291**

For impairment test of goodwill and cash generating units refer to Note 19.

15 Finance costs

(in € x 1,000)	2019	2018
Interest on loans under Senior Facility Agreement	34,529	32,910
Interest on subordinated loan (accrued)	59,575	78,499
Other interest and finance expense	1,056	2,700
Result on valuation of derivative floor B3 facility	7,855	-
Interest concerning capitalized development costs	-	(36)
Interest concerning amortization of capitalized finance costs	4,174	5,128
Interest on lease liabilities	1,594	-
Other finance expense	1,015	86
Exchange rate loss	540	-
Total	**110,338**	**119,287**

16 Finance income

(in € x 1,000)	2019	2018
Interest income	736	393
Result on valuation of derivative floor B2 facility	-	57
Result on valuation of derivative floor B1 facility	-	47
Result on valuation interest rate swap	-	1,359
Finance Income on Net Investment from sublease	57	-
Other finance income	-	563
Total	**793**	**2,419**

Other finance income relates to the release, due to non-utilization, on the Assistance Software earn-out provision.

17 Income taxes

(in € x 1,000)	2019	2018
Current taxes	(7,447)	1,085
Deferred taxes	6,726	7,190
Total	**(721)**	**8,275**

Reconciliation of effective tax rate

A reconciliation between income tax (expense) / benefit calculated at the Dutch statutory tax rate of 25% in 2019 (2018: 25%) and the actual tax (expense) / benefit with an effective tax rate of (0.5%) (2018: 6.9%) is as follows:

(in € x 1,000)	2019	2018
Profit / (loss) before tax from continuing operations	(136,649)	(119,453)
Income tax benefit calculated at domestic corporation tax rate (25%)	34,162	29,863
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,572	(281)
Effect of income that is exempt from taxation	1,461	2,444
Effect of expenses that are not deductible in determining taxable profit *	(24,305)	(15,222)
Effect of tax losses for which no deferred tax asset has been recognized *	(13,991)	(9,047)
Effect of changes in tax rates	2,101	(747)
Effect of adjustments in respect of prior years	(2,660)	910
Other	939	355
Income tax (expense) / benefit recognized in profit or loss	(721)	8,275

* The effect of tax losses and interest carry forward for which no deferred tax asset was recognized € 261.3 million (2018: € 199.8 million) primarily is related to the Dutch fiscal unity for which not all tax losses and interest carry forward have been recognized.

The non-deductibility in determining taxable income mainly relates to a tax agreement with the Dutch tax authorities, in which the deductible interest in 2019 and the years thereafter is limited. This tax agreement will be re-discussed with the Dutch tax authorities in 2020.

Corporate income tax - current

(in € x 1,000)	2019	2018
Corporate income tax asset	4,961	8,857
Income tax payable	(28,364)	(23,919)
Total	**(23,403)**	**(15,062)**

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the IFRIC23 Interpretation had an impact on its consolidated financial statements.

In 2019 the Interpretation resulted in a reclassification of the provision related to uncertain tax positions to the current tax liabilities for an amount of € 22.0 million (2018: € 20.4 million). However, it did not have an impact on the amounts recognized in relation to these positions, based on the tax compliance and transfer pricing studies performed. The related 2019 interest portion of € 0.5 million is accounted for in the income tax line as this is considered a tax item.

Corporate income tax – deferred

The deferred tax assets and liabilities are presented as net amounts as far as the amounts can be offset.

The following tables are the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

As at 31 December 2019:

(in € x 1,000)	Deferred tax assets	Deferred tax liabilities
Intangible assets	5,943	(68,326)
Property, plant and equipment	364	(234)
Provisions	2,769	–
Tax loss carry forwards	47,856	–
Other items	1,981	(4,468)
Deferred tax assets / (liabilities)	58,913	(73,028)
Offset deferred tax liabilities	(44,682)	44,682
Net deferred tax asset / (liabilities)	**14,231**	**(28,346)**

As at 31 December 2018:

(in € x 1,000)	Deferred tax assets	Deferred tax liabilities
Intangible assets	7,364	(66,535)
Property, plant and equipment	858	(326)
Provisions	1,233	–
Tax loss carry forwards	50,433	–
Other items	4,847	(3,950)
Deferred tax assets / (liabilities)	64,735	(70,811)
Offset deferred tax liabilities	(51,398)	51,398
Net deferred tax asset / (liabilities)	**13,337**	**(19,413)**

The deferred tax assets recognized include carried-forward tax losses and carried forward interest, which are expected to be offset in the future against taxable income and by differences between fiscal and commercial valuations and result determinations. In certain countries the Group has a history of losses. As at 31 December 2019, the Group has an amount of € 212.6 million (2018: € 238.5 million) in recognized losses and interest carry forward available for offset. The Group recognized deferred tax assets related to carried-forward losses or tax receivables as long as the respective fiscal unity or legal entity has sufficient taxable temporary differences or when there are reliable estimates that taxable profits will be available for use by the fiscal unity or legal entity. The deferred tax asset to a large extent is of a long-term nature.

The deferred tax liabilities recognized are caused by temporary differences and result determinations. The deferred tax liability primarily relates to the intangibles originating from the Unit4 acquisition in 2014. The deferred tax liabilities are largely long-term in nature. The deferred tax assets and liabilities are presented as net amounts as far as the amounts can be offset.

AI Avocado Holding B.V. is a Dutch company with subsidiaries spread over the world and subject to income tax in The Netherlands and in the countries where the Group conduct operations. As part of the normal course of business the Group has uncertain tax positions, including potential transfer pricing exposures and exposures resulting from interpretation of applicable tax laws applied in our tax returns. Uncertain tax positions have been provided for under current income tax liabilities.

Corporate income tax – unrecognized tax losses

The accumulated unrecognized tax losses expire as follows:

(in € x 1,000)	31/12/19	31/12/18
Within 1 year	46	72
Between 1 and 5 years	2,605	19,660
After 5 years	258,613	180,088
	261,264	199,820

As at 31 December 2019, the Group has an amount of € 261.3 million (2018: € 199.8 million) in non-recognized carried-forward losses and interest carry forward available for offset. These losses are not recognized on the statement of financial position because of higher uncertainty as to whether sufficient taxable profits can be realized within the foreseeable future.

