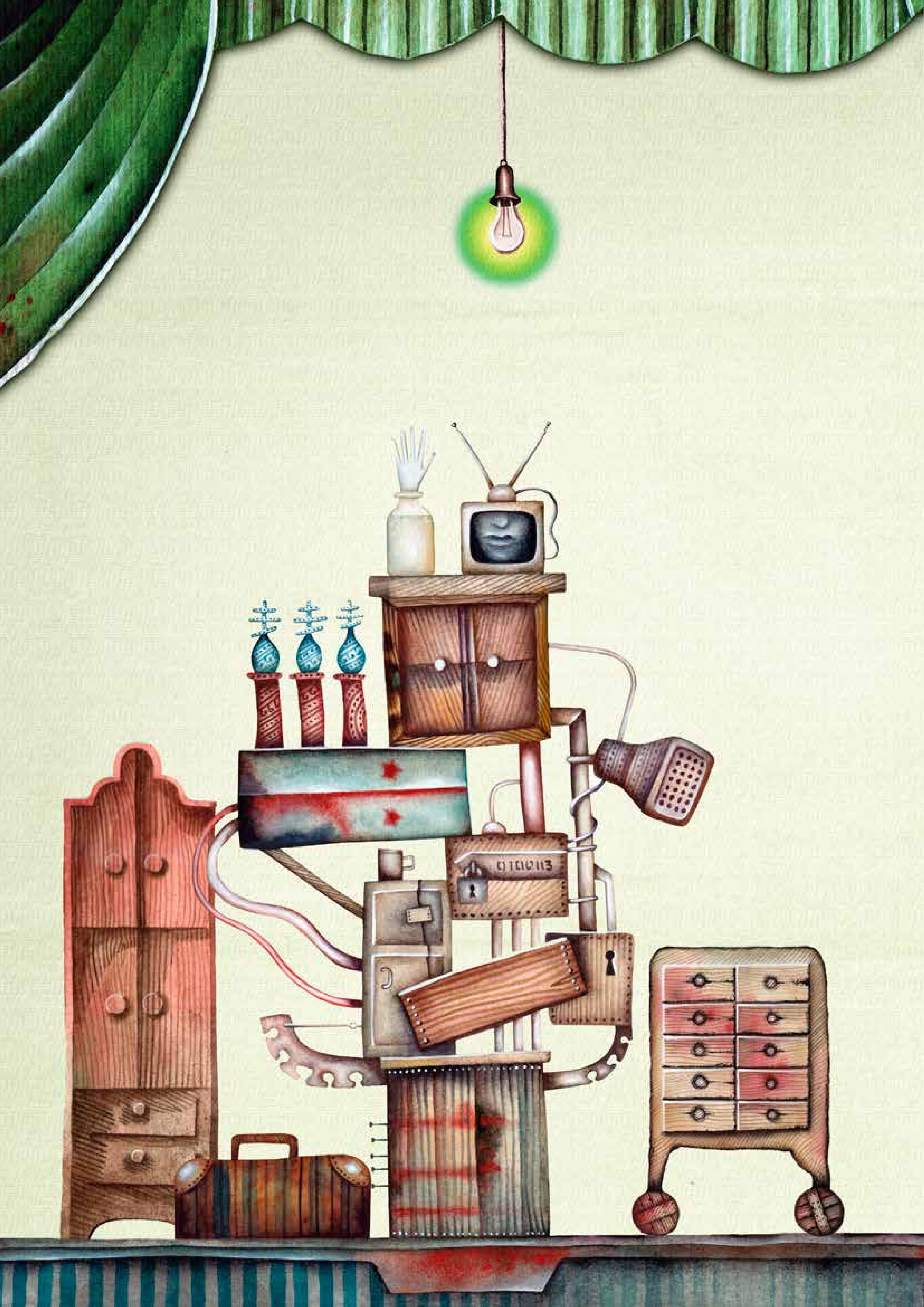

UNIT4
BUSINESS SOFTWARE
ANNUAL REPORT 2012



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Outperforming in changing times

UNIT4 is more than just a software company, what makes our business successful is the people behind it.

In order to survive in such changing times, organizations need to be able to embrace change quickly and effectively. UNIT4 offers unrivalled solutions with agility at their heart, helping us to consistently outperform those vendors defined by inflexibility. We strive to create software that exceeds expectations, constantly taking on new projects to improve our contribution to the market. Be it our cloud solutions, our analytic apps, or the shared services platforms we offer, UNIT4 is redefining the technology market, creating opportunities for its customers through technology solutions with an unprecedented ability to support change.

We like to think that those we work with, both internally and externally have the drive, determination, passion and energy needed to stay ahead of the market, providing innovative ways to help dynamic businesses reach their goals.

2012 has seen some great successes from our customers across the globe; unprecedented savings have been delivered, awards have been won for ICT-enabled innovation and enterprise, leadership within industry, and excellence in the Education sector, all underpinned by the work of fantastic individuals and supported by the systems put in place by UNIT4.

Matt Hinchliffe
BUSINESS DEVELOPMENT MANAGER

Whether it's working with support to help to solve a customer issue or convincing a long time customer to stay with the company, he has always been willing to go the extra mile.

Within the company, 2012 was the year that we really started overachieving with our commitment to charity, working with worthwhile organizations across the globe to improve the lives of others. See our Corporate Responsibility section for reports on what we did.

This is why this year you'll see a selection of our staff highlighted as 'overachievers' throughout the report. These are people who have really stood out this year, be it through their excellent customer service and support, or through their determination to develop ground-breaking new technologies.

You will see staff nominated from countries around the group, and we have included details of why they were put forward. You will also see that we have acknowledged past 'top performers', through the historic inventions and achievements of each country. It's a bit of fun, but with a serious message.

We recognize that everyone in the company has made a great contribution to our success, and each person highlighted here has done exceptionally well to stand out from our high performing staff. But we wanted to say 'Thanks' to these men and women who have really stood out for their total, unswerving commitment.

Here's to the Overachievers!

Bev Daly
VP OF HUMAN RESOURCES
She does all her work with the highest integrity and care to ensure that legally UNIT4 is compliant. She always looks to achieve the best cost savings for the most benefits to ensure the UNIT4 organization is competitive in the US marketplace.

Message from Chris Ouwinga, CEO

Despite the ongoing economic challenges facing many markets, 2012 was a good year for UNIT4. It was the year in which we re-affirmed our strong commitment to cloud and software as a service (SaaS) solutions, with SaaS and subscription revenue passing the €50 million annual run rate barrier for the first time.

It was also the year in which we saw continued strong sales across our core markets. In Germany we re-affirmed our position as a major player through a number of notable sales, partnerships and acquisitions, while in the United Kingdom we continued to make very strong progress within the public and education sectors. Over the following pages I have selected a key highlight from each month, which I hope provides you with a flavour of our ever-increasing scope and diversity.

JANUARY

In January we announced the launch of a completely new approach to delivering business analytics tools for the enterprise. Our UNIT4 Business Analytics Apps provide customers with turnkey, rapidly deployed, business performance solutions available on a pay-as-you-use basis from a dedicated app store. This new strategy was adopted to address the three most challenging requirements of organizations attempting to improve their business performance via today's analytic solutions: cost, speed and measurement. Customers have welcomed the apps' simplicity, speed of deployment and pricing model, which are unique to the market, and ability to be deployed across any device.

FEBRUARY

Our business in the United Kingdom signed a number of notable deals with public institutions in 2012, and one of the first was a groundbreaking agreement with the University of London Computer Centre (ULCC) in February. Under the terms of agreement, we joined forces with the ULCC to deliver shared services to education institutions across the UK. UNIT4 is providing the services based on the Agresso Campus Platform, while the ULCC is providing hosting and support services to education institutions, which will benefit from reduced IT infrastructure costs while capitalizing on the economies of scale. We are proud of the deal, which highlights our position as the number one provider of business software to the UK's Higher Education sector.

AUGUST

In August we released our figures for the first half of 2012, and I was pleased to be able to report a 20% increase in SaaS and subscriptions revenues and a 5% growth in licence sales of which almost 3% were organic. Product revenue in the first six months grew strongly, with significant progress being made in Sweden, the UK, North America and Asia. FinancialForce.com put in another robust performance, with the strong growth experienced in 2011 accelerating in the first half of 2012. The monthly revenue run rate in June 2012 grew by more than 100% compared to June 2011. The rewarding results were in part down to our ongoing investment in our solutions portfolio, and our sales and marketing efforts.

JULY

We continued to make good progress in Germany in 2012, and this was highlighted in July when the State of Berlin said that it wanted to continue using UNIT4 as its financial software provider. We signed a new agreement with the Senate's finance department to extend our longstanding partnership, which sees approximately 9,000 employees of the Senate and district administrations, the audit division, the State parliament and other authorities in the state of Berlin work with UNIT4 software every day. In the 1990s the State of Berlin implemented UNIT4's ProFiskal solution as part of its state-wide administration management project, and since then employees at both state and district level have been using it to manage an annual budget in the double-digit billion euro range.

SEPTEMBER

Our strong performance in the education sector in 2012 wasn't limited to the UK. In September, we signed an agreement with Akorda Education Services in the Netherlands to deliver a range of integrated human resource, payroll and financial administration solutions to primary schools across the country. Akorda, which has over 200 member schools signed up to benefit from the integrated information system, selected UNIT4 because of our 'no-nonsense' approach, and the fact that they saw that we share their vision and culture and addressed their questions quickly and effectively. We look forward to being able to help them for many years to come.

OCTOBER

In October, our operations in Sweden signed a deal with the region's leading convenience store group to keep track of its finances in the cloud. The deal with Reitan sees us deliver our UNIT4 Agresso ERP solution as a service to all of the company's outlets across Sweden through our multi-tenant cloud infrastructure. Reitan said that a cloud deployment methodology ensured that they received the maximum functional, informational and architectural benefits of UNIT4 Agresso without having to manage the servers in-house, and that's one of the main strengths of our Agresso Operation Service: all aspects of applications and upgrades are managed for the customer, which means they are free to focus on their core business.

Notable enterprise sales figures in 2012

- We closed 447 significant sales during the course of the year, which brought us 125 new customers
- Customers chose us over Oracle, SAP and Microsoft on 90 occasions
- Customers chose to replace Oracle, SAP and Microsoft with UNIT4 on 20 occasions
- We signed 17 deals worth more than €1 million
- We closed 40 deals worth between €500,000 and €1 million

MARCH

We view Latin America as a market with potential, and in March we launched a new channel partner recruitment drive to support our indirect sales strategy on the continent. Our goal is to expand throughout the region by building a network of partners that share our commitment to deliver business software with a low cost of ownership that supports ongoing, post-implementation change. Partners will be able to sell and implement UNIT4 Agresso, our flagship Enterprise Resource Planning (ERP) suite for service-intensive organizations and UNIT4 ekon, a Spanish mid-market ERP solution. Both are already used by customers in the region, and we want to become the benchmark for ERP in Colombia, Peru, Ecuador, Mexico, Chile and Argentina.

APRIL

In April we announced our first-quarter results, which saw growth of 3% on the back of a business and trading environment in line with our expectations. We achieved above average revenue growth in North America, Canada, Asia Pacific, UK and Norway. FinancialForce.com, our cloud applications company, once again showed significant growth in monthly run rate, highlighting how well positioned the company is, and the strength of its sales pipeline.

JUNE

In June, the Executive Board and the Supervisory Board took a decision to prioritize our focus on software as a service (SaaS). This shift saw us move from being a global business software and services company, to being a global cloud-focused business software and services company, and reflects the changing nature of our customers' demands. We continue to see increased investment in both our SaaS solutions portfolio and our cloud infrastructure, and this supports our strategy of offering customers a no-compromise choice when it comes to how their solutions are deployed and managed.

MAY

Our primary goal is to deliver the best software product to our customers, and in May we were proud to be awarded Financial Software Provider of the Year for Large Firms at the 2012 FDs Excellence Awards. The awards recognize the UK's best finance directors and their service providers, and we were shortlisted in the best software provider categories for both large firms (£50 million+ turnover) and SMEs, as voted for by customers. These awards were determined by votes cast by finance directors in the annual FDs Satisfaction Survey, which was completed by 1,100 finance directors and finance decision-makers.

NOVEMBER

Our strong performance in Germany continued in November, when the State of Saxony became the sixth German state to implement our solutions. Saxony chose to use UNIT4 Agresso for the implementation of a new control management system. As part of a modernization of the budget, finance and resource planning systems, the Saxony State Ministry of Finance will implement UNIT4 Agresso across the state and a number of additional federal authorities. The selection of UNIT4 by Saxony further demonstrates our leading role in providing ERP to state governments in Germany, an achievement of which we are proud.

DECEMBER

In December I was pleased to hear that UNIT4 Business Software, our North American subsidiary, had won a prestigious award when its UNIT4 Agresso Education package was named a Readers' Choice Top Product for 2012 by University Business Magazine. UNIT4 Agresso Education is an integrated ERP and student information system for Higher Education institutions, and is used by leading universities around the world. Academic leaders and administrators from campuses across North America nominated Higher Education products and solutions as top products for 2012 in this inaugural University Business awards program, which is testament to the global strength of our education solutions.

Our strategy, SWOT analysis and risk management

Who we are

UNIT4 is a global cloud-focused business software and services company that helps dynamic public sector and commercial services organizations to embrace change simply, quickly and cost effectively in a market sector we call 'Businesses Living IN Change' (BLINC)™. The Group incorporates a number of the world's leading change embracing software brands, including UNIT4 Agresso, our flagship ERP suite for mid-sized services intensive organizations; UNIT4 Coda, our best-of-class financial management software; and FinancialForce.com, the cloud applications company formed with investment from salesforce.com.

Solutions

We provide our clients with software products and services that are designed to meet the needs of an ever-changing business world. Our solutions have been designed to adapt to any internal or external changes our clients' businesses may face, irrespective of industry or market sector. Our aim is to help our customers embrace change successfully, while minimizing the cost and maximizing the efficiency of the change process.

Our customers and target sectors all share one common characteristic: they face on-going and rapid business change. There are a number of key drivers of this business change, including:

- Reorganization and restructuring
- New or changed business processes
- Mergers & acquisitions
- Government regulation and compliance.

As we understand that change is a constant and inevitable reality for BLINC organizations, we realize that their business software should empower them to respond easily and effectively to change.

UNIT4 Performance & Risk Management Framework

Vision & mission

We aspire to set the global standard for business software that helps dynamic organizations embrace change simply, quickly and cost-effectively. It is our mission to create, deliver and support adaptable business software and services globally, helping organizations manage their dynamic business needs effectively. Our strategy is to grow organically and by acquisition to expand the scope of our solutions, the sectors we focus on and our ways to communicate with our customers. We wish to be known for the quality and innovation of our software, services and partnerships, the passion and skills of our people and the success of our clients.

Our value proposition 'embracing change' remains our core focus – to help our clients cope with change in its many forms and thrive in uncertain economic times – and gives us a clear differentiation in the marketplace. Many organizations talk about change and flexibility, but few really adopt it as their mantra and drive it through their organization. At UNIT4, we do!

Strategic goals

We are committed to creating sustainable value through best practices in all areas of our business and to remain successful, competitive and respected for the way we operate. This value creation is divided into three elements:

1. Future revenue growth
2. Outperforming the cost of capital
3. Optimization of the risk profile of the UNIT4 Group

One of our primary strategic objectives as a global cloud-focused business software and services company is to further develop and roll out subscription models. To manage the operating margins and operating leverage as we transition towards this model, our focus is on streamlining the organization wherever and whenever possible. In 2012 we carried out a number of reorganizations to optimize our consultancy operations, and at the beginning of 2013 we launched 'One UNIT4'.

One UNIT4 is composed of four pillars:

1. Margin increase
2. Operational leverage
3. Recurring revenues
4. Exchange of R&D

UNIT4's mid-to-long term strategic plan focuses on increasing recurring revenues through SaaS and subscription models, but with a strong focus on increasing margins and operating leverage. This margin increase will be realized through organic revenue growth and by reducing duplication of costs.

The R&D activities within the Group have grown in diversity, largely due to past acquisitions, and we will aim for a more centralized and efficient way for our R&D activities. Consequently, the plan is to reduce defined local R&D activities. The first phase of the reorganization plan has been initiated and executed at the beginning of 2013.

The following aims have been defined for the end of 2015 (run rate):

- EBITDA margin, including FinancialForce.com, increasing by at least 250 bps
- Increasing the efficiency of R&D
- Strong continued growth of SaaS and subscription revenues, while maintaining license business
- Recurring proportion of revenues around 60%
- Single digit organic annual revenue growth and including acquisitions >10%
- FinancialForce.com to increase the company revenue to at least $70 million

Since the 2013 reorganization costs were taken early in the year, most of the costs will be compensated by savings made in the same year, and will already have positive effects from 2014 onwards. Including the reorganization costs, we expect to achieve single digit EBITDA growth in 2013.

Excluding FinancialForce.com and reorganization costs, 2013 EBITDA is expected to be in the range €105 million - €115 million. With extended investments in FinancialForce.com, total EBITDA including FinancialForce.com, but excluding reorganization costs, is expected to be in the range €95 million - €105 million. Revenue is expected to achieve single digit growth organically.