18 Intangible assets

Cost	Goodwill	Internally developed software	Acquired software	Customer contracts	Contract Assets	Trademark and other intangibles	Total
Balance at 1 January 2018	**858,810**	**181,203**	**309,736**	**301,864**	**14,301**	**55,079**	**1,720,993**
Additions from internal developments	–	38,301	–	–	–	–	38,301
Additions	–	–	76	–	4,870	8	4,954
Disposals	–	(1,466)	(110)	–	–	–	(1,576)
Adjustment contingent consideration	(8,800)	–	–	–	–	–	(8,800)
Asset held for sale	(347,272)	(10,370)	(18,689)	(16,026)	–	–	(392,357)
Effect of foreign currency exchange differences	15,694	(463)	545	344	–	8	16,128
Balance at 31 December 2018	**518,432**	**207,205**	**291,558**	**286,182**	**19,171**	**55,095**	**1,377,643**
Additions from internal developments	–	34,325	–	–	–	–	**34,325**
Acquisitions through business combinations	43,411	–	46,760	4,121	–	300	**94,592**
Additions	–	–	1,099	–	4,384	98	**5,581**
Disposals	–	(56,227)	(29)	–	–	(982)	**(57,238)**
Eliminated on disposal of a subsidiary	(47,800)	(35,392)	(13,138)	(29,532)	–	(189)	**(126,051)**
Asset held for sale	(14,252)	–	(4,270)	(9,679)	–	–	**(28,201)**
Effect of foreign currency exchange differences	11,924	25	(341)	3,532	–	(5)	**15,135**
Balance at 31 December 2019	**511,715**	**149,936**	**321,639**	**254,624**	**23,555**	**54,317**	**1,315,786**
Accumulated Amortization							
Balance at 1 January 2018	**(15,903)**	**(85,250)**	**(229,579)**	**(127,028)**	**(2,964)**	**(11,961)**	**(472,685)**
Amortization expense	–	(29,246)	(37,876)	(29,227)	(1,917)	(3,473)	(101,739)
Disposals	–	1,469	101	–	–	–	1,570
Asset held for sale	–	5,263	16,771	8,524	–	–	30,558
Effect of foreign currency exchange differences	–	261	(418)	(77)	–	6	(228)
Balance at 31 December 2018	**(15,903)**	**(107,503)**	**(251,001)**	**(147,808)**	**(4,881)**	**(15,428)**	**(542,524)**
Amortization expense	–	(32,875)	(27,997)	(22,614)	(2,356)	(2,973)	**(88,815)**
Disposals	–	57,028	4	–	–	548	**57,580**
Eliminated on disposal of a subsidiary	–	28,093	11,712	15,843	–	187	**55,835**
Asset held for sale	–	–	3,817	5,148	–	–	**8,965**
Effect of foreign currency exchange differences	–	(18)	551	(1,747)	–	9	**(1,205)**
Balance at 31 December 2019	**(15,903)**	**(55,275)**	**(262,914)**	**(151,178)**	**(7,237)**	**(17,657)**	**(510,164)**
Net carrying value at 31 December 2019	**495,812**	**94,661**	**58,725**	**103,446**	**16,318**	**36,660**	**805,622**

Contract Costs

(in € x 1,000)	31/12/19	31/12/18
Additional capitalized costs to obtain a contract	4,384	4,870
Total	**4,384**	**4,870**

Costs to obtain contracts relate to incremental commission fees paid as a result of obtaining sales contracts. These contract costs are amortized on a straight–line basis over the period of the related contracts. This reflects the period over which the product and/or service is transferred to the customer.

In 2019, an amortization expense amounting to € 2.4 million (2018: € 1.9 million) was recognized as part of the total amortization expense in the consolidated statement of profit or loss. There was no impairment loss in relation to the costs capitalized.

Applying the practical expedient in paragraph 94 of IFRS 15, Unit4 recognizes the incremental costs of obtaining contract as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

19 Impairment test for goodwill

Goodwill acquired through business combinations has been allocated to the relevant cash-generating units (CGUs). The following is an overview of the CGUs with either a significant carrying amount of goodwill in comparison to the Group's total carrying amount of goodwill and recognized impairment loss.

A summary of the goodwill allocation is presented below:

	Carrying amount goodwill at 31 December 2019	Impairment 2019	Carrying amount goodwill at 31 December 2018	Impairment 2018
Unit4 Bedrijfssoftware	115,759	–	–	–
UK & Ireland	104,577	–	99,982	–
North America	74,016	–	72,669	–
Sweden	61,727	–	62,758	–
Norway	40,056	–	39,752	–
Benelux	39,280	–	171,095	–
Prevero	31,638	–	31,638	–
Asia	14,603	–	14,153	–
Other GGU's	14,156	–	10,482	–
	495,812	–	**502,529**	**–**

Following the further operational separation of Unit4 Bedrijfssoftware and the Global business, the goodwill in the Benelux has been separated between these two CGUs based on the relative value approach. The goodwill recognized on the acquisition of Fiscaal Gemak has been allocated to Unit4 Bedrijfssoftware, while the goodwill related to Intuo has been allocated to the Global business. The goodwill of the Domestic line of business amounting to € 62,052 is no longer listed in this table, following the classification of this CGU as asset held for sale. Refer to note 7 and 18 for further details.

The recoverable amount of the CGU's has been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by the Board of Directors. These cash flows have been discounted based on pre-tax discount rates derived from the weighted average cost of capital (WACC) for each CGU. The pre-tax discount rates used are included in the table below.

	Benelux	UK & Ireland	Norway	Sweden	North America	Prevero	Asia	Unit4 Bedrijfssoftware	Other
Discount rate 2019	10.8%	11.3%	11.0%	10.9%	11.2%	12.0%	10.6%	10.6%	13.5% - 10.7%
Discount rate 2018	11.4%	12.3%	11.7%	11.7%	12.0%	12.5%	11.5%	-	16.0% - 11.7%

The period over which management has projected cash flows based on financial budgets/forecasts is 5 years plus a normalization year. In case there are substantial intangible assets amortized over a longer period than 5 years, longer projections are used to achieve a more accurate calculation.

Every CGU has the same prospect and comparable assumptions. As a result there is no requirement for a full disclosure on a specific item. The SaaS growth rates range is currently wider, compared to the other assumptions, due the ongoing transition to SaaS. These rates are expected to converge over time, similar to the other assumptions used.

Any terminal value is calculated on the basis of an indefinite cash flow that is determined by means of the projected cash flow in the final year of the projection. The rates applied are the lower of 2% or the real risk free rate, being the nominal risk free rate including a country risk premium, for all entities.

The main value drivers of gross profit of the CGUs are revenue growth rates for SAAS, licenses, services and maintenance and the growth rate of expenses.

Management has determined the values assigned to each of the above key assumption as follows:

Assumption	**Approach used to determine values**
Sales volume (% annual growth rate)	Average annual growth rate over the five-year forecast period; based on past performance and management expectations of market development.
Sales price (% annual growth rate)	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecast for each CGU.
Employee and other expenses growth rate (%)	Based on past performance and management expectations for the future.
Budgeted gross margin (%)	Based on past performance and management expectations for the future.
Annual capital expenditure (€ ‘000)	Expected cash costs in the CGUs. This is based on the historical experience of management and the planned replacement expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as the result of this expenditure.
Long-term growth rate (%)	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate (%)	Reflect specific risks relating to the relevant segments and the countries in which they operate.

	Growth rates
Growth Rate SaaS	13% - 74% (2018: 9% - 89%)
Growth rate license	(31%) – 0% (2018: (33%) – 20%)
Growth rate maintenance	(38%) – 6% (2018: (4%) – 10%)
Other OPEX indexations	1.5% - 2.5% (2018: 1.5% - 2.5%)

The discount rates represent the current market assessment of the risks specific to each cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from the weighted average cost of capital WACC. CGU-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Management is confident that these assumptions are realistic and achievable and are supported by underlying business initiatives.

Impairment charge

In the years 2019 and 2018 no impairment charge was recognized.

Impact of possible changes in key assumptions

CGU's with an impairment charge during 2019
In 2019, no impairment charge was booked (2018: nil).

CGU's without an impairment charge during 2019
Management performed a sensitivity analysis by adjusting the key assumptions with a 10% (2018: 10%) adverse impact, which did not result in an impairment in any of the CGU's. Increasing the discount rate by 10% (2018: 10%) resulted in a 19% (2018: 18%) lower headroom, however, the total headroom remained over 49% (2018: 58%) over the total carrying value, and the headroom for the CGU with the lowest headroom was still 71% (2018: 55%).
Therefore, management believes that no reasonable possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

20 Property, plant and equipment

	Land and Buildings	Technological equipment	Other tangible assets	**Total**
Cost or valuation				
Balance at 1 January 2018	**20,734**	**36,404**	**24,406**	**81,544**
Additions	108	5,241	1,229	**6,578**
Disposals	(952)	(4,572)	(5,704)	**(11,228)**
Transfers	259	436	(695)	**–**
Asset held for sale	–	(2,690)	(3,985)	**(6,675)**
Effect of foreign currency exchange differences	(65)	(237)	(77)	**(379)**
Balance at 31 December 2018	**20,084**	**34,582**	**15,174**	**69,840**
Additions	21	2,836	3,512	**6,369**
Disposals	(1,836)	(2,510)	(1,358)	**(5,704)**
Acquisitions through business combinations	2	–	101	**103**
Eliminated on disposal of a subsidiary	(5,907)	(1,309)	(508)	**(7,724)**
Transfers	58	125	(183)	**–**
Effect of foreign currency exchange differences	415	95	64	**574**
Balance at 31 December 2019	**12,837**	**33,819**	**16,802**	**63,458**

Accumulated depreciation and impairment	Land and Buildings	Technological equipment	Other tangible assets	**Total**
Balance at 1 January 2018	**(10,162)**	**(27,952)**	**(15,460)**	**(53,574)**
Disposals	921	4,536	5,659	**11,116**
Depreciation expense	(895)	(5,321)	(1,494)	**(7,710)**
Transfers	–	(83)	83	**–**
Asset held for sale	–	2,144	1,889	**4,033**
Effect of foreign currency exchange differences	15	112	84	**211**
Balance at 31 December 2018	**(10,121)**	**(26,564)**	**(9,239)**	**(45,924)**
Disposals	1,815	1,849	1,233	**4,897**
Depreciation expense	(907)	(4,348)	(1,463)	**(6,718)**
Transfers	–	194	(194)	**–**
Eliminated on disposal of a subsidiary	3,704	625	224	**4,553**
Effect of foreign currency exchange differences	(123)	(119)	(78)	**(320)**
Balance at 31 December 2019	**(5,632)**	**(28,363)**	**(9,517)**	**(43,512)**
Net carrying value at 31 December 2019	**7,205**	**5,456**	**7,285**	**19,946**

As at 31 December 2019, Land and Buildings were not pledged (2018: none). There were no borrowing costs capitalized during the year ended 31 December 2019 (2018: none). The transfers from Other tangible assets to the categories Land and buildings and Technological equipment primarily relate to leasehold and own building improvements.

21 Right-of-use Assets and Lease Liabilities

The Group has lease contracts for various items of buildings, lease cars and other assets used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options.
The Group also has certain leases with lease terms of 12 months or less and leases of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases therefore not disclosed.
Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

(in € x 1,000)	Buildings	Lease cars	Other	Total
Balance at 1 January 2019 *	**31,947**	**6,611**	**13**	**38,571**
Additions	3,110	2,745	–	**5,855**
Depreciation expense	(8,801)	(3,252)	(4)	**(12,057)**
Balance at 31 December 2019	**26,256**	**6,104**	**9**	**32,369**

The following table provides information on the Lease liabilities movements during the fiscal year.

(in € x 1,000)	2019
As at 1 January	**43,214**
Additions	4,377
Accretion of interest	1,594
Payments	(11,885)
Balance at 31 December 2019	**37,300**
Current	11,718
Non-current	25,582

Profit and loss

Group as a lessee

The following are the amounts recognized in profit or loss:

(in € x 1,000)	2019
Depreciation expense of right-of-use assets	12,057
Interest expense on lease liabilities	1,594
Interest income on subleases	(57)
Expense relating to leases of short-term leases and low-value assets	630
Total amount recognized in profit or loss	**14,224**

The Group had total cash outflows for leases of € 13.7 million in 2019.