We recognize that as a major international business we have a wide range of stakeholders and we strive to satisfy their expectations and to ensure that our strategic objectives are aligned. These are:

- **Shareholders:** we aim to increase shareholder value by following a strategy that is ambitious yet prudent and delivers sustainable medium and long-term growth.
- **Customers:** we seek to create a genuine partnership with our customers, helping them to be successful and achieve both rapid return and long-term strategic value from their investment in our solutions.
- **Employees:** we try to create a challenging and rewarding working environment and career structure for employees so we can attract, retain and motivate world class professionals.
- **Community:** we recognize the important role we play in the communities in which we operate, and we seek to have a positive impact on them wherever possible. Therefore we strive to operate as a good corporate citizen, promoting best practice and strong ethics internally and externally across all areas of our business.
- **Environment:** we look to reduce our direct adverse environmental impacts wherever possible and to enable others to do so through our innovative products and services.

Our business strategy is focused on enabling country organizations to strengthen their local market positions through new or improved products and services. We complement the growth potential of our international products with targeted and centrally coordinated investments in R&D, marketing communications and acquisitions. Our country organizations also optimize their market approach and their own mix of international and local products based on local opportunities.

Product and R&D development

Product development is not only our largest area of investment, it is also the most important. It determines our long-term competitiveness and what we can offer our customers. We grow our product portfolio in two ways: through acquisitions and through product evolution. The successful development of our products relies on two key factors: effective product management and high-quality research and development (R&D).

With the exception of our UNIT4 Agresso and UNIT4 Coda products, R&D is currently organized at a local level within the company, and is executed as part of the business unit and market segment it serves. This makes it difficult for our product management teams to share resources, source code and benefit from economies of scale. Technologies vary widely, which makes centralization a challenge. To address this, we are creating a central Product Management organization and an R&D organization, enabling us to align product development and benefit from economies of scale.

The Product Management organization will have the following goals:

- Increase competitiveness in local and global market segments
- Decrease time to market
- Identify local talent with international potential
- Become more pro-active in executing core trends
- Achieve transparency on what is happening where, and who are our key contacts in the Group (internal & external)
- Manage our inventory of products
- Control our investments to obtain optimal results

The R&D organization will have the following goals:

- Deliver what is required to the local market segment
- Enable synergy in projects going forward
- Achieve transparency on what is happening where
- Enhance capabilities for centrally delivered products
- Manage capacity for development
- Ensure availability of knowledge
- Optimize output from our capacity
- Offer opportunities for the best talent in our company

We aim to introduce these changes during 2013, and will review progress during the course of the year and into 2014.

Brand values

In order to deliver on our promise of helping customers to 'embrace change', we focus our products, services and staff on delivering our core brand values:

- Agile
- Result-driven
- Transparent
- Connected

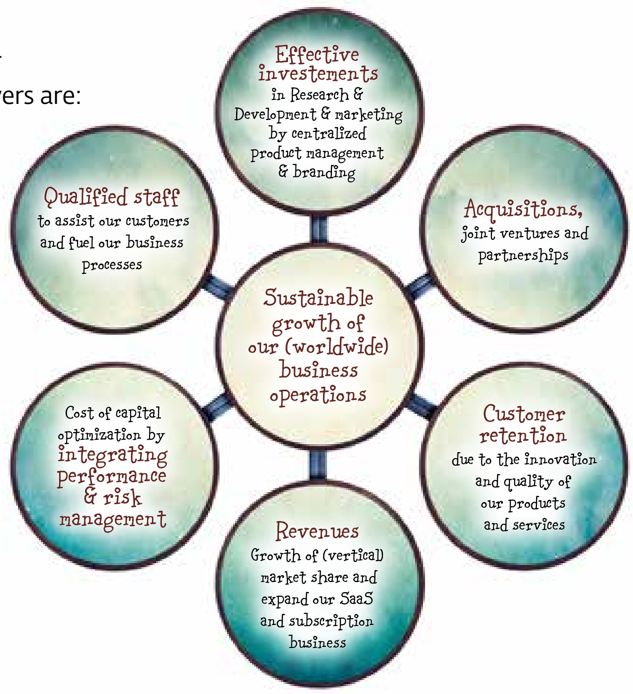
These values are core to the way we behave and the design and delivery of our solutions. They support our clear and differentiated 'embracing change' positioning and allow us to explain how we make that a reality for our customers.

Business model

We aim for a business model that maximizes the entrepreneurship of the management that run the local business operations. We achieve this by balancing local initiatives against corporate strategic priorities and supplying them with central services and resources.

Value drivers

Our primary value drivers focus on ensuring that we deliver sustainable growth across our global operations. These drivers are:



For each of the value drivers we show the risk areas and applicable control measurements, which are aimed at maximizing the realization of the underlying objectives:

VALUE DRIVERS	RISK AREAS	CONTROL MEASUREMENTS AND/OR MITIGATING FACTORS	RESIDUAL RISK
Revenues: growth of (vertical) market share and expanding SaaS and subscription business	Seasonal fluctuations and macro-economic conditions that lead to decreasing investments, price pressure on our licenses and services, and increased attrition of the customer base	High portion of recurring revenues (maintenance, SaaS and subscription contracts) increases predictability and decreases the seasonality effect within our business.	**Moderate** Growth projections for the software Industry are amongst the highest in class and we are consistently amongst the top 5 fastest growing companies (Europe and Global) in ERP and Finance in Europe thereby outperforming the competition.
Customer retention due to the innovation and quality of our products and services		Extensive high quality product portfolio that is sold within multiple territories and (vertical) market segments.	
		Customers within public and private sectors, both of which both show cyclical/ different market trends.	
Qualified staff to assist our customers and fuel our business processes	Availability of qualified resources and continuity of key personnel	Human Resources are increasingly international in focus, which help us streamline the organization. An increased focus on employer branding enables us to reach more potential employees around the world.	**Low** We have low employee turnover rates and competitive remuneration packages for our employees. Within R&D we have a balanced process to analyze the customer requirements and prioritize our investments.
Effective investments in Research & Development & Marketing	Unsuccessful and inefficient Research & Development & lack of brand awareness	Internal focus on core products by centralizing product management and reduce local R&D activities, partly through the gradual transition to low cost countries.	
		Centralizing product & group marketing maximizing funds and align the branding strategy as 'one UNIT4'.	
Acquisitions, joint ventures and partnerships	Acquisitions, joint ventures and in some cases partnerships have increased inherent risks, as the (micro) environment is most typically an area where we have lower experience levels. Acquisitions have impact on our liquidity and/or solvency.	Acquisitions should contribute to the earnings per share and should make a close fit with UNIT4's business strategy, as should its management and culture.	**Moderate** We will always look after a healthy balance between the purchase price consideration for and the expected risks linked to an acquisition candidate and keep our net debt-leverage witin an acceptable level.
Cost of capital optimization by integrating performance & risk management		Acquisition candidates are approached by our own central and local resources, and when necessary, are supported by external financial, legal and other experts.	
		Risk management, including the planning and control process, is continuously assessed and where necessary improved.	

UNIT4 Performance & Risk Management Framework

STRENGTHS

- **SaaS potential**
  We have a solid SaaS & subscription user base and over the medium to long term we expect to be able to capitalize on this position, returning good growth in our recurring revenues through SaaS and subscription models.
- **Acquisitions**
  We have a strong track record of identifying and acquiring companies that have solid growth opportunities and making healthy returns on those investments.
- **Strong market position in Europe**
  We are the world's ninth-largest mid-market ERP solution provider, with particularly strong positions in Europe, and the sixth-largest supplier of financial software worldwide.
- **Innovative product range**
  We are an innovative organization and produce strong products that generate considerable customer satisfaction and are focused on fast-changing (BLINC) organizations. Examples include our range of apps and cloud offerings.
- **Low customer turnover and solid organic growth**
  Great customer satisfaction and a large share of revenue from the public sector ensure a stable client base and low customer turnover. This also contributes to consistently solid organic growth.
- **Healthy financial track record**
  UNIT4 has built a healthy financial track record through sustained, strong profitability.
- **Unified branding**
  The unified brand – UNIT4 – creates more brand leverage, helping us grow.
- **Market knowledge**
  We have developed a uniquely thorough knowledge of the vertical markets we serve with specialized products developed for them, and of the market for open, interoperable financial systems.
- **High quality of our products**
  By using the latest development techniques and proven test procedures our qualified staff maximize the level of quality of our products.
- **Entrepreneurial culture within a global company**
  We operate a structure of decentralized business units, which run their own budgets. This enables them to remain close to their own markets, while still retaining the service benefits of being part of a multinational.

WEAKNESSES

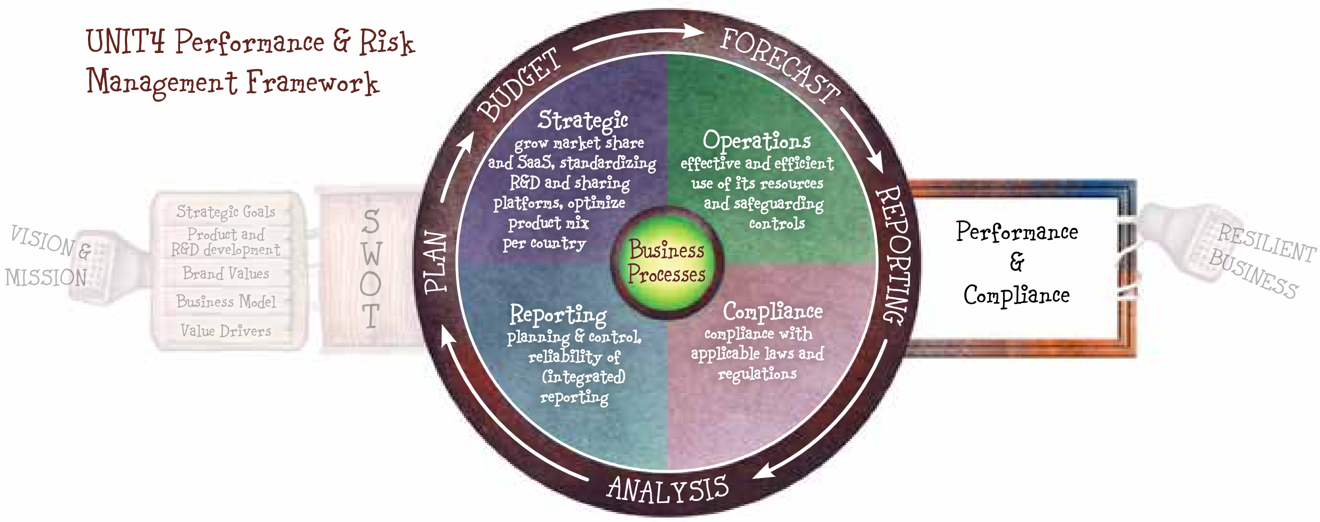
- **Integrating products**
  Given our acquisitive strategy, we have a number of distinct products within our portfolio. We need to increase the product integration rate and our focus on cross selling.
- **Relative size**
  We remain relatively small compared to some key competitors, which in turn makes our R&D costs relatively high.
- **Brand awareness**
  Our global brand awareness has been markedly improving since our rebranding efforts. Recognition of UNIT4 is strong in the Benelux, Scandinavia and the UK, although outside of these areas awareness of our Group and its products is lower than some key competitors.
- **Diversity**
  UNIT4 strives to create a diverse workforce in order to face our future challenges. However, our technical skilled workforce is still largely male. In our employer branding and recruitment policies we focus on attracting more diverse employees by offering an open-minded work environment with matching employment conditions.

OPPORTUNITIES

- **Interest in SaaS and subscription**
  Organizations are increasingly aware of – and interested in – purchasing solutions on a SaaS and subscription basis, as the threshold to make an investment is much lower compared to the larger up-front investment in license we see with traditional licensing. On top of that, the technological SaaS environment also requires lower hardware investments. Our strategic focus, our solid base and our continuing investment in this area provide us with many opportunities.
- **Larger and longer pipeline**
  Our customer base continues to grow and our geographic footprint continues to broaden. This provides us with many opportunities to sell more of our products and services to more customers in more countries.
- **Restructuring and cost management**
  As the markets continue to stabilize, we expect organizations to continue to focus on restructuring and cost management. UNIT4 is well placed to benefit from this by offering solutions that are known for their low total cost of change. Our solutions always provide high levels of control and visibility across the organization, which is essential in times of change.
- **Cost savings through synergies**
  The shared focus of UNIT4 solutions on BLINC organizations continues to offer many opportunities for further cost reductions from leveraging R&D, marketing and sales synergies.
- **Realizing potential of FinancialForce.com**
  FinancialForce.com applications and users of our applications continue to gain industry recognition and awards, and in 2012 the company grew strongly. We expect this to continue.
- **Developing in growth markets**
  We will capitalize on our recent acquisitions and we intend to further pursue growth opportunities in Latin America and Asia.
- **Partnerships**
  Cooperation with partners in sales, implementation and/or maintenance activities facilitates our further international growth cost-effectively.
- **Demand for total solutions**
  Customers are increasingly demanding complete solutions and to work with fewer suppliers. We are now more able to benefit from this through our own software and through the strategic partnerships we are building with systems integrators, outsourcers and specialist software providers.
- **Talent Management**
  By centralizing and internationalizing our Human Resource activities, we gain greater insight into the company's global talent pool. This helps us provide employees with more challenging career paths, and by monitoring this process we are better able to manage our succession challenges.
- **Employer branding**
  We are a global market leader in state of the art software development. However, we have yet to develop a truly global brand as an employer. We are developing a more strategic, global approach to recruitment, including using social media channels to help solve this issue, enabling us to reach more potential employees around the world.

THREATS

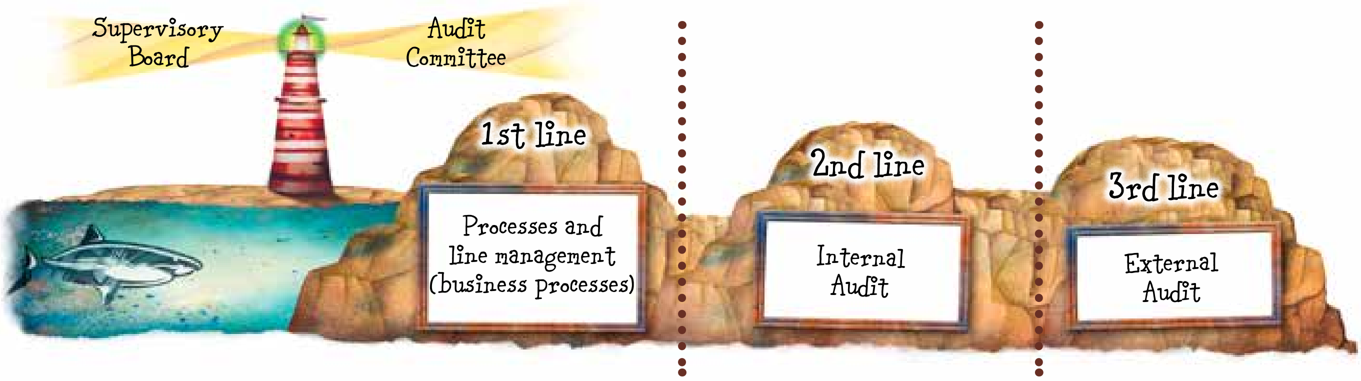
- **Effective product development**
  Given the fast-changing nature of economies and business environments, and the time it takes to develop new software products, we need to ensure that we effectively identify, plan and create new functionality and technologies. Failure to do so will diminish our competitive strength.
- **Price pressure**
  The general price pressure on licence sales and services is likely to remain while organizations continue to be cautious about investment because of ongoing uncertainty about the economy.
- **Consolidation**
  The continuing trend of consolidation in the IT sector leads to further concentration of market share. Our larger competitors might be better capable of gaining cost advantages thanks to their size, enabling them to further strengthen their market position.
- **SaaS development**
  The SaaS and subscription model can be viewed as a threat to short-term profitability. Because SaaS typically involves providing a software application to customers as a service on demand, with income delivered from a 'pay-as-you-go' model, it takes longer for recurring revenues to reach a point where they cover sales and set-up costs.
- **Continuing effects of economic downturn**
  Although we expect to see continuing private sector licence sales growth, budget cuts in the public sector in many countries may continue to impact public sector licence revenue. This threat may well be offset by many public sector organizations investing in our software in order to achieve the cost savings they need to make.



Our control environment can be challenging because we have numerous entities operating worldwide within a highly technological and competitive market. However, we are continuing work to become more centralized, and as an example of the result of this increasing control, we discovered some issues in Poland in 2012, which are explained further in Note 6.5 of the Financial Statements 2012. Implementing and maintaining a performance and risk management framework is necessary to maximize the effectiveness of our ambitions. Managing risk is an important element of our day-to-day business and, as such, is part of our corporate governance. Across the organization, the importance of internal controls to the business is clearly understood. Controls are embedded within our business processes and tested by our internal audit department on a regular basis. Despite this, a balanced level of entrepreneurship versus risk appetite is necessary to achieve our strategic and financial objectives. To integrate performance and risk management effectively, we use the 'three lines of defence model'.

Three lines of defence

The three lines of defence model is one way to visualize the risk management framework:



Within UNIT4, the three lines of defence is laid out in the following way:

First line

The first line covers the business processes. The main control objectives are related to strategy, compliance, reporting and communication. Controls are designed into systems and processes and, assuming that the design is sound and can appropriately mitigate risk, compliance with the processes should ensure an adequate control environment. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequacy of processes and unexpected events.