Group as a lessor

The Group has entered into operating leases (sublease) of certain buildings. These leases have terms of 4 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognized by the Group during the year is € 0.5 million.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

(in € x 1,000)	2019
Within one year	461
After one year but not more than five years	720
More than five years	–
	1,181

22 Other financial assets

(in € x 1,000)	31/12/19	31/12/18
Current – Other financial assets – FX forwards	106	85
Net Investment on subleases	1,167	–
Non-current – Loans and receivables	8,941	895
Total	**10,214**	**980**

With the implementation of IFRS 16, the existing subleases on Unit4 buildings were classified as finance leases and therefore are presented as Net Investment in subleases.

The non-current loans and receivables primarily relate to funds lent to a related party and a loan provided as part of the sales transaction of one of the subsidiaries. For further details, refer to note 37 and note 7 respectively.

The item loans and receivables also includes a loan towards the main former external partner of Unit4 TETA SA amounting to € 6.9 million (2018: € 6.9 million), which is impaired and fully provisioned as it is unlikely the loan will be repaid.

23 Contract assets

The following table provides information about contract assets from contracts with customers.

(in € x 1,000)	31/12/19	31/12/18
Contract assets	32,326	22,110
Total	**32,326**	**22,110**

Payment for installation of software services is not due from the customer until the installation services are complete and therefore a contract asset is recognized over the period in which the installation services are performed to represent the entity’s right to consideration for the services transferred to date.

There were no impairment losses recognized on any contract asset in the reporting period (2018: nil).

24 Trade and other receivables

(in € x 1,000)	31/12/19	31/12/18
Trade receivables	78,227	91,969
Provision for expected credit losses	(7,878)	(9,677)
	70,349	**82,292**
Prepayments and accrued income	11,964	8,504
Receivables employees	182	1,496
Other assets	2,791	2,120
VAT receivable, other taxes and social securities	1,915	2,086
	16,852	**14,206**
Total	**87,201**	**96,498**

Age of receivables that are past due but not impaired:

(in € x 1,000)	31/12/19	31/12/18
Not due	12,053	19,709
>1 – 60 days	37,503	44,192
61 – 180 days	7,314	10,353
>181 days	13,479	8,038
Total	**70,349**	**82,292**

Movement in the allowance for doubtful debts:

(in € x 1,000)	31/12/19	31/12/18
Balance at beginning of the year	9,677	16,775
Derecognition assets held for sale	(145)	(2,553)
Derecognition assets disposed operations	(2,043)	–
Addition	3,155	6,865
Amounts written off during the year as uncollectible	(2,286)	(9,152)
Amounts recovered during the year	(602)	(2,341)
Foreign exchange translation gains and losses	122	83
Balance at end of the year	**7,878**	**9,677**

Trade receivables are non-interest bearing and are generally on 30–90-day payment terms. The Group has considered the following criteria for the allowance for doubtful debts analysis:

- Ageing: All receivables over 365 days, due to historical experience, are not considered to be recoverable, except where specific considerations apply to support the collectability;
- Customer Rating: In addition, the remaining overdue balances are assessed based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position;

Through the IFRS 9 standard, for non-due balances (< 30 days payment term), that do not contain significant financing components, a lifetime expected credit loss (ECL) percentage is also included.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

25 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

(in € x 1,000)	31/12/19	31/12/18
Cash Assets held for sale	-	1,237
Cash UNIT4 Group (excluding Assets held for sale)	110,733	67,824
Balance at end of the year	**110,733**	**69,061**

Cash and cash equivalents include restricted cash amounting to € 0.9 million (2018: € 0.8 million).

26 Issued capital and share premium

The shares of AI Avocado Holding B.V. have a nominal value of € 1,-. There is no "authorized share capital".

At the reporting date 7 ordinary shares (2018: 7 shares) were issued and paid up in full. The changes in the share capital are presented in the following table:

Fully paid ordinary shares:

	Number of shares	Share capital (in € x 1)	Share premium (in € x 1,000)
Balance at 1 January 2018	7	7	349,351
Issuance of shares	–	–	–
Balance at 31 December 2018	7	7	349,351
Issuance of shares	–	–	–
Balance at 31 December 2019	7	**7**	**349,351**

The share premium of € 349,351 is not restricted for dividend purposes.

27 Foreign currency translation reserve

The currency translation differences reserve encompasses all exchange differences, relating to foreign currency differences arising from the translation of the net investment in entities (including goodwill) with another functional currency than the Euro, and from the translation of liabilities (loans and other financial instruments) used to hedge the Group's net investment in a foreign subsidiary. The currency translation differences reserve is qualified as a legal reserve in compliance with Dutch law requirements and cannot be distributed freely to shareholders of AI Avocado Holding B.V. For other legal reserves please refer to the Company financial statements.

28 Borrowings

(in € x 1,000)	31/12/19	31/12/18
Non-current		
Senior Facility Agreement – Term B1	–	500,000
Senior Facility Agreement – Incremental facility ($ 30 million)	–	26,201
Senior Facility Agreement – Term B2	–	230,000
Senior Facility Agreement – Term B3	753,000	–
Subordinated loans from AI Avocado (Luxembourg) Finance SARL	474,079	718,657
Unamortized deferred financing costs	(10,592)	(13,464)
Total non-current	**1,216,487**	**1,461,394**
Current		
Other loan	–	1,000
Total current	–	**1,000**
Total borrowings	**1,216,487**	**1,462,394**

Changes in borrowings

(in € x 1,000)	31/12/17	Cash flows	Accrued interest	Foreign exchange/ Other	31/12/18
Senior Facility Agreement – Term B1	500,000	–	–	–	500,000
Senior Facility Agreement – Incremental facility ($ 30 million)	25,015	–	–	1,186	26,201
Senior Facility Agreement – Term B2	230,000	–	–	–	230,000
Subordinated loans from AI Avocado (Luxembourg) Finance SARL	654,158	(14,000)	78,499	–	718,657
Loan to FinancialForce.com	37,521	–	–	(37,521)	–
Other loans	2,000	–	–	(1,000)	1,000
Unamortized deferred financing costs	(21,312)	–	–	7,848	(13,464)
Total borrowings	**1,427,382**	**(14,000)**	**78,499**	**(29,487)**	**1,462,394**