Within the UNIT4 organization, the importance of internal controls to the business is understood, and both the "UNIT4 Code of Ethics and Business Conduct" and the "UNIT4 Management regulations" are communicated transparently. A business planning and reporting cycle is in place to measure how well and consistently UNIT4 executes its strategy and delivers on its objectives. For reporting and analysis, UNIT4 uses company-wide planning and control systems supported by its own software.

Once a year, in the fourth quarter, the Management Board discusses the yearly business plan and the related detailed financial budget from each operating company within the Group. In this process the strategic alternatives are evaluated and objectives are set in alignment with our strategy. The Group's strategic plan is discussed with and approved by the Supervisory Board. The financial budget and business plan is revised each quarter to reflect the latest expectations and on-going progress. Each month the performance and progress is measured and discussed.

The periodic, mostly monthly, reporting consists of:

- Financial results (in total, per category and per department) against budget, quarterly revised budget (if applicable) and prior year
- Detailed information on pipeline and significant order intake, including pricing level and discounts per order
- Detailed narrative report, including quantitative and qualitative information, discussing the general financial performance and key areas within the business unit
- Detailed narrative report, including quantitative and qualitative information, handling the performance within professional services
- Cash flow information and expectations for the next six months.

On a daily basis the liquidity and cash flow of the company is monitored via its cash pool accounts.

As part of the day-to-day processes the local management and their business units have aligned reporting requirements assuring that reporting is made in a timely manner and that controls are embedded within the business processes. Compliance is required towards at least the following directives, regulations, guidelines and consultation structures:

- Manual with guidelines on financial reporting based on IFRS (adopted by the European Union)
- Treasury policy plan, with objectives and rules for cash and currency management, and financing
- Guidelines on budgets and annual business plans
- Consultation between the Management Board and the

Supervisory Board at least once per year, in which the most important risks and mitigating control measures are discussed extensively
- A corporate governance structure as defined in the Articles of Association and internal regulations
- Management rules that define specific rules of contact and authorization for all operating company directors
- Financial and legal checks by our Corporate Finance and Legal department on material orders to be signed
- Regulations and definitions for transfer pricing (intercompany pricing for products and services within the Group)
- Supervisory Board Rules (including rules governing the Supervisory Board's Audit and Remuneration Selection & Nomination Committee).

The communication structure within UNIT4 Group contains the following:
- Annual budget meetings per business unit between relevant members of the Management Board and managers from those business units
- At least six meetings per year between the Management Board and the Supervisory Board
- At least four meetings per year between the Audit Committee, the Chief Financial Officer, the Director of Corporate Control and the General Council
- Half-yearly meetings between the Management Board and country managers of all operations within the Group
- Bi-monthly meetings between members of the Executive Committee, which consists of the Management Board and managers of key business operations within the Group
- Bi-weekly meetings between members of the UNIT4 Management Board
- Monthly telephone conference meetings between the Management Board and local management about financial and business performance
- Monthly telephone conference meetings between the Corporate Professional Services Director, the Director Corporate Control and the local (Professional & Customers) services management
- Periodic meetings with business units which show underperformance on cash flow development.

The Group financial reporting is carried out by the Corporate Finance Department, which reports directly to the Chief Financial Officer.

Second line

UNIT4 consists of many operating companies (business units) that are all primarily responsible for their own local internal control, financial reporting and risk management. The Corporate Finance Department has defined a list of key (mainly financial) controls and guiding principles to which the business units need to comply. This compliance is tested for on a periodic basis via internal audits (on-site control visits and desktop reviews). The selection of companies to be audited is based upon a risk approach in which business units are categorized to audit priority levels. In most audits a standard audit approach is used. As a result of these audits, and if necessary, the Corporate Finance Department advises on further improvements and optimization of the internal control system.

Third line

UNIT4 has an on-going engagement with Ernst & Young Accountants LLP to perform the yearly (external) audit of the annual report. Please note that Ernst and Young LLP is not part of the UNIT4 internal risk management framework. For the purpose of expressing an audit opinion on the consolidated financial statements of UNIT4 N.V. taken as a whole, all relevant Group companies of UNIT4 are audited by Ernst & Young member firms (with the exception of VT SOFT Software Kft., which is audited by a member firm of BDO Accountants). The audit is conducted in accordance with Dutch law, including Dutch Standards on Auditing. The audit approach is focused on, among other things, identifying the main risks that are relevant to the financial statements. In principle the audit is planned to:
- Issue an independent auditor's report on the consolidated and company financial statements
- Determine whether the Management Board report has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and the required other information has been included, as well as review the Management Board report in terms of consistency with the financial statements
- Review the press release within the context of the publication of the annual results
- Provide feedback regarding the internal control observations towards management.

General financial, tax and compliance risks

Financial and tax

On top of the risks we face within the strategic and operating areas, we also see the following financial and tax risks for which the risk appetite is low in all cases:

RISK AREAS	DESCRIPTION	CONTROL MEASUREMENTS AND/OR MITIGATING FACTORS
Currency	UNIT4's Financial Statements are stated in euros. Its global activities mean that UNIT4 is sensitive to the risk of fluctuations between the reporting currency and the various functional currencies in the economic regions in which the Group's operating companies are active. A substantial proportion of the results of UNIT4 is generated in non-euro countries, mainly the United Kingdom, Scandinavia, Eastern Europe, Asia, South-Africa, Canada and the United States. In principle UNIT4 does not hedge its currency exchange risk. In addition, the Group operating companies supply sister companies with other currencies to a limited degree. For a sensitivity analysis of the currency, see paragraph 6.37.4 of the Financial Statements.	Where it is deemed necessary UNIT4 uses currency derivatives, such as options and forward contracts, to secure its results as much as possible.
Interest	UNIT4 is exposed to interest risks to a limited degree. The company has long-term finance agreements with third parties that include an interest component. UNIT4's actual cash position, including the consolidated cash balances in each currency, is continuously monitored and managed by the Corporate Finance Department. Intercompany financing agreements, including interest clauses, are in place with the Group's operating companies to comply with the tax regulations in the relevant countries. For a sensitivity analysis of the interest, see paragraph 6.37.2 of the Financial Statements.	UNIT4 uses interest derivatives to secure its long term exposure to volatility in interest rates. The short term (working capital) is financed against floating interest as in an economic downturn interest rates will normally tend downwards.
Credit	As a commercial organization, UNIT4 is exposed to credit risks related to its accounts receivable portfolio. In some cases, UNIT4 limits the associated risks through validation software based on annually changing pin codes that only allow use of the software after payment has been made. For a sensitivity analysis of the interest, see paragraph 6.37.3 of the Financial Statements.	UNIT4 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.
Liquidity	There is a liquidity risk in exceptional circumstances. A combination of negative factors, such as high (credit) charges, high interest, unfavourable currency rates, postponed collections and decreased cash flows as a consequence of deteriorating market conditions, could lead to the liquidity of the company being reduced. For further information on the credit risk, see paragraph 6.37.1 of the Financial Statements.	UNIT4 has a daily cash management process in place which monitors the daily cash flow of the main cash in- and outflow. UNIT4 also has a planning & control process which includes the analysis of liquidity budgets for a period of 6 months ahead.
Tax	UNIT4 has a good track record when it comes to tax compliance. Compliancy with tax laws and regulations is a general risk, especially when a multinational like UNIT4 is doing business through its subsidiaries in multiple countries. Except from the Netherlands all subsidiaries deal with their own tax compliancy. Between the subsidiaries UNIT4 has a limited number of relations and transactions which result in inter group transfer pricing. Transfer pricing related issues are monitored by the Corporate Finance Department. This monitoring includes the analysis, documentation and maintenance of a central "Transfer Pricing master file" which includes all relevant transactions between subsidiaries.	In its day-to-day business operations UNIT4 has the goal to fully comply with the tax legislation and if there is uncertainty about the interpretation of those relevant tax laws & regulations it will gain external specialist advice.

Compliance risks
Compliance risks refer to the possibility that UNIT4 cannot meet the legal and regulatory requirements applicable to the company. The framework for risk management provides mechanisms that facilitate compliance to these laws and regulations. The promotion and monitoring of appropriate behaviour by our employees, through our Code of Ethics and Business Conduct, our internal management regulations and by maintaining an open company culture are important elements of the internal control framework.

Regarding the financial covenants related to the syndicated loan (for more details on those covenants see paragraph 6.27 of the Financial Statements), UNIT4 is subject to a compliance risk, which is controlled by careful monitoring of the covenants to be met and via liquidity management.

Changing laws and regulations regularly lead to new rules for businesses, regarding transparency and duty of care.

We have a compliance officer who monitors compliance, in cooperation with the Corporate Finance Department and the Corporate Legal Department, inside and outside the company.

The appetite for compliance risks is low. The design of the internal control process and the systems used, the directives for employees and the company culture focus on the control of these risks. The risks that UNIT4 does not wish to bear itself are, wherever (economically) possible, transferred to insurance companies. Examples are: liability insurance policies and policies that insure against property and transport damage.

Control does not offer certainty
No matter how effective our framework for performance and risk management is, it can never give absolute certainty that our objectives regarding strategy, technology, operations, reporting and compliance are always achieved. Reality teaches us that when making decisions human errors can occur, that cost-profit evaluations always require the company to accept risks and take control measures, that human failure can cause large losses – even through simple errors or mistakes – and that conspiracy by officials can lead to the avoidance of internal control measures. Finally, there is the possibility that management does not comply sufficiently with agreements.

Management declaration
The Board of Directors of UNIT4 is responsible for the maintenance and development of an accurate framework for risk management and control and also, as far as possible, the active management of the strategic, technological, operational, financial and compliance risks that UNIT4 faces.

We declare, to the best of our knowledge, that the substantial risks with which UNIT4 is confronted are described in this Annual Report. As well as local and consolidated reports, which provide insight into the extent to which risks are prevented and controlled, UNIT4 takes due consideration of the findings of the external auditor, Ernst & Young Accountants LLP, which audits the annual report. Based on their reports, our own observations and experiences from the past, the Board of Directors declares, with reference to best practice provision II.1.5 of the Dutch Corporate Governance Code, that the framework for risk management and control, as described above and in the Corporate Governance section of this report, provides a reasonable assurance that the financial reporting does not contain any errors of material importance and that this framework worked properly in the 2012 reporting year.
Its true effectiveness can only be evaluated based on the results over a longer period and/or based on specific checks of the design, the existence and the function of the internal management controls.

In accordance with the Dutch Financial Supervision Act, section 5:25c, the Board of Directors declares that, to the best of our knowledge:
- The Financial Statements for 2012, which have been prepared in accordance with the International Financial Reporting Standards (as adopted by the EU), give a true and fair view of the assets, liabilities, the financial position and profit or loss of UNIT4 and the companies included in the consolidation; and
- The annual report gives a true and fair view of the situation as at 31 December 2012, the state of affairs during the financial year of UNIT4 and the companies related which are consolidated into the financial statements, and the essential risks with which UNIT4 is confronted.

Sliedrecht, the Netherlands,
18 March 2013

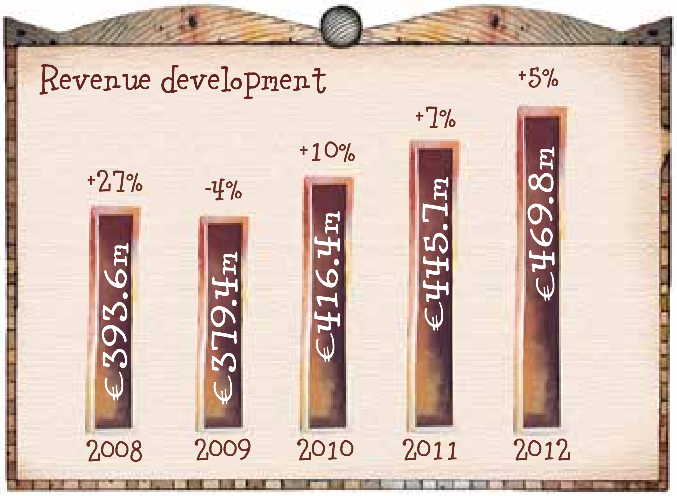
Board of Directors

Chris Ouwinga
Edwin van Leeuwen

Financial overview

Revenue and gross margin

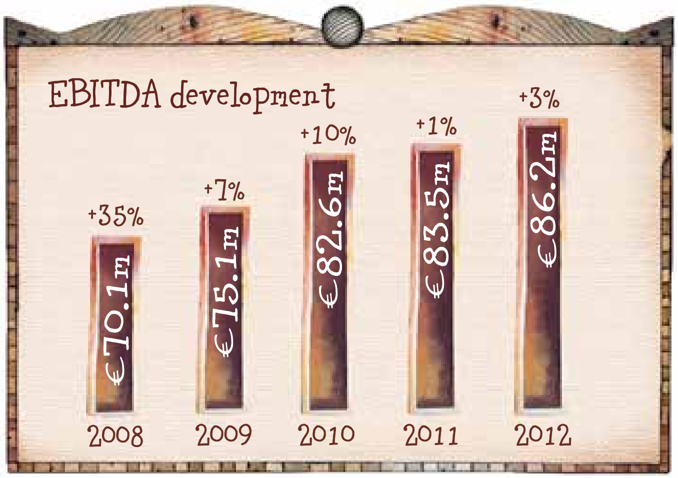
Total revenue grew by 5.4% to €469.8 million (2011: €445.7 million), despite an increased shift towards the SaaS and subscription model. The gross margin increased slightly, mainly as a result of lower hardware sales.



Operational costs

Total operating costs, excluding depreciation and amortization, increased to €348.0 million (2011: €324.4 million). Personnel costs (pre capitalized R&D) increased by 8.7% from €297.4 million to €323.3 million. The total (average) number of FTEs grew by 2.8% to 4,160 from 4,048 FTEs in 2011. Average total operating costs and personnel costs per employee (FTE), excluding R&D capitalization, grew by 5.4%.

Operational results



EBITDA (earnings before deduction of interest, taxation, depreciation and amortization) rose from €83.5 million to €86.2 million (+3.2%). The size of the existing client base, which is a steady source of income from maintenance, SaaS and subscriptions and services, is very important for continued profitability. The EBITDA margin declined to 18.3% from 18.7%, due to further investments in Financialforce.com, restructuring, the Dutch crisis tax and legal fees connected to our operations in Poland.

Depreciation and amortization

The depreciation and amortization (including impairments) of intangible and tangible fixed assets increased from €48.2 million to €63.4 million, mainly due to goodwill impairments (€12.2 million) and extra depreciation connected to acquisitions in late 2011 (Exie and Prosoft) and 2012 (Mentec, Montana, SendRegning). The depreciation and amortization

Spain overpowered Italy 4-0 to win the 2012 UEFA European Football Championships!

(including impairments) of intangible and tangible fixed assets are detailed in the Notes to the Consolidated Financial Statements under Notes 6.19 'Intangible assets', 6.20 'Impairment test of goodwill', and 6.21 'Property, plant and equipment'.

Net financing charges

Net finance charges increased from €4.1 million to €9.6 million in 2012. The main reason for this €5.5 million increase was the revaluation of the interest SWAPs, showing a loss of €2.2 million in 2012 and a profit of €2.5 million in 2011.

Income tax

Income tax reported a profit of €10.3 million (2011: a loss of €8.0 million), thanks to the changes in tax rates resulting in lower deferred tax liabilities and a valuation of a tax asset regarding a new tax facility related to Intellectual Property. For more details about income tax, see Note 6.16 'Income tax' in the Notes to the Consolidated Financial Statements.

Net profit and earnings per share

The net profit before goodwill-related items grew by 23.7% from €44.7 million to €55.3 million. Net profit (attributable to UNIT4 shareholders) increased from €23.2 million to €23.5 million (+1.3%). The (basic) earnings per share (before goodwill-related items) increased from €1.53 to €1.88 (+22.9%).

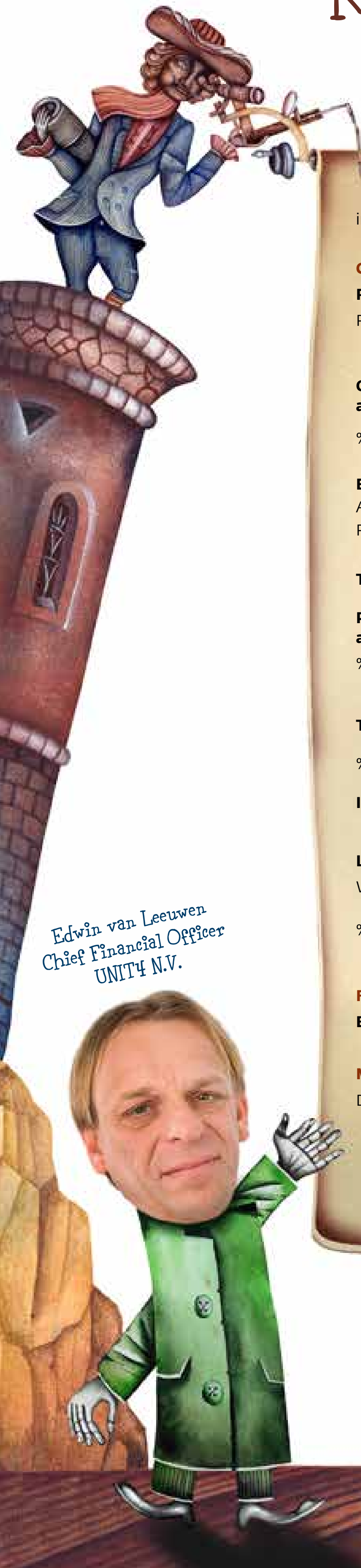
Cash position, syndicated loan and covenants

Operating cash flow grew by 7.9% to €75.2 million (2011: €69.7 million), primarily due to lower interest and income tax payments. The working capital development was positive, but €3.6 million lower than in 2011. The net debt position increased to €120.6 million (2011: €117.3 million). The balance of the syndicated loan (including loan issuance costs) stood at €113.5 million at the end of 2012 (2011: €107.2 million). The 'leverage ratio', or net debt divided by EBITDA, was 1.41 at the end of 2012, well within the financial covenant – as agreed with the banks – of 2.00. The interest coverage ratio was 11.9, and was also in compliance with the financial covenant of (at least) 4.00. For more details about this financing, see Note 6.27 'Interest-bearing loans and borrowings' in the Notes to the Consolidated Financial Statements.