Changes in borrowings

(in € x 1,000)	31/12/18	Cash flows	Accrued interest	Amendment and Extension	Foreign exchange/ Other	31/12/19
Senior Facility Agreement – Term B1	500,000	(3,091)	–	(496,909)	–	–
Senior Facility Agreement – Incremental facility ($ 30 million)	26,201	(26,903)	–	–	702	–
Senior Facility Agreement – Term B2	230,000	(1,422)	–	(228,578)	–	–
Senior Facility Agreement – Term B3	–	27,513	–	725,487	–	753,000
Subordinated loans from AI Avocado (Luxembourg) Finance SARL	718,657	–	59,575	–	(304,153)	474,079
Other loans	1,000	(1,000)	–	–	–	–
Unamortized deferred financing costs	(13,464)	–	–	–	2,872	(10,592)
Total borrowings	**1,462,394**	**(4,903)**	**59,575**	–	**(300,579)**	**1,216,487**

In July 2019, the Company revised the existing Senior Facilities Agreement, extending the maturity of the Agreement to September 2023 and amending certain provisions. The existing € 500 million B1 and € 230 million B2 loans were replaced by a € 753 million B3 loan, under the Senior Facilities Agreement, and the $ 30 million (€ 26.9 million) incremental facility was fully repaid.

The Company kept its revolving facility ("RCF") under the Senior Facility Agreement on € 72.0 million. The RCF includes a € 2.5 million guarantee facility of which as at 31 December 2019 € 2.0 million was used (2018: € 2.3 million) was used. An additional € 2.5 million guarantee was raised in 2018 to temporary cover existing contracts. It will mature in 2022.

The B3 facility includes an interest floor, which at the time of entering into the agreement was in the money, and therefore, was valued at the time (€ 10.3 million). This derivative is reported as a financial liability (Note 29).

The Assistance Software Group acquisition, completed in March 2017, was financed with a € 2.0 million loan provided by the previous shareholders. The remaining outstanding € 1.0 million loan was repaid in 2019.

The revolving credit facility of € 72.0 million remained undrawn as at year-end 2019 (2018: nil).

In 2018, due to the classification as Asset held for Sale, loans allocated to FinancialForce.com are disclosed into Note 7 and therefore removed under the Foreign Exchange / Other section.

The € 400.0 million Subordinated loan initially obtained from AI Avocado (Luxembourg) Finance SARL., was increased with € 24.7 million on 24 July 2015 and with an additional € 6.2 million on 20 September 2017. Out of the total proceeds from the transfer of FinancialForce.com (€ 304.2 million), an amount of € 16.4 million has been used to repay part of the nominal value of the loan. The remainder has been used to repay the accrued interest balance.

The loan is subordinated to the obligations under the Senior Facilities Agreement. The interest on this total subordinated loan amounting to € 414.5 million shall accrue at an interest rate of fixed 12.0% per annum. Interest on this subordinated loan is added to (and forms part of) the outstanding principal amount on the last day of each interest period. Repayment of the whole loan then outstanding shall take place on the Final Maturity date, meaning the 10^{th} anniversary of this loan agreement.

The € 753 million B3 loan under the Senior Facilities Agreement has a duration of 4 years, repayable in September 2023 with a monthly interest payable at a rate of 1-month Euribor plus a spread of 450 basis points.

In case of a change of Control, a Sale or a Listing which results in a change of Control, amongst others the Facilities will be cancelled and all amounts under the SFA will become due and payable immediately in full cash.

Covenants

The Senior Facility Agreement contains customary restrictive covenants, including but not limited to limitations or restrictions on our ability to incur debt, grant liens, make restricted payments and sell assets. The restrictive covenants are subject to customary exceptions and are governed by a leverage ratio. This leverage ratio is calculated as a ratio of outstanding net debt of the Group, excluding FinancialForce.com debt and the subordinated loan from AI Avocado (Luxembourg) Finance SARL, to the Pro Forma adjusted EBITDA. The Pro Forma EBITDA is the Group's EBITDA excluding FinancialForce.com EBITDA and adjusted for Exceptional and Restructuring items as if the restructuring would have taken place with effect on the last 12 months (run rate EBITDA).

The Company remained in full compliance with its Senior Facility Agreement covenants. As at 31 December 2019 the leverage ratio was 4.70 (2018: 4.41) compared to the maximum allowable threshold of 5.75 (2018: 6.50). The leverage ratio should not exceed the following Maximum Leverage Ratio per year:

Each relevant period (ending in):	Maximum Leverage Ratio
2019	5.75 : 1
2020 and in each Relevant Period thereafter	5.50 : 1

The obligations under the Senior Facility Agreement are guaranteed by certain of the Company's subsidiaries.

29 Other financial liabilities

(in € x 1,000)	31/12/19	31/12/18
Derivative – Interest floor B2 facility	–	2,000
Derivative – Interest floor B1 facility	–	438
Derivative – Interest floor B3 facility	10,292	–
Foreign currency forward contracts	37	–
Total	**10,329**	**2,438**
Current	10,329	2,438
Non-current	–	–
Total	**10,329**	**2,438**

The B1 facility, drawn in 2017, include an interest floor, which at the time of entering into the agreement was in the money, and therefore, was valued (€ 0.6 million). The value of the derivative at 31 December 2019 was € nil million (2018: € 0.4 million), and the related result is presented in financial income (Note 16).

The B2 facility, drawn in 2016, include an interest floor, which at the time of entering into the agreement was in the money, and therefore, was valued (€ 6.9 million). The value of the derivative at 31 December 2019 was € nil million (2018: € 2.0 million), and the related result is presented in financial income (Note 16).

The B3 facility, drawn in 2019, include an interest floor, which at the time of entering into the agreement was in the money, and therefore, was valued (€ 10.3 million) and the related result is presented in financial income (Note 16).