Equity position

Total equity (excluding non-controlling interest) increased from €225.0 million to €249.5 million. Solvency, the ratio of total equity (excluding non-controlling interest) divided by total assets, was 41%, unchanged from 2011. For more details about equity, see Note 2 'Consolidated statement of comprehensive income' and Note 4 'Consolidated statement of changes in equity' within the Financial Statements.

Key figures



Edwin van Leeuwen
Chief Financial Officer
UNIT4 N.V.

in € x 1 million

	2012	2011	2010	2009	2008
Continuing operations					
Revenue	**469.8**	**445.7**	**416.4**	**379.4**	**393.6**
Revenue growth against previous year	5.4%	7.0%	9.8%	-3.6%	27.5%
Operating result before interest, tax, depreciation and amortization (EBITDA)	**86.2**	**83.5**	**82.6**	**75.1**	**70.1**
% EBITDA/revenue	18.3%	18.7%	19.8%	19.8%	17.8%
Employees and ratios					
Average number of employees (FTE's)	4,160	4,048	3,666	3,323	3,302
Revenue per employee (in €000)	113	110	114	114	119
Total number of employees at 31 December (FTE's)	**4,222**	**4,095**	**4,040**	**3,270**	**3,416**
Profit after tax before goodwill related items and impairments	**55.3**	**44.7**	**40.1**	**35.0**	**30.3**
% profit before impairment/revenue	11.8%	10.0%	9.6%	9.1%	7.6%
Total equity attributable to shareholders of UNIT4	**249.5**	**225.0**	**212.2**	**132.7**	**97.5**
% total equity/total equity and liabilities	40.6%	41.5%	37.6%	28.0%	20.5%
Interest-bearing loans and borrowings	**113.5**	**107.2**	**127.9**	**145.9**	**165.9**
Liquidity					
Working capital (excl. cash and cash equivalents and bank credits)	-74.7	-60.8	-51.6	-48.9	-51.8
% quick ratio (incl. cash and cash equivalents and bank credits)	62.8%	60.4%	72.8%	79.4%	71.0%
Financial figures per share in €					
Basic earnings per share before goodwill related items	**1.88**	**1.53**	**1.41**	**1.33**	**1.15**
Market capitalisation (in € million)	**669**	**536**	**708**	**439**	**208**
Dividend (2012 is proposed dividend)	0.45	0.40	0.25	0.19	-


Earnings per share
BEFORE GOODWILL RELATED ITEMS AND IMPAIRMENTS
€1.15
2008
€1.33
2009
€1.41
2010
€1.53
2011
€1.88
2012
Revenue split by category
2012
42%
CONTRACTS
32%
SERVICES & OTHERS
16%
PRODUCTS
10%
SAAS & SUBSCRIPTIONS
2011
41%
CONTRACTS
34%
SERVICES & OTHERS
17%
PRODUCTS
8%
SAAS & SUBSCRIPTIONS
Revenue development
+27%
€393.6m
2008
-4%
€379.4m
2009
+10%
€416.4m
2010
+7%
€445.7m
2011
+5%
€469.8m
2012
EBITDA development
+35%
€70.1m
2008
+7%
€75.1m
2009
+10%
€82.6m
2010
+1%
€83.5m
2011
+3%
€86.2m
2012

Product portfolio

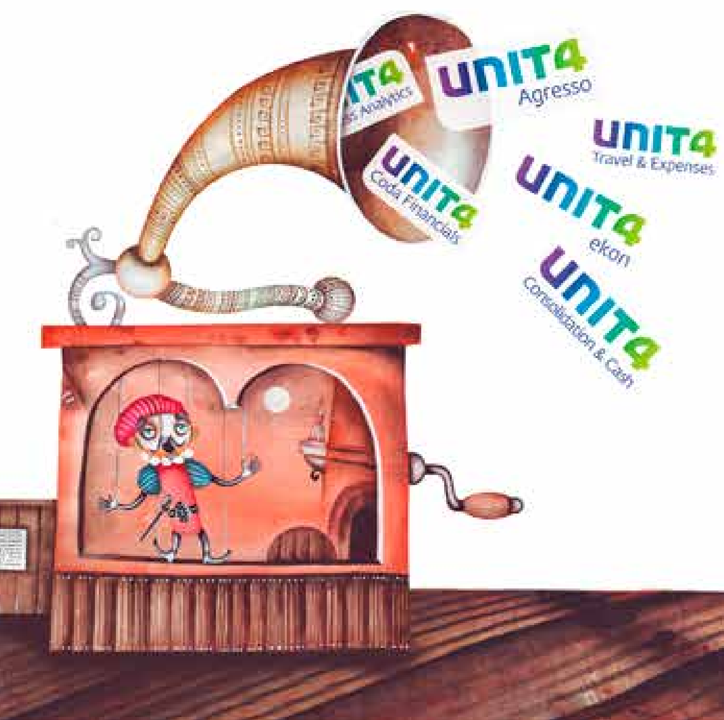
Over the past 30 years UNIT4 has grown into a multi-national, multi-product company. Increasing numbers of customers now embrace a broad range of our products, and with this comes greater expectations. Customers now expect the look, feel and behavior of our products to be aligned, and the data and processes to flow seamlessly and act 'as a single cohesive unit'. In 2012 we embarked on a process to drive further synergy across our products, from both a development and a marketing point of view. We introduced a new product naming convention, which will lead to clear and consistently named UNIT4 products across the organization, and we are introducing a harmonized user experience and look and feel across all our key products.

Launches in 2012

In 2012, UNIT4 launched the Worldwide Center of Excellence for Education and Research, the core of a dedicated international program to support higher and further education institutions who are living in change. The announcement supports our vision to become a global marketleader in the Education sector.

In Norway, UNIT4 Current Software was renamed UNIT4 Time Management, UNIT4 Expense Management and UNIT4 Resource Management. This is in preparation of a global release. During the course of 2012 we also launched UNIT4 Business Analytic apps with in total a portfolio of 35 turnkey solutions for various business challenges such as "Am I on track with my Budget, "What happens to my EBITDA if…" and "Is everyone in my organization focused on the right activities". The solutions are available via the UNIT4 Solution store (http://store.unit4.com)

Last but not least we launched a series of differentiating cloud capabilities such as portability from on-premise to the cloud, from the cloud to on-premise and /or to a different cloud environment.



Launching in 2013: new user experience

In 2013, after three years of intensive research and development activities, we will deliver a new user experience (UX) to our flagship applications, starting with Agresso ERP. This new UX combines a fresh design and new ways of interacting with software and social collaboration to speed up our users' ability to:

1. embrace new software or business processes more quickly through new engaging design concepts;
2. maintain the highest productivity, especially in times of business, organizational and regulatory change through new smart designs making complex situations extremely clear; and
3. allow them to instantly deal with the consequences of a new or changed situation and directly address the questions, uncertainties and risks that arrive from business change through the incorporation of various social collaboration concepts in places where it matters most.

The new user experiences will be delivered as part of the Agresso Milestone 4 release via a range of so-called Experience packs. This in itself is an area of innovation as this introduces the end to 'big-bang' upgrades;

- Experience packs can be installed on top of the software infrastructure a customer has in place instead of forcing them to upgrade to a new release
- Experience packs can be upgraded in isolation at a time and in the order that is best for the customer, eliminating risk and increasing their ability to innovate where it matters most – even with so-called 'on-premises' software deployment.

As part of our global Education focus, we will launch UNIT4 Agresso Costing and Pricing, a software family designed to deliver and manage pre-award grant and research projects for academic and research intensive organizations.

A key drive within UNIT4 is to create economies of scale around research and development. The investment in the UX project for Agresso has resulted in a toolkit that can be utilized by other UNIT4 products.

Portfolio overview

The table below provides an overview of UNIT4's major product brands, customer groups, geographical markets and market positions. This is not a comprehensive list of UNIT4's products, as there are many locally developed products that serve specific niche markets which are not listed.

SOLUTION	PRODUCT BRAND	PRODUCT CATEGORY	SEGMENTATION	COUNTRIES	MARKET POSITION
Horizontal	**UNIT4 Agresso**	ERP solution for people/service-intensive organizations	Businesses Living IN Change, medium-sized and large organizations	Worldwide	Leading or strong regional and vertical positions
	UNIT4 Coda Financials	Best-in-class financial management solution	Businesses Living IN Change, medium-sized and large organizations	Worldwide	Leading or strong regional and vertical positions
	UNIT4 ekon	ERP system	SMEs	Spain and Latin America	Top 5 in Spain
	FinancialForce	Financial management system delivered in the cloud	Medium-sized and large organizations, particularly services-based	Worldwide	Introduced 2009; the leading accounting & PSA systems on salesforce.com's cloud platform, Force.com
	UNIT4 Multivers	Accounting, stock and sales administration	SMEs	Benelux	Top 3 in the Netherlands
	UNIT4 Project Workforce Suite	Best in class solution set, including Time Management, Expense Management and Resource Planning	Medium-sized and large organizations	Worldwide	Leading position in Norway
	UNIT 4 Consolidation & Cash	Group reporting & consolidation solution	Medium & large multi-company organizations	Worldwide	Top 3 in Scandinavia
	UNIT4 Business Analytics	Performance management suite	Businesses Living IN Change, medium-sized and large organizations	Worldwide	New product in 2012
	Business Solution Apps	Turnkey solutions focused on specific challenges, risks and opportunities	Businesses Living IN Change, medium-sized and large organizations	Worldwide	New solution line in 2012
	UNIT4 TETA Constellation	ERP system	Medium-sized and large organizations	Central & Eastern Europe	Number 1 in HCM; Top 3 in ERP
	Various	Including: Talent Management, CRM, WebInfo (information management), Auditor (control and risk analysis), payroll	Medium-sized and large organizations	Worldwide, Europe in particular	Strong (niche) positions
Vertical	**UNIT4 Accountancy**	Accountancy and payroll	Accountants and administration offices, large organizations	The Netherlands, some international	No.1 in the Netherlands
	UNIT4 Agresso Wholesale	ERP system	Wholesale companies	Benelux, some international	Top 3 in the Netherlands
	UNIT4 Cura	Customers, personnel, financial, payroll, healthcare, logistics	Healthcare organizations	The Netherlands	No.1 in the Netherlands
	Dias & ÈFDÉCÉ	Financial services	Insurance brokers and mortgage advisors	The Netherlands	Top 3 in the Netherlands
	UNIT4 Campus	Unit4 Agresso enterprise and partner solutions to support the institution, student and research lifecycle	Higher and Further Education institutions as well as research intensive organizations	Worldwide	Leading or strong regional and vertical positions in UK, Ireland and Nordic regions

Developments in our geographic markets

Our country organizations

Our business strategy is implemented internationally through our country organizations, which each offer a mix of global and local solutions that best fit market conditions and demands. A number of guiding principles are shared across the organization. These are:

- focusing our business software and services on cloud based and SaaS solutions
- a strong focus on sectors and organizations experiencing high rates of change (Businesses Living IN Change)
- an optimized local approach targeting the markets and sectors with the best opportunities
- the goal of obtaining a leading position in the sectors in which we are active.

The optimal product mix and market approach in each country may differ. Based on local market circumstances and opportunities, country organizations extend their product offerings by developing new products themselves, by offering additional products via partners, or through acquisitions. Our local countries are supported by the Group operations and effort is made to share best practice, expertise and resources across the regions.

In 2012 we enjoyed strong success across most regions, despite local challenges due to the tough economic times. We made progress in growing our customer base, increasing SaaS revenues and beating 'tier 1' competitors.

EUROPE

BENELUX

We operate eight distinct business subsidiaries across the Benelux, which produce, market, sell and maintain a broad range of IT solutions. These range from specialized packages used in the accountancy sector, to solutions tailor-made for the healthcare sector. We also market our two international product lines – the UNIT4 Agresso and UNIT4 Coda products – to a broad customer base. Because each subsidiary has its own product and market combinations, our Benelux strategy is to focus on various vertical and horizontal segments; the objective is to achieve or maintain leadership in each of them, while creating and exploiting cross-selling opportunities.

Accountancy

UNIT4 Accountancy focuses exclusively on the audit firm segment and is the market leader. More than 90% of the top 250 audit firms, and 50% of the total market, are our customers. Although the year produced challenging economic conditions for accountants and auditors, in 2012 we returned 10% growth both in new business and in maintenance. We extended our partnership agreement with PwC, one of the big four audit firms. We also broadened our partnership agreement with SRA, one of the leading industry associations for audit firms, through UNIT4 Prognose, which produces forecasting software. Partnership agreements with industry associations and other third parties are becoming increasingly important to the sector.

We began rolling out UNIT4 AccountAnalyser, which is used for data analysis, internationally. PwC and Ernst & Young now use the software across their international practices. We successfully introduced UNIT4 SBR Manager in combination with UNIT4 Digipoort. This software is responsible for the distribution of the XBRL instance file, and in the first year we sold 1.7 million licenses, which translates into yearly maintenance revenues of around €800,000.

The Netherlands won women's hockey gold for the third time in their history at the London Olympics 2012, with a 2-0 victory against Argentina.

We closed our first deal in Belgium, with BDO Belgium selecting UNIT4 Auditor and UNIT4 AccountAnalyser. This presents us with good opportunities to further develop the audit firm market in Belgium. Sales during the year were strong, with 700 customers purchasing UNIT4 SBR Manager in combination with UNIT4 Digipoort, and licence revenue of €1 million for UNIT4 DocumentManager. We acquired Primaccount, which produces tax software. The company, which has a customer base of around 1,350 and is highly profitable, will be a good fit in our portfolio and offers a number of opportunities for upselling.

Finance & ERP

The Business Software division provides finance and ERP software to all sectors, with particular focus on 'businesses living in change'. In 2012 we made strong progress with our cloud-based solutions, with new and existing customers in both the private and the public sectors moving to the cloud. We had a record year from licensing and SaaS revenue and our strongest growth was achieved through UNIT4 Agresso. International companies and organizations are discovering the power of UNIT4 Agresso, resulting in 2012 in an acceleration in large international projects from the Benelux. We rolled out projects across more than 30 countries for a range of customers, and acquired new customers including Egon Zehnder (top-level recruitment), Temco Group (cleaning and facility services), Clear2Pay (innovative payment technology), Open Doors (non-profit organization) and Impala (warehousing & logistics). Other notable wins included building materials company Veris Group, with more than 1,000 licenses of UNIT4 Agresso Wholesale in the cloud, and the City of Bruges, which was the first local government in Belgium to choose UNIT4 Agresso. This will lead to further growth in this market.

Financial Intermediaries

UNIT4 Financial Intermediaries develops and sells software for insurance agents and mortgage advisors and has around a 50% share of the Dutch market. Our business model is based on an annual subscription for the software and maintenance, so it generates a strong recurring revenue stream. In 2012 our focus was on assisting our customers to make full use of the possibilities of our integrated software solutions, so that they can provide the best advice to their customers. This resulted in us becoming the number one player in the Dutch insurance market for independent brokers/agents. We also concentrated on innovation, developing a 'Straight Through Processing' module and a new system for the insurance/mortgage advisory segment. We expanded our Aplaza platform, which is an independent financial platform used for exchanging data between several insurance companies and thousands of independent insurance brokers/agencies. We took an important order from Zicht BV (an ING subsidiary insurance broker) for a total integrated insurance solution, and signed a number of new customers including Branche Benefits, ZLM, Taylor Mates and Baksteen & Pul.

Healthcare

The Dutch healthcare sector is coming under increasing pressure as costs rise and regulatory measures place additional strain on consumers, insurers and healthcare providers. The recently appointed government has put forward a comprehensive package of austerity measures, which will impact the healthcare sector. One of the main industry developments is the move towards providing more care in the home, which will result in fewer patients being housed in care institutions.

Zeynep Tekay
EMPLOYEE KNOWLEDGECENTRE
She is dedicated and hardworking, and her advice is always appreciated by her customers.

UNIT4 Gezondheidszorg improved its already strong market position in 2012. We remained focused on the healthcare sector – with particular emphasis on institutions for the mentally handicapped, home care and nursing and residential care – and we are increasingly becoming a strategic partner for our customers. We implemented a number of projects at well-known institutions in the Netherlands including at Carinova, a major player in the care of the elderly, and at RIBW ZWWF, an assisted living institution. During the course of the year we implemented a module for the registration of outpatient hours and we rolled out the Electronic Client File on a number of clients' premises including at Alliade, a leader in the care of the disabled and elderly care in the Dutch province of Friesland.