30 Provisions

(in € x 1,000)	Restructuring provision	Earn-out provision	Other provisions	**Total**
Balance at 1 January 2019 (as previously reported)	2,066	2,003	8,576	12,645
Changes due to new accounting standard (note 2.1)	–	–	(3,669)	(3,669)
Balance at 1 January 2019 (restated)	**2,066**	**2,003**	**4,907**	**8,976**
Additions arising during the year	2,698	5,554	1,208	9,460
Reductions arising from settlements	(1,479)	(1,501)	(187)	(3,167)
Reductions resulting from re-measurement or settlement without cost	(780)	(288)	(125)	(1,193)
Reduction due to move Assets held for Sale	–	–	(145)	(145)
Reduction due to Disinvestment	(233)	–	(25)	(258)
Effect of foreign currency exchange differences	(14)	(2)	9	(7)
Balance at 31 December 2019	**2,258**	**5,766**	**5,642**	**13,666**
Current	985	2,468	2,441	5,894
Non-current	1,273	3,298	3,201	7,772
	2,258	**5,766**	**5,642**	**13,666**

(in € x 1,000)	Restructuring provision	Earn-out provision	Other provisions	**Total**
Balance at 1 January 2018	11,491	11,000	8,069	30,560
Additions arising during the year	1,921	–	2,311	4,232
Reductions arising from settlements	(9,934)	(7,125)	(1,317)	(18,376)
Reductions resulting from re-measurement or settlement without cost	(1,138)	–	(614)	(1,752)
Adjustment contingent consideration	–	(1,872)	–	(1,872)
Effect of foreign currency exchange differences	(274)	–	127	(147)
Balance at 31 December 2018	**2,066**	**2,003**	**8,576**	**12,645**
Current	1,969	2,003	2,358	6,330
Non-current	97	–	6,218	6,315
	2,066	**2,003**	**8,576**	**12,645**

Restructuring provision

The restructuring provision relates to the reorganization process of relocating certain activities from high cost to low cost countries, centralizing and outsourcing certain back office activities such as bookkeeping, HR and IT, and certain senior management changes in 2019 and 2018. This has led to the dismissal of groups of employees. The provision is for the salary payments during gardening leave and the severance payment at the end of the gardening leave.

Earn-out provision

The earn-out obligation relates to the contingent obligation under the share purchase agreements of Intuo (acquired in March 2019), JSKS (acquired in May 2019) and Assistance Software Group B.V. (acquired in March 2017) and Prevero AG (acquired in July 2016). At the end of 2019 the balance related to Assistance Software amounts to € 0.2 million, Intuo earn-out obligation amounts to € 1.6 million and € 3.9 million relates to JSKS.
The provision is based on expectations of the management for the variable part of the purchase price of the shares acquired of Group companies.

In 2018, there was an adjustment on the Goodwill due to changes on the contingent consideration accounting. Please refer to Note 18 for details.

Other provisions

Other provisions include provisions for deferred benefits (jubilee provision). This jubilee provision relates to the payments connected with the years of service (12.5 and 25 years and right before retirement), which is applied by a number of subsidiaries within the Group. Moreover, it includes an onerous contract for the operating costs on a building which is no longer used by Unit4. The portion of the provision as at 1 January 2019 that related to an onerous lease have been deducted from the related right-of-use asset.

31 Contract liabilities

The following table provides information about contract liabilities from contracts with customers.

(in € x 1,000)	31/12/19	31/12/18
Maintenance	62,962	62,587
SaaS	29,039	23,548
Services and other	992	3,897
Total	**92,993**	**90,032**

Revenue relating to maintenance is recognized over time although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the maintenance services at the time of the initial sales transaction and is released over the service period.

Revenue relating to SaaS is recognized over time although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

Contract liabilities relating to services and other are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognized to date under the cost–to–cost method.

32 Trade and other payables

The trade payables and other payables consist of:

(in € x 1,000)	31/12/19	31/12/18
Trade payables	25,586	13,606
Supplier invoices to be received	3,253	2,289
Total	**28,839**	**15,895**

33 Other liabilities

(in € x 1,000)	31/12/19	31/12/18
VAT payables	24,899	27,685
Wage taxes	4,025	3,882
Other taxes and social securities	3,687	4,221
Holiday pay, salaries and bonuses to be paid	27,718	31,992
Pensions – non-current	803	725
Pensions – current	361	95
Other accruals	18,790	14,218
Total	**80,283**	**82,818**
Current	76,249	80,855
Non-current	4,034	1,963
Total	**80,283**	**82,818**

Other liabilities – non-current

(in € x 1,000)	31/12/19	31/12/18
Defined benefit plans in the France	713	642
Defined benefit plans in the Germany	90	83
Other non-current liabilities	3,231	1,238
Total	**4,034**	**1,963**

34 Operating lease commitments

Operating leases commitments relate to leases entered into by Unit4 but not included under IFRS 16 due to the application of exemptions and practical expedients.

a) Non-cancellable operating lease commitments

(in € x 1,000)	31/12/19	31/12/18
Not later than 1 year	113	9,673
Later than 1 year and not later than 5 years	-	16,796
Later than 5 years	-	1,923
Total	**113**	**28,392**

b) Car and other lease obligations

(in € x 1,000)	31/12/19	31/12/18
Not later than 1 year	59	3,734
Later than 1 year and not later than 5 years	40	4,721
Later than 5 years	–	–
Total	**99**	**8,455**

35 Contingencies

Guarantee statement

AI Avocado Holding B.V. has issued statements in accordance with the provisions of Article 403 of Book 2 Title 9 of the Dutch Civil Code with regard to all the Dutch companies mentioned under Note 3.2. These companies are therefore exempted from the regulations that apply to the preparation and publication of financial statements.

Furthermore, most of the Dutch companies are included in the Dutch fiscal unity for corporation and VAT are wholly and severally liable for taxation payable to the tax authorities.

Legal procedures

Following the normal course of business, the Group is involved in several legal proceedings. In the opinion of the Board of Directors this will not be of any material significance to the Group’s financial position.

36 Key management compensation

The remuneration of the Board of Directors and other members of key management personnel during the year was as follows:

(in € x 1,000)	2019	2018
Short-term benefits (salaries and bonuses)	10,965	8,935
Post-employment benefits	333	318
Termination benefits	1,399	990
Share based payment	723	(690)
Long Term Incentive Plan	(601)	306
Total	**12,819**	**9,859**

The remuneration of the Executive and Non-executive members of the Board of Directors was, respectively € 2.8 million (2018: € 2.0 million) and € 0.5 million (2018: € 0.6 million).