Human Resource Management and Payroll

Our UNIT4 HR Solutions division combines all of our offerings in the areas of payroll, personnel management and e-HRM. We currently manage the monthly payroll of around three million Dutch employees, and our goal is to combine development, marketing and sales of our payroll product with acquired solutions for personnel management and e-HRM. In 2012 we rolled out our Managed Services offering and it is now providing around 4,000 customers with a reliable, high quality, certified payroll service. We introduced Mobile HR to the market and signed a number of new customers in the education sector. We had a change of general management during the year, and our focus in 2013 will be on regaining profitability.

Hybrid Cloud solutions

UNIT4 IT Solutions focuses its UNIT4 Hybrid computing offering on a number of markets with the majority of its business in the publishing and professional services sector. The staffing services sector had a challenging 2012 impacted by rising unemployment and falling business confidence. Despite this, UNIT4 IT Solutions had a good year, with the SaaS and cloud services market showing strong and consistent growth. Customers are increasingly looking for flexibility with cloud computing and we migrated a number of existing customers to the UNIT4 Cloud, which provides the associated benefit of reducing their costs. As SaaS and cloud services become more popular, we are switching from on-premise to more cloud-focused consulting services.

Our datacentres continue to expand, and we are investing further in our UNIT4 Cloud infrastructure, which is delivering strategic value to customers internationally. In addition to our datacentres in Sweden, Spain and the Netherlands, we have decided to invest in a UK-based datacentre to serve the growing UK government market. We obtained extra certification for information security in the cloud, and this certification and compliance guarantees that the cloud management services we offer meet with the increasing information security and data governance demands.

Small- and medium-sized enterprises

UNIT4 Multivers is a comprehensive ERP solution that is tailored to the demands of Dutch small- and medium-sized enterprises (SMEs). In 2012 we enjoyed another year of strong growth in our online subscription-based offering, and expect subscription turnover to exceed license turnover in 2013. In Belgium we had a strong year with our Venice product, which was designed specifically for the Belgium SME market. We have a strong partnership in the Belgian automotive market and Venice has been integrated with specific automotive solutions. We introduced capabilities to cope with the introduction of the Single Euro Payments Area (SEPA) and we will continue to evaluate developments in the market in 2013.

I-Signaal

I-Signaal is a pure SaaS company, which produces an application that enables customers to proactively monitor absenteeism within their organization. We returned double-digit growth in 2012 and focused on the rollout of a mobile version of our primary product, the production of apps and the further development of VerzuimSignaal2. We obtained ISO 27001 certification and signed a number of large clients and new partners. We also extended contract agreements with Nationale Nederlanden, Van Lanschot, Chabot, Argo Advies, VerzuimReductie, Randstad and Friesland Campina.

DENMARK

We continue to specialise exclusively in providing solutions based on UNIT4 Agresso to the market. A successful focus during the year was capitalizing on our investment in a local PCB (Project Costing & Billing) Plug-in to Agresso and a number of these were sold internationally to existing customers in Norway and Germany. This add-on gives us extra capability to target Agresso at project oriented companies in the construction, engineering, services, finance and marcom sectors and we have a strong pipeline going forward. We made a number of organizational changes, including hiring new staff to reflect our current focus and accommodate future requirements and growth.

FRANCE

Much of UNIT4 CODA's focus in 2012 was on existing customers, who continued to invest in their current systems, adding modules and migrating to the latest version. We continued to focus on our key client areas, the insurance and finance sectors, and made good progress in building the UNIT4 brand in France using PR and website promotion, advertising and the launch of social marketing. With the French economy still very weak, many of UNIT4 CODA's major accounts delayed large investments. However we had a number of good client wins including Reunica, a large insurance company, and Unigrains, a private equity and venture capital firm. We also further developed our relationships with Deloitte, KPMG, and Ernst & Young.

GERMANY

Our operations in Germany enjoyed good growth and profitability in 2012. Internally we made a number of changes to make the division stronger, including the introduction of new senior management. We reduced costs significantly and re-focused the organization by industry and product to gain more specialist focus and knowledge. We extended our partner base considerably and increased our focus on lead generation, market awareness, business readiness, license growth and client attraction. The result is an organization that is considerably more competitive than a year ago, with a clearer market focus.

During the year we acquired Adata, a software solutions provider specialising in payroll, human resources management and time recording. We integrated Komsult, our business intelligence company, into the organization to boost business analytics for our UNIT4 Agresso and UNIT4 Coda clients. Internally we implemented a UNIT4 Goal Management System, to help ensure that every employee works towards our company goals.

Public sector

We had a number of significant project wins within the public sector in 2012. The State of Saxony became the sixth German state (out of a total of 16) to implement one of our solutions, choosing Agresso to help modernize its budget, finance and resource planning systems. The State of Berlin continues to rely on us for its financial software, extending its contract with UNIT4 for another six years. The City of Vreden went live with KIRP8 and ATF as our first pure package client, while two local authorities – the City of Freudenberg and Wilnsdorf – will establish a shared service center (SSC) for financial services. The SSC will be provided by resources of Stadt Freudenberg based on their Agresso system. Individual structures, workflows and reports of Gemeinde Wilnsdorf will be established based on a ‘copy’ of Stadt Freudenberg’s Agresso system.

Private sector

We continue to standardize and professionalize our sales engagement with the market and we now use our FastStart approach to help reduce implementation time and costs and guarantee a jump-start on documented processes. We signed a number of new customers, including ITK AG, the second Agresso cloud customer in Germany.

ITALY

We had a successful year in Italy, beating budget expectations despite the difficult economic and political times in the country. We are principally a consulting organization and so we concentrated on developing UNIT4 Coda consulting and strengthening the UNIT4 Agresso Italian localization. As the Italian organization becomes increasingly integrated within the Group, we are collaborating more frequently with the other UNIT4 entities to support international customers and roll-outs.

NORWAY

The Norwegian economy performed well in 2012, driven by strong activity in the oil sector. During the course of the year we delivered new projects to a range of clients, including a payroll/HRM solution to Oslo Kommune on time and within budget. The system was rolled out across the organization and by the end of the year more than 95,000 staff had been paid using Agresso. We also benefitted from a new government directive in 2012 that from July all government bodies had to standardize electronic invoices based on the European Union's PEPOL standard. This means that all public sector customers must be able to receive invoices electronically. We addressed this opportunity by providing an end-to-end, standardized solution, which has generated business from more than 130 customers.

POLAND

The 25th anniversary year of TETA was an eventful one. UNIT4 TETA in Poland had a challenging time, with the investigation into irregular sales transactions only concluding late in the year (see Note 6.5). We installed a new management team, and whilst the efforts to sort out the earlier issues took considerable time and effort, the core business continued and is in good shape.

We launched the new 'Gemini' version of TETA Constellation, our core ERP solution for the Polish market, as well as a fully web browser version known as TETA Galactica. Both have attracted good uptake from the user base and new clients alike. We have a strong user base in the country and continue to work on building market awareness and customer satisfaction. Now that we have overcome our issues we are able to focus on business growth in 2013 and expect to see much better results in the coming years.

SPAIN AND PORTUGAL

UNIT4's focus during the year in Spain and Portugal was on increasing our portfolio with new vertical solutions, including ones for the utilities, education and public finance sectors. The economies of the region remain extremely challenging so we increased our focus on expanding our export activities by increasing our lead generation capabilities internationally. We are particularly focused on Latin America where there is a more robust economic climate. We have created a new network of partners across that region, establishing a presence in seven countries – Argentina, Chile, Colombia, Ecuador, Mexico, Peru and Venezuela.

Within the education sector the concept of ERP and its benefits are relatively new in the Iberian market. Our UNIT4 Agresso Campus solution has been well received, and during the year we launched our new strategy through a press-focused event. We signed three new customers in 2012, ESIC in Spain – the fourth most important business school in the country – as well as ESAD and Talent in Portugal.

Within the health sector the solution we provide to customers is the only one in the industry that supports multiple areas of care (medical offices, hospitals, mental health and geriatric). During 2012 we concentrated on upselling newly developed modules to existing customers, and we closed a new deal with Clínica del Pilar. Working with our UK colleagues we began exploratory discussions with possible partners with a view to entering the British healthcare market.

Within manufacturing we offer fully integrated ERP solutions, including process and project-driven manufacturing. We closed a number of new customer deals, including Grupo Vicente Canales, a manufacturer of special water pipe systems that runs international projects, and Nature Bissé, an international cosmetic manufacturer with offices in Dubai, the UK, the USA and Mexico.

... led by Roald Amundsen. The team of five eventually arrived at the pole on 14th December 1911.

SWEDEN

We are one of the market-leading ERP companies in Sweden with a large and well established customer base across a wide range of public and commercial sectors. The most significant business drivers in the market during 2012 were cost effectiveness, a low total cost of ownership and a low cost of change – which match perfectly with our unique selling points and market messaging so we are well positioned for the future. We strengthened our competitive position in the year by closing a number of strategic business deals and continue to focus on delivering excellent customer service.

We improved our already strong market position and cemented our standing as a key player within the cloud-based products and services environment, signing a number of new clients in the private sector, including ATG, Reitan Convenience and ISS Facility Service. Demand remained high for IT-based support for performance management, administration contracts, purchasing and e-commerce, and we expect this trend to continue throughout 2013. We carried out a number of upgrades for both UNIT4 Agresso clients (to Agresso Milestone 3) and FastNet clients (to FastNet 6.0, a market-leading real estate business solution in Sweden). UNIT4 Ocra gained 31 new clients during the year, including Niras, Jula and Guthrie GTS Ltd.

An extensive reorganization was conducted during the second half of 2012 to further increase and evolve our client and sales focus, as well as to better coordinate resources and increase cost efficiencies through improved cooperation between the company's different business areas. This has resulted in an even stronger industry focus, which gives greater opportunities to meet the diverse industries' requirements. In June, our former subsidiary UNIT4 MAP was incorporated within the UNIT4 organization. This improved and clarified our combined offering to the building and real estate industry.

During the year the UNIT4 Business Handbook project was launched, with Sweden acting as a pilot location within the Group. The work is meant to further improve and strengthen our competitiveness and sharpen the way we work – both internally and externally. It consists of several subprojects, which focus on project management excellence, consultancy issues, sales tools and industry standards.

Every year since 1901 the Nobel Prize has been awarded...

UNITED KINGDOM

This was a break-through year for UNIT4 in the UK, where despite the on-going recession we are enjoying strong success. We continued to promote the business benefits of our solutions for organizations living in change, and this message resonates powerfully across all of our key sectors.

Commercial sector

There was a continuing trend towards mergers and acquisitions and companies going into receivership across our customer base in the commercial sector. This was both positive and negative; on the positive side, new acquisitions required additional licenses, and new owners needed to relicense; on the negative side, we had to rebase licenses to accommodate downsizing. We exceeded sales targets for the sector, signing many new commercial customers including regaining a significant global UNIT4 Coda Financials customer from Oracle. We signed our first contract for Coda Financials in the cloud, with De Vere Hotels Group moving into a private cloud managed by UNIT4.

Public sector

The public sector saw the greatest business change in 2012. The significant work we undertook in 2011 promoting the benefits of the UNIT4 Agresso platform resulted in a number of important contract wins, both directly and through our strategic partners. We signed up a significant number of new public sector customers, including many councils and two government agencies.

Strategic partnerships are becoming increasingly important for our business, particularly within this sector. In 2012 we signed some notable contracts through partnership agreements with business process outsourcers and systems integration providers including Agilysis, BT and Mouchel.

In 2012 the British Government published an ambitious strategic plan, which lays out how it will implement, operate and manage a program for shared services within central government. The plan for 'Next Generation Shared Services' aims to save £400 - £600 million annually from back office administration costs. The government's proposal is to create two independent shared services centres (ISSCs) that will operate in a contractual relationship with its customer departments. Following considerable work in 2012, in March 2013 it was announced that the first such centre, ISSC1, will be provided through divestment of the Department for Transport (DfT) Shared Service Centre to Arvato, with UNIT4 Agresso used as the core ERP system. Over a two-year period, Arvato will migrate all of the DfT and its executive agencies to the Agresso platform, amounting to a total of around 35,000 users. This is a 10-year subscription contract, with an option for the government to extend for a further nine years. Arvato, which is part of the global Bertelsmann Group, is gaining credibility for business process outsourcing services within the UK public sector, and the DfT win is a significant event for both them and UNIT4.

In 2012 we signed six new UK councils, bringing the total number of local government customers using UNIT4 Agresso to 105 out of a possible 441, giving us a 24% market share. In Ireland, we have a 91% market share. In December 2012 we signed a framework agreement with BT, which sees BT leading with UNIT4 Agresso for all opportunities in local government. We also formed a strong partnership with HP, which is now leading with Agresso for education contracts and promoting it for local government contracts.

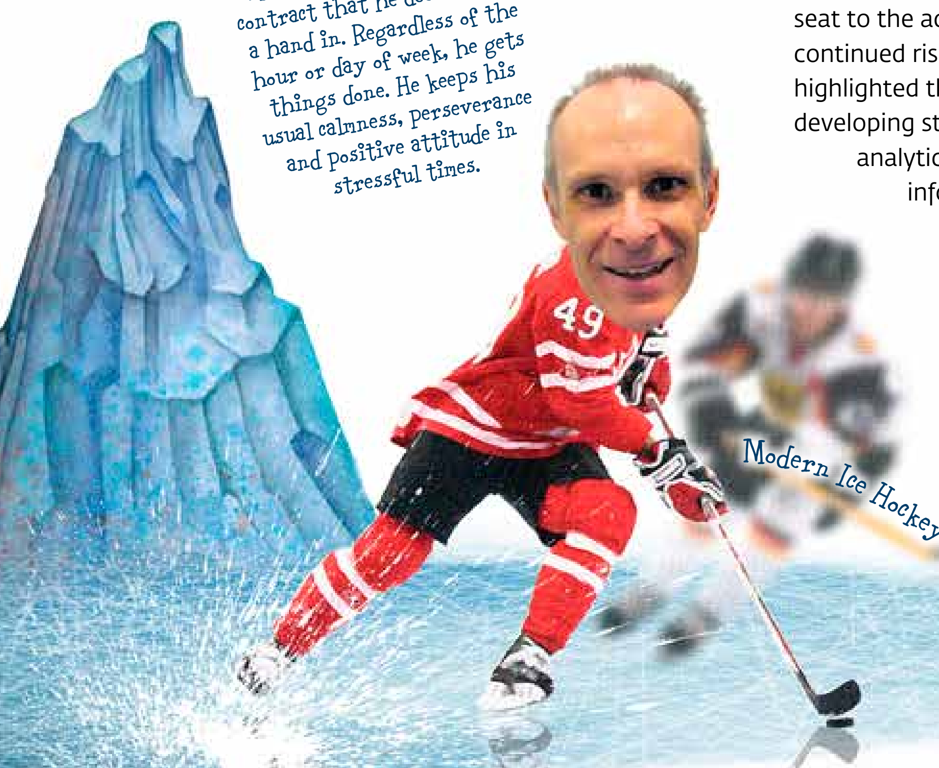
Ylva Wikström
SENIOR CONSULTANT
A professional, highly driven ambassador with outstanding focus on addressing problem-solving issues and the ability to create cost efficient solutions for both our company, our product Agresso and our customers.

... for achievements in physics, chemistry, physiology or medicine, literature and for peace.

Higher Education

During the course of the year we launched the UK-based UNIT4 Global Center of Excellence for Education and Research. Building upon our extensive success in post-16 education and research, we decided to centralize and consolidate investment in research and development (R&D), with the UK coordinating all on-going development activities. This is the first UNIT4 global vertical involving collaboration with multiple subsidiaries and Group R&D, and we are set to publish our education and research sector roadmap in 2013.

We added 22 new education customers during the course of the year, including our first sale of a full UNIT4 Agresso Campus platform solution to the University of Aberdeen. We also sold the first true Further Education Shared Service for Finance & HR on the UK mainland through the Surrey & Sussex Shared Service, which involves nine colleges using Agresso from a single hosted environment. During the year we undertook joint-funded development work with Oxford and Cambridge Universities, which resulted in the release of a significant new core Agresso module for the management of research costing and funding.



NORTH AMERICA

During the course of 2012 we took the decision to merge our two business operations in North America – UNIT4 Business Software and UNIT4 CODA – effective 1 January 2013. The combined unit, called UNIT4 Business Software, will continue to offer a broad range of products, including UNIT4 Agresso, our flagship ERP suite for mid-sized organizations, and UNIT4 Coda Financials, our best-in-class financial management software. These products continue to be used by hundreds of companies and organizations throughout the United States and Canada across the retail, travel, education, financial services, not-for-profits, professional services, government and transportation and logistics markets. As a result of the merger, customers will benefit from greater coverage and support across North America, better global integration and additional product sets that can help them today and in the future.

Market developments

Trading conditions in North America continued to be challenging in 2012. After a very gradual increase in confidence during the first quarter, the on-going economic crisis in Europe, uncertainty surrounding the outcome of the US election and the negotiations surrounding the 'fiscal cliff' caused a retreat in market conviction. Despite this, the worst of the economic downturn seems to be over in North America, which saw strong growth in the third quarter.

The US is the world's largest ERP market, and in 2012 we witnessed a growing interest in cloud-based solutions. Fears about security and reliability have largely taken a back seat to the advantages the cloud offers. Analysts noted the continued rise in the impact of social media in business, and highlighted the growing interest in 'big data', which involves developing strategies to manage data, employing business analytics to drive decision making, and sharing the information enterprise-wide.