37 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

The following transactions were carried out with related parties:

- Key management compensation (refer to Note 36);
- Borrowings from related parties (refer to Note 28);

On 23 July 2019, a loan was provided to one of the non-executive board members for an amount of € 5 million. The loan has a duration of 5 years, repayable in July 2024. The interest shall accrue at an interest rate of 12.0% per annum and is added to (and forms part of) the outstanding principal amount on the last day of each interest period. Preferred equity certificates in the parent company of AI Avocado Holding B.V. have been pledged to serve as collateral for the loan. Given this collateral, no doubtful debts or write-offs are recognized in relation to this loan.

During the year, the Domestic line of business has been divested. Part of this disposal group, Financial Intermediaries, was sold to an organization in which one of the non-executive board members participates. The board member was not actively involved in the negotiation process and decision making on the conditions of the transfer. The final price is considered to be at fair market value. The transaction price of € 11.3 million has been paid in full during 2019 leaving no remaining balances to be settled as part of the transaction.

There are no other material transactions with related parties, other than disclosed above, and all transactions are conducted at arm's length.

38 Events after the reporting period

In 2020, the outbreak of the Coronavirus evolved from a localized virus outbreak in China into a global pandemic. As a global business, Unit4 is exposed to a potential economic threat to its activities in many territories. Our first priority has been to ensure the safety of our staff and their families. We have taken all steps recommended by Governments in the respective territories in which we operate. We continue to monitor the situation and adapt the measures taken as required.

In addition, we have taken measures to ensure the business can continue to operate as usual as far as possible. As our products are mostly cloud based and our consultants have the ability to work remotely, we can continue to provide our services without interruption.

While the impact of the Covid-19 pandemic is unprecedented and the uncertainty created for businesses is difficult to precisely determine or quantify, we are confident that Unit4 is able to continue as a going concern given its stable revenue and customer base and access to liquidity.

Company Financial Statements

Company Balance Sheet as at 31 December

(before proposed profit appropriation)

(in € x 1,000)		2019	2018
Assets			
Non-current assets			
Investments in group companies	3	–	–
Current assets		–	–
Total assets		**–**	**–**
Equity and liabilities			
Equity	4		
Issued capital		–	–
Share premium		349,351	349,351
Share-based payments reserve		6,190	5,467
Legal reserves		97,662	135,696
Accumulated deficit		(931,047)	(792,113)
Result for the year		80,350	(144,463)
		(397,494)	(446,062)
Provision for interests in subsidiaries	3	395,715	444,320
Current liabilities			
Other liabilities and accruals	5	1,779	1,742
		1,779	1,742
Total equity and liabilities		**–**	**–**

Company Statement of Profit or Loss for the year ended 31 December

(in € x 1,000)	2019	2018
Company result for the year	(37)	(21)
Group companies result for the year	80,387	(144,442)
Result for the year	80,350	(144,463)

As permitted pursuant to Article 402, Title 9, Book 2 of the Dutch Civil Code AI Avocado Holding B.V.'s company income statement is presented in a condensed form.

Notes to the Company Financial Statements

1 Basis of preparation

The company financial statements of AI Avocado Holding B.V. (hereafter “the Company”) have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code, the Company’s financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements. For an appropriate interpretation, the Company financial statements should be read together with the consolidated financial statements. All amounts are presented in Euros (€ x 1,000), unless stated otherwise. The balance sheet and income statement references have been included. These refer to the notes.

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standard (‘IFRS’) as endorsed by the European Union.

2 Financial fixed assets

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the Company or its intermediate holding entities. They are de-recognized from the date that control ceases.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the Company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. If the net asset value is negative such amount is presented in the company financial statements as provision.

3 Investments in group companies

(in € x 1,000)	2019	2018
Balance at 1 January	**(444,320)**	**(312,557)**
Effect of adoption of new accounting standards (note 2.1)	446	-
Effect of IFRS 15 correction discontinued operations (note 7)	-	8,977
Investments share-based compensation	723	(690)
Change in Non-Controlling Interest	36	(9,611)
Result from group companies	80,387	(144,442)
Foreign currency translation differences	(32,987)	14,003
Total	**(395,715)**	**(444,320)**

For the negative value of investments in group companies a provision is booked.

List of group companies
AI Avocado Holding B.V. has (in)direct interests in subsidiaries listed in Note 3.2 (Notes to the consolidated financial statements).

4 Equity

In 2019, the movements in shareholders' equity are as follows:

(in € x 1,000)	Share capital /premium	Share-based payments reserve	Legal Reserves CTA	Legal Reserves Software development costs	Retained earnings	Profit/ (loss) for the year	**Total**
At 1 January 2019	**349,351**	**5,467**	**30,008**	**105,688**	**(792,113)**	**(144,463)**	**(446,062)**
Effect of adoption of new accounting standards (note 2.1)	–	–	–	–	446	–	446
At 1 January 2019	**349,351**	**5,467**	**30,008**	**105,688**	**(791,667)**	**(144,463)**	**(445,616)**
Capitalized development costs in Group companies	–	–	–	(5,047)	5,047	–	–
Foreign currency translation differences	–	–	(32,987)	–	–	–	(32,987)
Net result for the year	–	–	–	–	–	80,350	80,350
Total income and expenses for the year	–	–	(32,987)	(5,047)	5,047	80,350	47,363
Share-based payments	–	723	–	–	–	–	723
Change in ownership Non-Controlling Interest	–	–	–	–	36	–	36
Appropriation of result	–	–	–	–	(144,463)	144,463	–
At 31 December 2019	**349,351**	**6,190**	**(2,979)**	**100,641**	**(931,047)**	**80,350**	**(397,494)**

(in € x 1,000)	Share capital premium	Share-based payments reserve	Legal Reserves CTA	Legal Reserves Software development costs	Retained earnings	Profit/ (loss) for the year	**Total**
At 1 January 2018	**349,351**	**6,157**	**15,849**	**96,633**	**(609,889)**	**(172,379)**	**(314,278)**
Effect of IFRS 15 correction discontinued operations (note 7)	–	–	156	–	8,821	–	8,977
At 1 January 2018 (restated)	**349,351**	**6,157**	**16,005**	**96,633**	**(601,068)**	**(172,379)**	**(305,301)**
Capitalized development costs in Group companies	–	–	–	9,055	(9,055)	–	–
Foreign currency translation differences	–	–	14,003	–	–	–	14,003
Net result for the year	–	–	–	–	–	(144,463)	(144,463)
Total income and expenses for the year	–	–	14,003	9,055	(9,055)	(144,463)	(130,460)
Share-based payments	–	(690)	–	–	–	–	(690)
Change in ownership Non-Controlling Interest	–	–	–	–	(9,611)	–	(9,611)
Appropriation of result	–	–	–	–	(172,379)	172,379	–
At 31 December 2018	**349,351**	**5,467**	**30,008**	**105,688**	**(792,113)**	**(144,463)**	**(446,062)**

Called up share capital
The authorized, paid-up and called share capital of AI Avocado Holding B.V. of € 6.00 is divided into 7 (2018: 7) ordinary shares with a par value of € 1.00 each.

The share premium of € 9,273 has been paid upon the issuance of 1 share during 2017. The share premium of € 349,351 is not restricted for dividend purposes.

Share-based premium reserve
The share-based premium reserve relates to shares issued in connection with the Management Equity Participation plan (MEP) and Management Equity Participation II (MEP II).

Legal reserve
Legal reserves consist of the reserve for translation differences and the reserve for the capitalized costs relating to internally developed software. The reserve for translation differences concern all exchange rate differences arising from the translation of the net investment in foreign entities.

5 Other liabilities and accruals

(in € x 1,000)	31/12/19	31/12/18
Intercompany accounts	1,779	1,742
Total	1,779	1,742

The fair value of the current liabilities approximates the book value due to their short-term character. All current liabilities fall due in less than one year.

6 Contingencies and commitments

Tax group liability

The Company forms a fiscal unity with some of its Dutch subsidiaries for corporate income tax purposes. In accordance with standard conditions, the Company, along with the subsidiaries that are part of the fiscal unity, is wholly and severally liable for taxation payable by the fiscal unity.

Guarantee statement

AI Avocado Holding B.V. has issued statements in accordance with the provisions of Article 403 of Book 2 Title 9 of the Dutch Civil Code with regard to some of the Dutch companies mentioned under Note 3.2. These companies are therefore exempted from the regulations that apply to the preparation and publication of financial statements.

Furthermore, the Dutch companies which are included in the Dutch fiscal unity for corporation and VAT are wholly and severally liable for taxation payable to the tax authorities.

7 Average number of employees

During the year 2019, the Company employed nil employees (2018: nil employees).

8 Directors' remuneration

Reference is made to Note 36 in the consolidated financial statements.

9 Audit fees

In accordance with the provision of Article 382a, Book 2 of the Dutch Civil Code, the Group's auditors charged € 2,355,000 (2018: € 2,424,000) to AI Avocado Holding B.V. and its subsidiaries regarding the total audit fees for the 2019 audit of AI Avocado Holding B.V. A total audit fees of € 2,105,000 (2018: € 1,335,000) was charged by EY Accountants LLP to AI Avocado Holding B.V. and its subsidiaries.

(in € x 1,000)	2019	2018
Audit of financial statements	2,193	2,222
Other audit procedures	113	202
Tax services	48	–
Total	**2,354**	**2,424**

The fees listed above relate to the procedures applied to the Company by accounting firms and external auditors as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta).

10 Proposed profit appropriation

The Board of Directors proposes to the Annual General Meeting of Shareholders that the result of € 80.4 million for the year 2019 should be fully charged against the other reserves. This proposal has not yet been incorporated into the financial statements.

11 Events after the reporting period

In 2020, the outbreak of the Coronavirus evolved from a localized virus outbreak in China into a global pandemic. As a global business, Unit4 is exposed to a potential economic threat to its activities in many territories. Our first priority has been to ensure the safety of our staff and their families. We have taken all steps recommended by Governments in the respective territories in which we operate. We continue to monitor the situation and adapt the measures taken as required.

In addition, we have taken measures to ensure the business can continue to operate as usual as far as possible. As our products are mostly cloud based and our consultants have the ability to work remotely, we can continue to provide our services without interruption.

While the impact of the Covid-19 pandemic is unprecedented and the uncertainty created for businesses is difficult to precisely determine or quantify, we are confident that Unit4 is able to continue as a going concern given its stable revenue and customer base and access to liquidity.

Other information

12 Other information

Provision in the Articles of Association relating to profit appropriation
In accordance with Article 19 of the Company's Articles of Association, the profit for the year shall be at the disposal of the Annual General Meeting of Shareholders.

13 Independent Auditor's report

We refer to page 94 for the Independent Auditor's report.

14 Authorization of the financial statements

April 24th, 2020

AI Avocado Holding B.V.
Board of Directors,

L. Apotheker
Non-Executive Director

F. Wakeman
Non-Executive Director

J. Messamore (appointed September 24, 2019)
Non-Executive Director

C. Ouwinga
Non-Executive Director

H. Couturier (appointed October 31, 2019)
Non-Executive Director

L. Solomon (appointed October 31, 2019)
Non-Executive Director

A.C. Hale
Non-Executive Director

M. Ettling (appointed April 15, 2019)
Executive Director, CEO

G. Stuart
Executive Director, CFO

Independent auditor's report

Independent auditor's report

To: the shareholders and board of directors of AI Avocado Holding B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of AI Avocado Holding B.V., based in Sliedrecht. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of AI Avocado Holding B.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of AI Avocado Holding B.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019:
  - The consolidated statement of profit or loss and other comprehensive income
  - The consolidated statement of changes in equity
  - The consolidated statement of cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company statement of profit or loss for the year ended 31 December 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of AI Avocado Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Emphasis of matter relating to going concern assumption and the uncertainty about Corona

We draw attention to note 2 section going concern on page 23 of the financial statements which includes information relating to the going concern assumption and the developments surrounding the Corona (Covid-19) virus. These developments have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. AI Avocado Holding B.V. is confronted with this uncertainty as well, that is disclosed in the Director's report, section Covid-19 and events after balance sheet date, and the disclosure about events after the reporting period in note 38. We also draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The report from board of directors
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the report from board of directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The board of directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management and the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 24 April 2020

Ernst & Young Accountants LLP

signed by J-L. Geutjes