UNIT4 CODA and UNIT4 Agresso developments

Our UNIT4 CODA business recorded strong license sales in 2012, with increasing new name activity and strong growth in the financial services sector. This was aided by our best-in-class functionality, which includes on-line real time access and reporting, foreign currency capabilities, and a unified ledger providing a single consistent view of financial data across the organization.

Our UNIT4 Agresso business also had a strong 2012, returning double-digit revenue growth, successfully delivering a number of notable projects, including Landauer, the largest customer development project the business has undertaken so far. This 5-year project to develop a dosimeter operations system, built on top of UNIT4 Agresso, had a smooth go-live.

We won a number of local awards during the year, with UNIT4 Business software presented with the VIATec Top 25, Chamber of Commerce Employer of Year, and B.C. Top 100 Software Companies awards. UNIT4 Agresso Education was named a Readers' Choice Top Product for 2012 by University Business Magazine.

Commercial sector

During the year our UNIT4 CODA business had its first sale in the retail sector (with cloud deployment), and year-on-year we saw our average deal size increase by 40%, our license revenues increase by 50%, and our services revenues increase by 33%.

For our UNIT4 Agresso business, the recession impacted the commercial sector's readiness to make major technology investments. We signed an insurance company, Peace Hills General Insurance, and the media company Hobson's (a part of the Daily Mail and General Trust PLC, one of the oldest and most successful international media companies). We also signed deals with existing customers for additional modules and services, including with Harris Bank (an affiliate of Bank of Montreal).

Travel industry

Success in the travel sector continued in 2012, where we added four new customers: Mondee, Aimia US, Aimia Canada, and Carlson Wagonlit Travel (MOTLI). We also renewed our agreement with Key Travel. We released an important new version of CentralCommand in the second quarter, with a number of customers upgrading from older versions.

Higher Education

Locally, we continued to do business with existing customers, including Augsburg College and Harvard Law School. We also continued to contribute to UNIT4's Global Higher Education Initiative, attending Educause (the primary Higher Education IT-focused conference) and drawing further market interest in the UNIT4 Agresso Education product.

Not-for-profit

We had a fruitful year in the not-for-profit sector, signing eight new customers: The American Speech-Language-Hearing Association, Internews, MAP International, IPAS, The Nature Conservancy, Conservation International (an Oracle replacement), Canadian Partnership Against Cancer and Heifer International. We continue to gain traction in this close-knit vertical as word spreads about the benefits of UNIT4 Agresso. We also sold our first cloud-based subscription deal, and are well positioned to move forward in 2013.

Public sector

Public sector spending remains affected by the economic uncertainty, so we continue to market and build awareness. We are approaching the US market via a partner, while the Canadian market proved to be more active. We added three new customers in 2012: the city of Port Coquitlam, the regional district of Central Kootenay and the City of Penticton.

Deanna Karp
CUSTOMER SUPPORT ANALYST
She has excellent customer service and focus, an example support employee. You can call any customer and they will say something positive about her and her attitude.

. . . stick-and-ball games adapted to the icy conditions of Canada during the 19th century.

ASIA

The economies of the Asia-Pacific region remained resilient in 2012, despite the choppy performance of the global economy. There was continued strong performances from the economies of Indonesia and Malaysia, while Singapore's growth, although down slightly on 2011, remained positive.

For UNIT4, the focus was on promoting UNIT4 Agresso and Prosoft HRMS across Singapore, Malaysia, and Indonesia, but we also continue to look for acquisition opportunities. Both the Malaysia and Indonesia offices began selling Prosoft HRMS in 2012, and both now have the local capability to implement the product. We saw strong license sales and overall revenue growth for both our core solutions. Payroll outsourcing is growing in Singapore due to higher labour costs, while we are witnessing increased consolidation among ERP players.

We continued to expand in Indonesia after setting up a new company there in 2012, and worked on team training to increase the staff's ability to deliver Agresso solutions. We also began focusing on moving up the value chain by targeting larger deals.

AUSTRALIA & NEW ZEALAND

Australia remains a buoyant economy, principally driven by the growth of the Asian economies, particularly China. Market sentiment dipped a little towards the end of the year following the impact of the economic crisis in Europe and North America, but it is still a strong economy. There is growing pressure on the public sector to cut spending, so technology to help lower costs is in demand; however this is also a small and highly competitive market where virtually all of our key competitors from around the world have a presence.

Our main sales focus in both countries is via partners, several of whom are still in start-up phase with UNIT4. Agresso Australia, our longest serving and dedicated Agresso partner, closed a deal with the New Zealand Post, a significant group with interests in banking and finance, logistics and other areas as well as postal delivery. It has set up an office in New Zealand to service customers there.

Against a background of high profile failed public sector IT projects with our competitors, the OneSchool project in Queensland has now seen all of its 1230 state schools move successfully to a single shared software platform with UNIT4 Agresso providing the core finance elements to run the schools. This is a key reference for UNIT4 in the region.

FINANCIALFORCE.COM

FinancialForce.com, our US-based cloud applications company formed with minority investment from salesforce.com, again grew strongly in 2012 and we increased our investment to support this momentum and capitalize on available opportunities.

The annual run rate in December 2012 (including services) grew by 90% year-on-year to $17 million, compared to $9 million in December 2011 and $12 million in June 2012. This illustrates how strongly growth accelerated in the last few months, where only limited revenues could be recognized. Staff numbers grew by 60% to 150 FTEs across the United States, the United Kingdom and Spain, and this growth is set to continue in 2013. Marketing costs were also further accelerated, growing more than 75%.

Customers

The total number of customers increased by over 50%, while the number using both Accounting and Professional Services Automation (PSA) applications more than doubled during the year. The annual contract value of new customers increased by more than 10% compared to 2011.

Growth was achieved in the small business, mid-market and enterprise sectors. FinancialForce.com continues to penetrate the enterprise market, particularly with its billing and PSA applications. The company also completed a SOC 1 Type II audit in 2012, providing publicly traded customers with an additional layer of compliance and security. More information can be found at: trust.financialforce.com.

Recognition

FinancialForce.com applications and users of our applications continued to gain industry recognition and awards in 2012, with FinancialForce.com Accounting winning the British Accountancy Software Product of the Year Award and being named a CRM Watchlist Broad Brush Winner. Scott Travasos, CFO of Blue Shield Foundation of California (BSCF), was given the Top CFO Leadership Award by Ventana Research based on his innovative and unique work with FinancialForce.com Accounting at BSCF. Three FinancialForce.com PSA customers also received industry accolades during the year. Architect, Centerstance, and Perceptive Software were rated in the top 5% out of more than 200 professional services organizations and honored as 'Best of the Best' in a study of professional firms by SPI Research published in March 2012.

Outlook

With a SaaS model, investments in FTEs are not immediately compensated by recognized revenues; subscription revenues are deferred over time while the costs occur immediately. This effect is greatest in the final months of the year. The implied profitability in the underlying contracts is recognized in future years, and only crystallizes fully once the organization has reached its desired size. Yet, UNIT4 management has considered FinancialForce.com's growth prospects and, given its confidence in the potential for and valuation of FinancialForce.com, has decided to continue growing the company. Consequently, more investments are planned during 2013. Staff numbers are expected to grow to a total of 250 FTEs by the end of 2013, with substantial revenue growth.

Corporate social responsibility

We take corporate social responsibility seriously, and wherever we are active around the world we are working to increase stakeholder engagement, reduce our environmental impact and work with local communities through a wide range of initiatives. Many of our key country organizations run corporate responsibility programs locally. The more innovative operations are embedding this into their strategy in order to not only be better corporate citizens, but also to drive a stronger culture, improve performance and create a better working environment. In this section we highlight some of the best practice around the group. We are using these examples to drive a more coordinated Group-wide response to sustainability as we go forward.

Stakeholder Engagement

Shareholders

We believe that strong and sustainable long-term economic performance depends on compliance with Corporate Responsibility best practices and open reporting of our activities. We seek to:

- Achieve appropriate financial returns for our shareholders.
- Comply with key Corporate Governance requirements.
- Be as comprehensive and transparent as possible in our reporting at all times.
- Report openly on aspects of our non-financial performance, including social, environmental and ethical risks and opportunities.

Customers

We aim to be a good supplier and respected business partner to our customers. We seek to:

- Provide high-quality products and services that are of long-term benefit to customers and partners.
- Develop and maintain excellent relations with our customers, dealing with them directly and responsively, and providing optimum levels of customer service, satisfaction, and retention.
- Develop and enhance existing products as long as commercially viable, in consultation with clients and the market place, to meet regulatory and technology changes where viable, and seek to provide clients with long-term support for existing products and practical, low-impact routes to new technologies and versions wherever possible.

Employees

We aim to be a good employer. Our objectives for achieving this are to:

- Operate clear and fair terms of employment and remuneration policies.
- Avoid discrimination in our recruitment, staff training, development and promotion policies.
- Nurture the enthusiasm and commitment of staff, encouraging an open culture where staff can question management and propose ideas.
- Enhance the performance of management and staff through ongoing training, skills and knowledge development.
- Ensure a safe, pleasant working environment for employees.

Suppliers

We aim to build excellent long-term relationships with our suppliers by being a responsible purchaser of goods and services, in order to build partnerships and deliver value to the company.

- Make payments for goods and services that have been delivered within the period agreed with the supplier, and inform the supplier clearly and promptly when an invoice is being queried.
- Engage with our principal suppliers on their own commitment to environmental and social responsibility, seeking wherever appropriate to influence them to adopt an approach compatible with our standards.

Communities

We aim to make the communities in which we invest better places to live and do business. We aim to achieve this by:

- Engaging in appropriate activities with a range of relevant communities, addressing issues that we have in common with those communities.
- Developing and maintaining frameworks that encourage staff to be involved in charity and community projects in a manner that the company can sustain and that provides an appropriate level of benefit to the company.

Marketplace

We aim to operate as a good corporate citizen by:

- Developing goods and services that help other organizations improve their corporate governance and responsible business practice.
- Developing a clear, ethical policy regarding bribery and corruption, and ensuring all staff adhere to it.
- Ensuring that all advertising, marketing and other materials are truthful and not misleading.
- Promoting best practice widely, across the industry, across customer, supplier and partner bases, and within our community activities.

Environment

We aim to reduce our direct adverse environmental impacts, wherever we have managerial control, and to influence others to reduce those that are indirect.

In addition to complying with relevant legislation, we will, wherever possible, look for opportunities to make a positive contribution to the environments in which we operate. The Group aims to achieve continuous improvement in its environmental performance over time. Our environmental objectives cover the following core activities:

- Procurement
- Property management
- Recycling
- Travel, including to and from work.

Our CSR situation in 2012

Shareholders

- We published our results quarterly and in a timely manner throughout the year.
- A detailed description of how we comply with the Dutch Corporate Governance Code ('Frijns Code') and how we manage risks effectively are published in the Corporate Governance Report on our corporate website (www. unit4.com/investors/corporategovernance) .
- Our annual report provides a complete overview of our CSR objectives and aims.
- All relevant documents have been updated and published on our website.
- We deliver value to our shareholders by maintaining a sensible cost base and reviewing our key suppliers regularly to ensure best value is sustained.

Customers

- We have continued to supply our customers with high quality products and services that provide long-term benefits.
- A number of committees and communities that focus on maintaining a high standard of service and solution excellence have been set up within the organization.
- Additionally, our customer service programmes have continued to improve, as has our customer satisfaction and customer retention levels. The company conducts frequent Customer Surveys where feedback is sought on all areas of our business. The results are used by the Group to improve service and solution provision.

Employees

- In 2012, individual discussions were held across the organization between senior management and employees to discuss a range of issues, including transparency within the company, results-driven performance, and how connected employees feel with the Group.
- With many subsidiaries within the company, local works councils are active and act as a forum to discuss company-related issues and act as a contact point between employees and the company on many work-related issues.
- We have assiduously avoided, and continue to avoid, discrimination in recruitment, training, and development opportunities.
- We value the opinion of employees, both individually and collectively, across the Group, and employees are encouraged to provide feedback to their manager. Employees are encouraged to provide input on the future direction and success of the organization.

Suppliers

- Our finance team ensures that our suppliers receive reasonable payment terms.
- In addition to conducting business electronically, we procure products and solutions that meet our environmental ambitions, including recycled materials and Fair Trade products.
- Throughout the year we talked with our main suppliers about our CSR initiatives and tried to ensure that their CSR performance meets or exceeds our own.
- We apply rigorous Information Security Management Systems, which ensure supplier information is protected.

Communities

- A number of subsidiaries in the Benelux participate in Rotary activities.
- We are a founding sponsor of the KidsRights organization. This includes both providing a direct donation and matching employees' donations. We continued to sponsor KidsRights in the Benelux in 2012, although in 2013 we will switch sponsorship to a charity called Muscles-for-Muscles, which helps children with muscle-wasting illnesses.
- We are involved, as a founder, in awarding the Kids Peace Prize in the Netherlands.
- UNIT4 sponsors the Dutch Football Association (KNVB), which has about 1 million members. Part of the sponsorship deal involves supplying products and services to around 3,000 amateur football organizations that are KNVB members.
- In the United States our Victoria office participates in an annual challenge among all high technology companies in the region to raise food and funds for a local food bank. These funds are raised through employee-based activities.
- In the Netherlands, UNIT4 provides regular donations and support to causes identified by our employees and their families as important to the community.
- FinancialForce.com continues to contribute 1% of its employees' time and 1% of its products to non-profit organizations. In the Netherlands, a fixed percentage of the EBITDA of certain subsidiaries was made available to local charities, based on employees' requests. Similar schemes are in place in other divisions worldwide.

Marketplace

- We provide our clients with a range of solutions to help them meet their corporate governance obligations and promote responsible management processes.
- In the UK, we have developed a Partner/Alliance ecosystem that promotes the sharing of good practice

to the benefit of its joint clients. Additionally, the Group Marketing Director sits on the BASDA Green committee in the UK.
- All business processes throughout the organization are subject to continuous review and improvement.

Environment

- We continued to use video conferencing whenever possible, and invested in new conferencing products.
- We communicate with suppliers electronically whenever possible.
- Our data centres, which are operated by a third party and host our cloud/SaaS services, hold the Carbon Trust Standard. The carbon standard is only awarded to companies and organizations that measure and reduce their carbon emissions year-on-year. The company's data centres are certified to ISO 14001, and it is a Member of the Green Grid. It also follows the EU Code of Conduct for Data Centres, ensuring that its data centers deliver maximum efficiency.
- We procure products and solutions which meet our environmental ambitions: recycled materials, Fair Trade products and local sourcing.
- We began a project looking into new working practices, which involves employees spending less time working in the office and more time working from home. The aim: to reduce fuel consumption through decreased travel, and save on energy through lower heating and electricity costs at the office.
- Our country operations continued to either actively recycle, or introduced recycling initiatives.

Accreditations

Across the group we seek to achieve internationally recognized accreditations to ensure that we are working to the highest quality and following best practice wherever possible. Most of our development operations, for example, are accredited to the ISO 9001 Quality Standard. We also strive to achieve environmental accreditations such as ISO 14001 and others where appropriate. Many of the larger operations have dedicated staff to monitor and enforce key quality and environmental standards.

Key standards achieved across the group (not necessarily in every operation) include:
- Quality Management
- Environmental Management
- Business Continuity Management
- Information Security Management

Individual operations in the group will choose different accreditations, depending on the specific activities they carry out and markets they operate in. See individual websites for specific details.

CSR progress per country

United Kingdom

In 2012, we focused our community activities in the United Kingdom on the Princes Trust, of which we are a patron. Staff participated in a range of fund raising activities, which have also delivered great benefits in team building, morale, cooperation and communication, as well as raising the profile of the company.

In 2013 we will embed the charity more strategically into our business, launching the 'Hi5' staff recognition scheme, a staff motivation and reward scheme linked to the Prince's Trust activities. Top performing staff will be sent on Prince's Trust Adventure Challenges to Ecuador and the Antarctic, combining fund raising with a strong motivational element across the company.

What does The Prince's Trust do?

Around one in five young people in the United Kingdom are not in work, education or training. Youth unemployment costs the United Kingdom economy £10 million a day in lost productivity, while youth crime costs £1 billion every year. The Princes Trust addresses this by giving practical and financial support to the young people who need it most. They help develop key skills, confidence and motivation, enabling young people to move into work, education or training.

What did we do in 2012?

- Charity Raffle – 'Grab a Grand': raising £6,500
- 'Coast to Coast' Wales Walk: £12,070
- 'Palace to Palace' Bike Ride: £2,400
- We won The Prince's Trust Technology Leadership Group (TLG) Nicola Adams Award for a 'smaller Company that is punching above its weight', in recognition of the Welsh Coastal Path Challenge.

Asia-Pacific

The broad CSR strategy of our Asia-Pacific operations is to care for the environment and to give something back to the society. They sought to involve their staff in charity work, as well as making corporate donations. In 2012 we made progress in the following areas:

- We initiated a recycling program and encouraged employees to use reusable cups and utensils rather than disposable versions.
- In Singapore, we adopted the Chen Su Lan Methodist Children's Home, which houses 89 children between 5 to 16 years from underprivileged families. In addition to making a donation to their tuition fund, we also donated computers and a printer. Using the new computers, we plan to run a series of classes for the children on Microsoft office, Photoshop and basic programming. We are also collecting books internally for their library. Providing or paying for tuition to help these disadvantaged children to improve their education and life chances in Singapore's highly competitive society. In 2013, the company will be looking to extend this program to their operations in Malaysia and Indonesia.
- We began taking part in a paper-recycling program.
- We advocated paperless communication and, when that's not possible, to use both sides of the paper.

Norway

- The Norwegian team works with and supports The Norwegian Association of the Blind and Partially Sighted as its corporate charity.
- Each year employees vote for a not-for-profit organization which gets a 'Christmas gift' instead of sending presents to customers (they have been doing this for the last five years). Staff are encouraged to participate in sporting and charity activities, and the company will provide employees with free company t-shirts for any relevant organization that they are involved with.

Benelux

- Our operations in the Netherlands are one of the founders of the Dutch KidsRights Foundation (www.kidsrights.org), an organization that assists vulnerable children, and participates in on-going projects throughout the year. We also work on projects connected to the Children's Peace Prize, an initiative started by the foundation.
- We have worked in partnership with the Dutch Football association (KNVB) for some years (see www.unit4goudenwissel.nl). This involves sponsorship of the Dutch national team and stadium during home games, as well as working at all levels of football, including sharing computing expertise with local clubs across the country.
- We strengthened our partnership with the KNVB by launching a knowledge portal for amateur clubs. Through this online portal directors of amateur clubs have access to information that helps them to manage their team better.
- With the KNVB, we jointly launched the online program 'Determine Your Ambition'. The program allows any football field club in the Netherlands to define their aspirations, develop their strategy, establish a plan and follow it.

North America

Our business in North America is an active participant in, and organizer of, CSR programs. Its aim is to benefit the environment, employees, customers, and the local community.

- We operate active recycling programs across our North America offices, which includes the recycling of paper, plastic and obsolete and damaged equipment.
- We are moving to digital rather than paper distribution whenever possible, and hold teleconferencing, on-line meetings, and video conferencing when possible to reduce travel requirements. We replaced obsolete technology with new and more efficient equipment.
- We run a home office program, which enables employees to work from home where appropriate to limit overhead costs and travel time and costs.
- We promote and encourage alternative transportation, and provide a bike lock-up area and showers for employees who wish to bike to work on a regular basis.
- Over the past three holiday seasons, we have chosen to provide our customers with a charitable donation rather than send gift baskets. In 2012, we chose Save the Children as the recipient of the donations. Through this initiative, we raised awareness of Save the Children and made donations on behalf of 122 customers totalling $7,500. We also contributed $2,500 to the Red Cross.
- Our Victoria office participates in an annual challenge among high technology companies in the area to raise food and funds for the Mustard Seed Food Bank. These funds are raised through employee-based activities, which in 2012 included a Halloween-themed competition, poker tournament, cakewalk, mystery presents, silent auction and raffle. The company matched funds raised by employees, with around $5,500 being donated to the Mustard Seed Food Bank.

- We contributed to the Fashion Institute of Design and Merchandising benefit gala, which benefits their scholarship fund, donating $2,500 in honor of our customers at Thanksgiving.
- We are active in a number of co-op programs, and provide support by making available practical placements, scholarships and board support to a number of advisory committees.
- Both management and employees contribute to a variety of professional communities by participating on boards, speaking at events, publishing white papers, acting as mentors, making contributions to roundtable discussions and supporting professional associations.
- In 2012, we participated in the Take our Kids to Work Day for the first time. This takes place on the first Wednesday in November, and involves high school students visiting the work place. The aim is to help students explore careers, understand the importance of staying in school and appreciate their parents' role in making a living and supporting their families.

Spain

- We operate a recycling program, where staff can deposit and recycle empty bottles, paper and batteries.
- We minimize travel where and when possible, by investing in remote meeting and conference systems and expanding the opportunity for our staff to telework. In 2012 these initiatives helped us reduce travel costs by 20%.
- We invested in services and products from companies that are certified as special employment centers, thereby promoting labor market integration among people with disabilities.
- We encourage alternative transportation methods, and now provide a parking area for bikes inside the office building.
- Fruit is available at the office free of charge 3 days per week, in an effort to encourage healthy eating habits.
- Employees spent one day working on a reforestation activity in the Sierra Nevada region of Spain.
- By focusing on good practices to reduce energy use, we cut our electricity consumption by more than 40%.
- We organized an annual blood donation.
- We were certified by the Regional Government in Catalonia as qualifying for the gender equality plan, and we applied strict prevention policies on conflicts of interest and corruption.

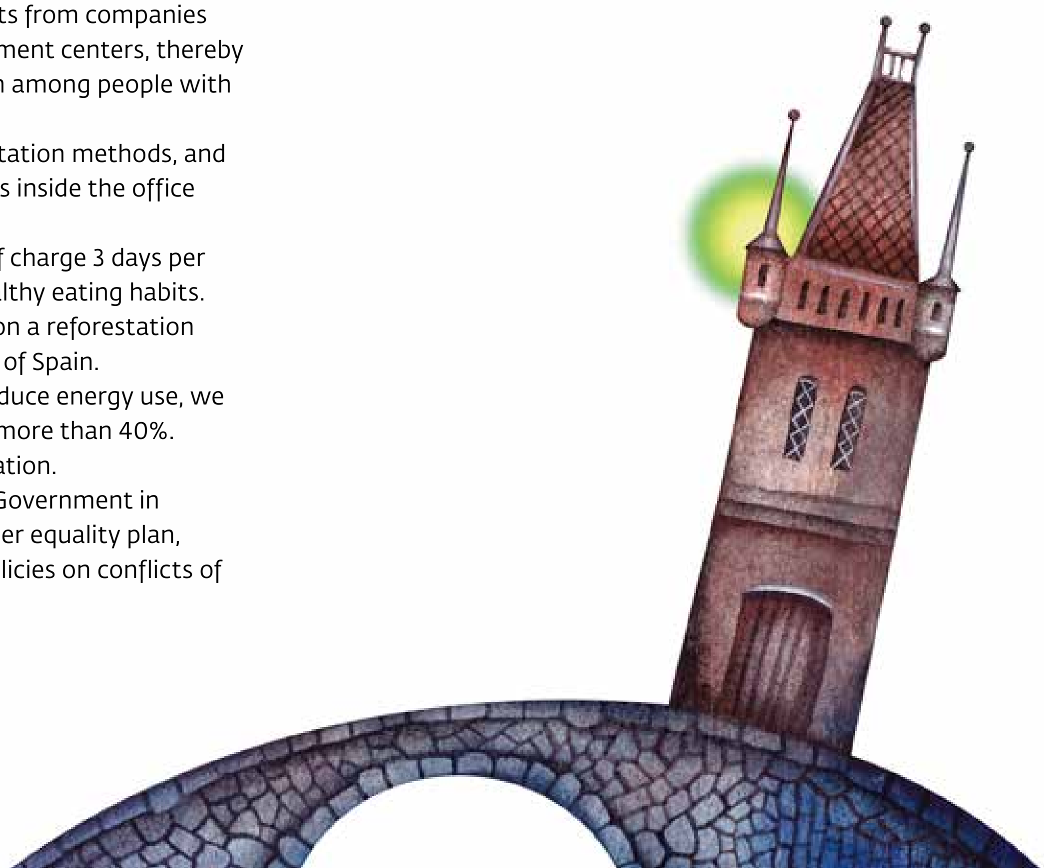
FinancialForce4Good

FinancialForce.com has maintained an unwavering commitment to the communities it serves, in the United States, Spain and the United Kingdom, since it was established in 2009. At the same time we set up FinancialForce4Good, which aims to proactively create opportunities for each employee to engage in community service, and for the company to help non-profit organizations meet their operational needs.

FinancialForce.com employees participate in a range of team-building activities, such as improving buildings, collecting and sorting food for the hungry, and helping local community organizations. For non-profit organizations, the company also offers its cloud solutions at a substantial discount to assist them with their operational and financial management requirements. FinancialForce4Good is a critical part of FinancialForce.com's identity and it plans to expand the program as it continues to grow.

Some of the activities we undertook in 2012 include:

- **Spain** - reforesting activity and cleaning paths in a National Park; cleaning and digging the base of a water canal
- **United Kingdom** – garden clearance in Harrogate for the charity Help at Home
- **United States** – Bay Area Team helped to build an apartment building in Daly City, CA.



Personnel & Organization

Our people are our most important resource. Each year we continue to develop, implement and maintain solutions that help our customers adapt to rapidly changing environments. This ability to innovate is driven by the people who work for us, and our success is dependent on their creativity, professionalism and commitment. To attract, serve and retain clients we need to deliver excellent service consistently, and this is borne out in the positive attitudes and strong relationships forged across the organization. Our focus is on recruiting, retaining and developing the very best talent in the industry, while our goal is to provide a business environment and opportunities that enable our employees to perform at their best and achieve their full potential.

We operate across a wide number of geographic and business markets, so each of our operations varies in size, maturity and structure. Consequently, we have established a number of centrally formulated principles for personnel and organization, although some policies are optimized by region and operating company. All countries undertake initiatives to further improve the professionalism of employees and to optimize organizational efficiency.

Our goal as an employer

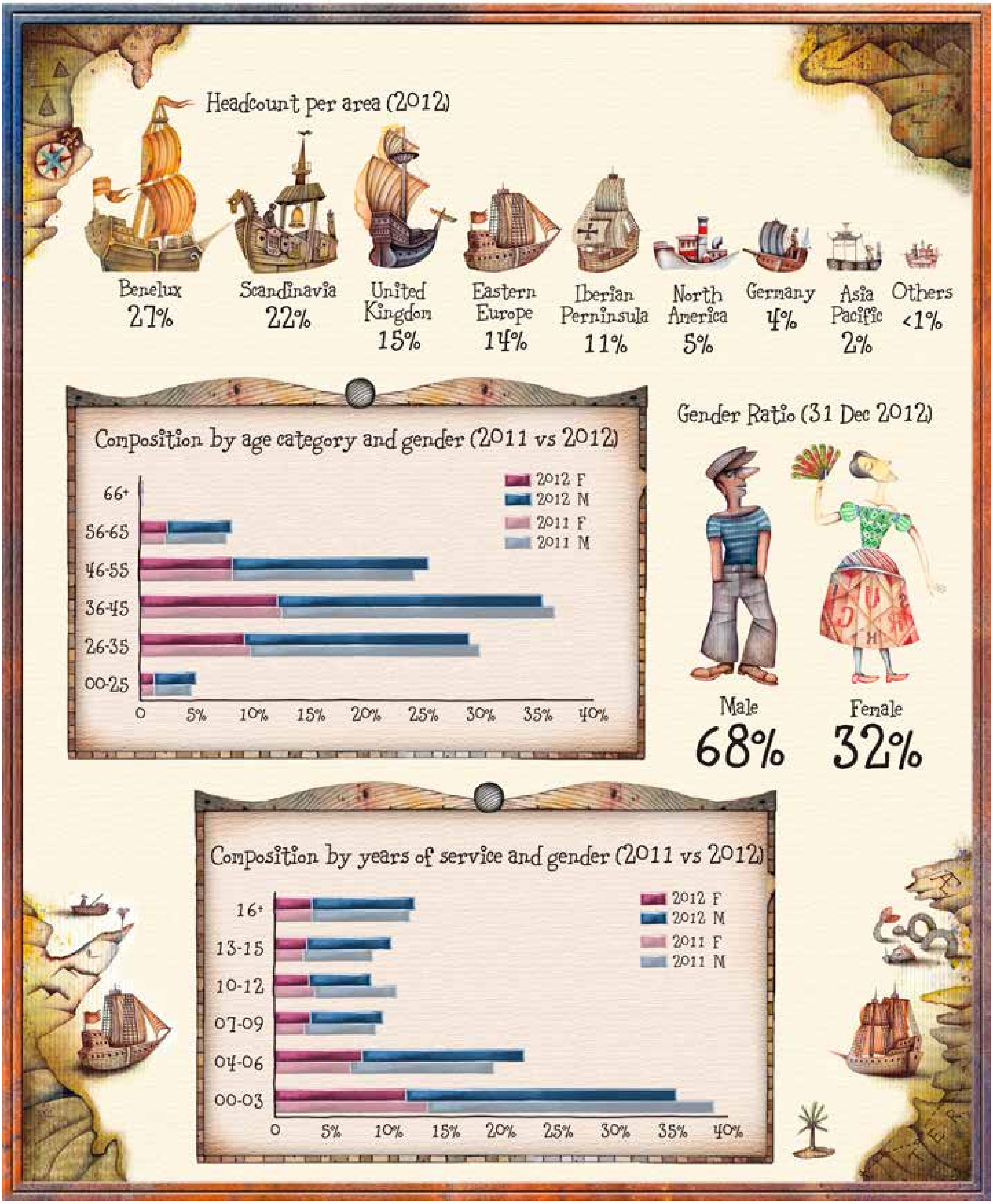
We aim to bring out the best in our employees, by providing them with challenging and stimulating roles that allow them to develop. We want our people to be committed to what they do, and what we do as an organization. By offering attractive employment conditions and benefits, on-going training and opportunities for professional and personal growth, we seek to inspire, nurture and retain the best staff in all areas. We try to have flat management structures, deliver clearly communicated objectives and provide opportunities to shape personal development and career goals. By working in this way we believe we will develop a motivated and inspired workforce, which benefits our employees, the company and our customers.

How we recruit

Recruiting employees with the right skill set is vital for the success of our company. Although our headcount is often bolstered through acquisitions, we also actively recruit in our local markets. Each country determines the recruitment methods best suited to their local environment. In the Netherlands, for example, we continue to operate our recruitment website – www.unit4.nl/werken-bij – which provides prospective employees with a wealth of information about the company, including links to vacancies and advice on how to start a career with us. Visitors can learn about recent graduates' projects and information on work experience placements. In Sweden we operate an annual trainee program, and in 2012 9 of the 33 employees we recruited in Sweden came from this program.

We tend to target three candidate groups when we recruit: graduates in the final stage of their studies, starters with one to three years' experience, and 'mid-career' candidates. Over the course of 2012, we used a number of different methods to recruit new employees. These included:

- Increasing our use of social media as a recruitment tool across our country operations. We posted vacancies or information about upcoming vacancies on Facebook, LinkedIn, and Twitter. In 2013 we are looking to take a more structured, global approach to recruiting using social media in order to lower agency fees and increase our profile.
- To attract and recruit younger employees we often work closely with selected universities and colleges. This includes attending universities' career fairs, lunch presentations by former trainees, holding a lecture as part of a university course, or by advertising on their intranets. In Spain, we have an agreement with two major universities whereby each year a new group of students following the Computer Science degree program develop their final project within UNIT4, using our technology and integrated within current projects



and development teams. This provides us with a good overview of the students' abilities and enables us to offer a job to those we think will best fit within the company.

- We promote the employee referral program, which provides employees with a cash reward for each referral that is ultimately hired.
- We continue to use external job boards, such as Dice and Monster, as well as external headhunters and recruitment agencies where appropriate.

Our 'On TRACK' values

Across the organization we operate a development program called On TRACK, which encapsulates our four core values – transparent, result-driven, agile, and connected – and acts as a reminder to our employees that these values drive everything we do. In 2012, On TRACK was promoted across the organization. A selection of these initiatives, as well as training and development programs and company social activities, are outlined below.

Denmark

On TRACK

We believe it's vital that our consultants support the marketing message and are able to implement the message on customer projects. Experience-driven learning is crucial to our internal development and growth, and in 2012 we continued to structure connected knowledge sharing among consultants by discussing newly achieved ABW capabilities during meetings. Consultants were asked to present and share new findings or ways of using the product.

Going forward, our goal is to establish incentive programs that inspire employees to have a result-driven mind set. In 2012 we worked on project evaluation and double loop learning as specific development initiatives, to improve implementation capabilities and increase customer satisfaction. In 2013 we will work on optimizing resource planning and capacity, and mobilizing consultants to save costs for the organization and customers.

Professional development and social activities

Although we don't run any specific development programs in Denmark, we encourage, support and fund continuous competence building education among motivated employees. Team spirit is an important part of our internal culture, and we focus on social company activities with or without partners to establish a feeling of unity and a 'one for all, all for one' attitude.

Germany

On TRACK

In 2012 we established a Quarterly MVP (Most Valuable Player) award tied to the On TRACK values, which asked employees to nominate colleagues who 'live the values' in their daily work.

At the beginning of the year we held a meeting for all employees in Germany, which focused on the message that our success and value to ourselves and the UNIT4 family is dependent on the individual motivation and contribution on each and everyone one of us.

To maintain momentum, we organized:

- Bi-weekly management meetings producing timely and effective employee communications highlighting our GO-TO-MARKET strategy and our business objectives
- Ongoing all-hands team meetings and company-wide webcasts to keep everyone fully informed about our progress
- Weekly one-on-one manager and employees/team meetings, to review goal setting and expectations on business objectives
- After-work meetings at locations chosen by employees to develop motivation and enhance communication.

Iberia

On TRACK

In 2012 we established an intranet site that contains a 'voice of our employees' section, which focuses on helping employees to share information and be transparent about our business, products, results, and procedures.

Professional development and social activities

In order to improve skills, during the course of the year we targeted a number of different courses and certifications for first and second line team management. These included:

- PMP Certification: eight employees are now PMP certified
- A master's 'Program of High Management': one manager completed this course
- A time management course was taken by 80 employees
- A solution selling course was given to all sales and professional services departments
- An English for Business course was available to employees.

Sweden

On TRACK

Last year was a year of change for UNIT4 in Sweden, and our key goal was to establish a 'united' organization. Competences and competence profiles were defined and documented for all employees during the course of the year, and this has been a major part of the implementation of our HRM and performance management systems.

Professional development and social activities

Strong leadership is an important part of the development of our company culture. To strengthen this, in 2012 we put together a management leadership program that will run for 16 months. The program, which began in February 2013, is mandatory and includes all managers in Sweden.

Our company culture focuses on encouraging employees to do things together outside work. We have a very active staff association that organizes a variety of employee events, including sports and cultural activities. For the sixth consecutive year, we ran a trainee program aimed at recent university graduates. The program, which had nine enrolees in 2012, lasts for six months. While earlier programs focused mainly on the role of implementation consultant, this year we targeted three areas: implementation consultant, payroll consultant and bespoke consultant. All trainees have been offered, and have accepted, employment within the company.

Employees' career path within the company is informal rather than predetermined, which means that individual career plans are formed by the employee in consultation with their manager, and are aimed at setting goals to develop the individual's talent, capabilities and ambition in combination with the company's needs. Development plans are documented and re-evaluated on an annual basis.

United Kingdom

On TRACK

In 2012 we incorporated the On TRACK values into our performance management process and forms for all employees, and links to values are highlighted in all performance related communications. We plan to further bring the values to life by developing a core competency framework that will sit at the core of all HR processes.

Our performance management process is tracked and audited by the HR team to ensure that our values are interpreted consistently. Senior management reinforce values on walkabouts when they spot model behavior, and managers are encouraged to remove barriers and bureaucracy that hinder teams, and to foster core values across their department on a daily basis.

All employees now have a performance agreement in place. The bonus scheme is under review and will be linked more clearly to critical objectives. Developing a core competency framework will enable behavior to be measured to ensure qualitative aspects of performance are covered.

During 2012 we trialled a 360° feedback process for all employees in customer services. This provided us with some valuable insights that we can include in any wider roll out, once the new competency framework has been developed.

Professional development and social activities

Professional development is supported through the performance management process. The overall remuneration package is in line with – or slightly above – the median position for our sector. The overall value of the package has now been communicated more effectively through the total reward statements as part of the roll out of flexible benefits.

Employee engagement has been stimulated through our patronage of The Prince's Trust, and a variety of fund raising activities have brought the team together with remarkable results. One example is the Welsh Coastal Path challenge, where between them more than 80 employees covered all 870 miles of the path. During the course of 2012 we offered external coaching to a number of 'high potential' employees. Our management development effort was focused on reinforcing the performance process. Our flexible working policy was communicated more effectively, and requests now are considered promptly and objectively.

During the year we contributed to the global LS program, which seeks to identify a leadership benchmark across the Group.

North America

On TRACK

In North America we focused on our local company core values in 2012, which are: Can Do Attitude, Humble, Customer Empathy. We continued to integrate our values into our performance appraisals, and we talked about company values at company-wide presentations. Awards were given to employees who best displayed our values during company activities. We also operate open-door communication, host regular team briefings, team luncheons and meetings.

New employees participate in an orientation course when they join the company, and periodic sessions are held between managers and employees to identify the most important goals/objectives and to create a development plan. This is part of the performance management process. Managers are also involved in business planning and participate in weekly management meetings, with goals relayed by managers through team briefings.

Professional development and social activities

We recognize that succession planning and the ability to provide new and more challenging roles for our employees can be difficult in a smaller organization. This was one of the reasons why we decided to combine UNIT4 CODA and UNIT4 Business Software in 2012, forming a larger, more integrated organization that can continue to nurture the collective talents of our team and provide more scope for career advancement and for succession planning going forward.

Our goal is to provide a work culture where everyone can contribute. We aim to achieve this by having a flat management structure, regular updates and briefings, variable compensation based on tangible and measurable contributions to the company's performance against budget, and internal promotions whenever appropriate. We focus on providing a flexible work environment, and promote the fact that employees work for an industry leader, at a time when there is a great deal of scope for growth and development opportunities. We have a training budget for every employee, and we provide group-training opportunities.

We run a Social and Wellness Committee, which focuses on providing fun activities that enable staff to bond both at work and outside of work. In 2012 we organized a broad range of social activities, including:

- Family BBQ, curling, volleyball, monthly BBQs hosted by different departments in the summer, weekly walks, mini golf, fresh fruit day, and in office massages
- Fundraising (silent auction, Halloween decorating contests)
- Contests (Halloween costume, ugly Christmas sweater)
- Monthly recognition of birthdays and cards sent to home-based employees
- Popular amenities (providing coffee, tea and so on).

Asia

On TRACK

In Asia, our goal has been on improving internal communications to make sure employees are kept up-to-date with developing events and our local performance. We make sure we clearly outline departmental targets, and have implemented monthly performance tracking.

Professional development and social activities

We position ourselves as a fun and dynamic employer that offers a good remuneration package and many opportunities. We help employees develop a productive career path, and concentrate on building a dynamic and healthy working environment. In 2012 we introduced more work flexibility, with some home working available for employees in our Singapore office.

Benelux

On TRACK

Our On TRACK values are integrated into our operations across the Benelux region. In 2012 we focused on performance management and employee development. We worked with management to help them focus on their annual goals, and how they could best engage and empower their employees. We operate an open, transparent culture, and we aim to make it as easy as possible for staff and management to provide feedback.

Professional development and social activities

We offer a wide variety of skills training, intercultural training, personal effectiveness training, and leadership training across the Benelux. We recognize that while we make first-class products, it is our people who really make the difference.

We organized a management forum for our Benelux management team, which concentrated on brainstorming suggestions and ideas, then taking these away and working on the best way to implement them.

In 2012 we organized a Leadership Program for twelve high potentials in the Benelux region, which is aimed at helping participants discover their talents and develop their own leadership style according to their ambition and competencies. This program is organized annually. For our software developers we organized a development day, which saw 150 staff share information on new developments and networking.

On a business unit level in the Benelux, each year around 40% of our employees follow a training course covering their individual needs. This is aimed at improving the skills staff need for their present job, or improving competencies such as personal effectiveness or communication skills. About 75% of our employees follow a group course for learning new product developments, language courses or computer skills.

We continued to sponsor KidsRights in the Benelux in 2012, although in 2013 we will switch sponsorship to a charity called Muscles-for-Muscles, which helps children with muscle-wasting illnesses. We also continued to sponsor the Dutch football association.

Number of employees

In 2012, the average number of employees, based on full-time equivalents (FTEs), was 4,160, a 2.8% increase on the previous year. For changes in employee numbers and FTEs allocated by department, see the Financial Statements, Note 6.9.

Number employees	2012	2011	Variance
Average number FTEs	4,160	4,048	+ 2.8%
Number FTEs end of year	4,222	4,095	+ 3.1%
Total number employees with current employment contract (end of year)	4,382	4,246	+ 3.2%

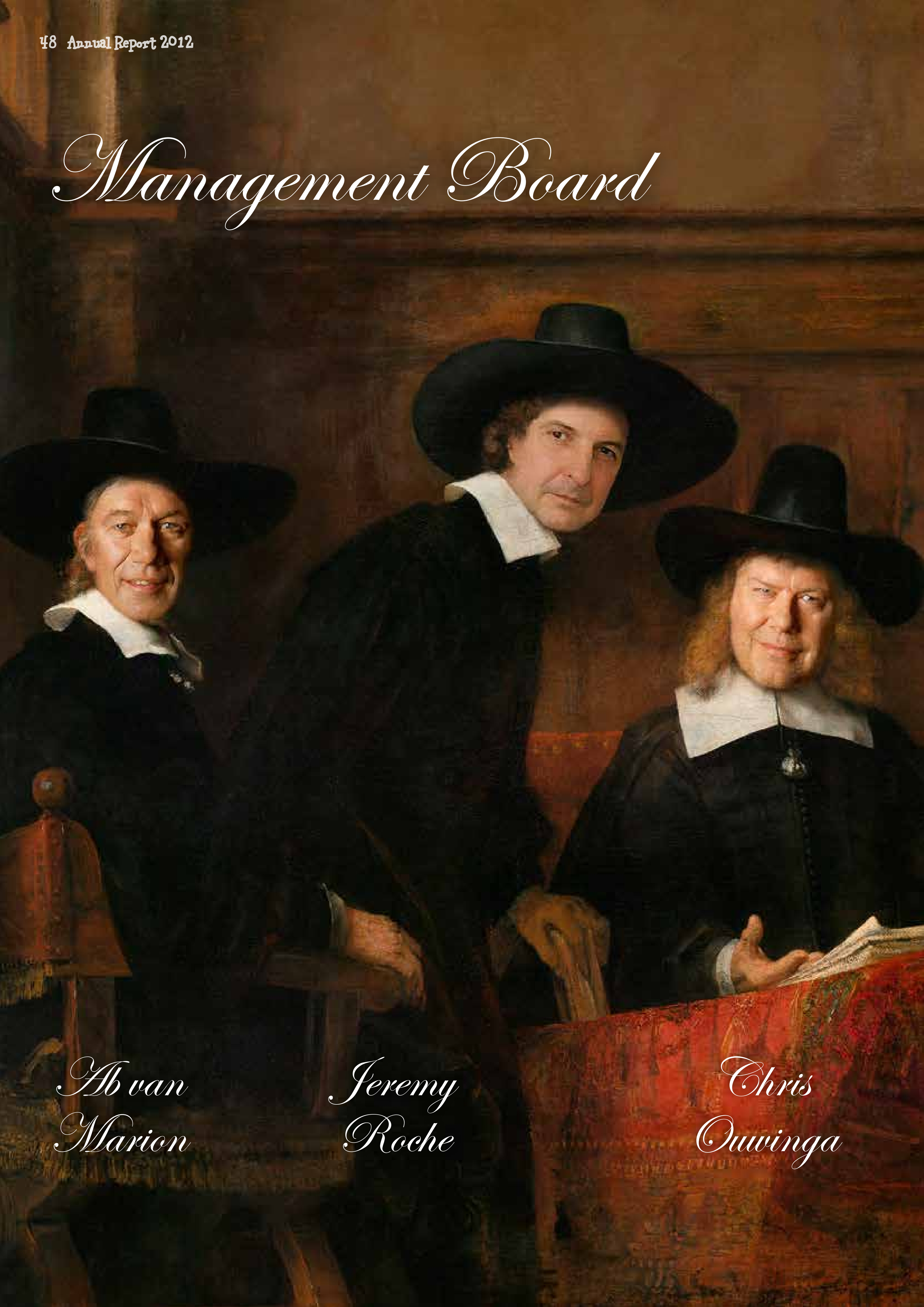
Remuneration

The total remuneration package is aligned to the accepted primary and secondary reward structures in all the operating companies in the relevant countries and regions. The primary reward of direct employees consists of fixed and variable salary components. The extent of the variable part depends on personal commitment and achieved results.

Works councils

We have works councils in a number of countries, including the Netherlands, Spain, Germany and France. UNIT4's national organizations consult with the works councils on plans and changes to the organization, working conditions and labour agreements. In the Netherlands employee participation is through one corporate works council and sub-committees for each operating company. Consultation is held with a manager and the UNIT4 Benelux Director.

Management Board




Edwin van
Leeuwen
Jos
Andeweg

Chris Ouwinga

(Dutch, 1955)
Chris Ouwinga is UNIT4's Chief Executive Officer (CEO) and Chairman of the Management Board. He co-founded UNIT4 in 1980, carrying out a number of different functions in the company until his appointment as CEO in 1986. Since then he has been a member of the statutory Board of Directors. Under his leadership, UNIT4 has become one of Europe's leading suppliers of business software and is growing into a major global player.

Edwin van Leeuwen

(Dutch, 1966)
Edwin van Leeuwen joined UNIT4 in 1999. Since his appointment in April 2002 as Chief Financial Officer (CFO), he has been a member of the Management Board and a member of the statutory Board of Directors. His primary areas of responsibility are Finance, Legal Affairs and Investor Relations. He is a chartered accountant and was formerly Finance & Control Manager at Koninklijke Van Ommeren N.V. Before that, he worked for eight years as an auditor at Coopers & Lybrand and other firms.

Jos Andeweg

(Dutch, 1953)
Jos Andeweg has been a member of the Management Board of UNIT4 since 2007, and has been director of the company's Benelux division since 2001. He also manages our operations and distributorship in France, and is responsible for international Human Resource Management. He originally joined UNIT4 as Head of Training and has filled different management functions in various locations around the company. In 2002, he completed an Advanced Management Program at the INSEAD, Fontainebleau in France.

Ab van Marion

(Dutch, 1955)
Ab van Marion joined UNIT4 in 2002, and has been a member of the Management Board since early 2004. He is responsible for the operations in the UK, Spain, Scandinavia, Germany, Poland, South Africa, Hungary, Italy and Asia Pacific. Before joining UNIT4 he held various national and international managerial positions, including CEO of Nedgraphics, General Manager of WANG Laboratories, Managing Director of Informix and Director of European Operations at Progress Software. Ab van Marion is a member of the Supervisory Board of Xerox Nederland B.V.

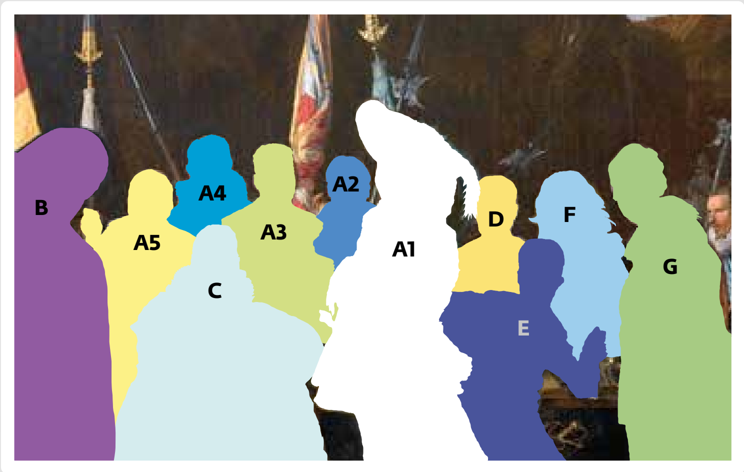
Jeremy Roche

(British, 1965)
Jeremy Roche was the CEO of Coda and, following its acquisition, joined UNIT4 as a member of the Management Board on 29 April 2008. He is principally responsible for North America, FinancialForce.com and Group Marketing. He began his career at IBM, after which he held a number of senior roles at UK software house Lychgate. He joined Science Systems (now SciSys) as Commercial Director in 1990. Following the acquisition of Coda by Science Systems in 2000, he successfully led Coda through its de-merger, flotation on the London Stock market and subsequent strong growth.

The statutory and non-statutory directors of UNIT4 together form the Management Board.

Executive Board

The Executive board is made up of the Managing Directors of the largest territories in the Group, along with representatives from key Group functions like R&D, Product Marketing and Services, plus the Management Board. This group meets every two months to discuss, amongst other things, corporate and local strategy, market conditions, product and competitive issues.



Management Board
Chris Ouwinga (A1), Edwin van Leeuwen(A2), Jos Andeweg (A3), Ab van Marion (A4) and Jeremy Roche (A5) make up the Management Board and are also all members of the Executive Board. For more detailed information on each member please see pages 50-51.

Peter Glissenaar (B) is the Corporate Vice-President of Services for UNIT4, and has previously held positions such as the Manager for small to medium businesses, Vice-President of Internet and Security, and in addition has helped to restructure the UK section of the business. He has worked for company since 1998.

Herbert van Zyl (C) is Vice-President of R&D, based in Oslo and is responsible for all Group R&D activities and personnel. The R&D centers are in Spain, Norway and the UK.

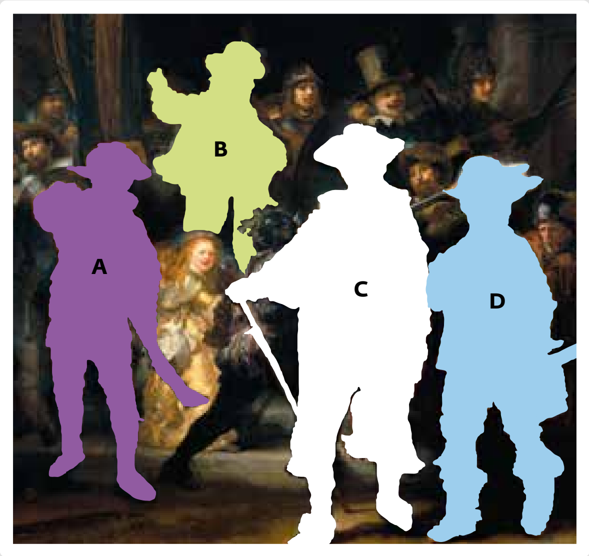
Stig Kjønstad (D) is based in Norway and was responsible for companies within the Nordic countries over the last 10 years. This included the running of UNIT4 Agresso Sweden. Stig has been Vice-President responsible for the Northern and Eastern Europe region since early 2012.

José Miguel Sánchez (E) Jimenez is the Vice-President of Spain, Portugal and Latin America. He began his career as a programmer and has worked for Fujitsu, Inisel and Compaq. After coming back to Spain, he founded his own company, Riverland, which subsequently developed into UNIT4 Ibérica.

Anwen Robinson (F) is the Managing Director of UNIT4 Business Software Ltd in the UK and Ireland. Anwen joined Agresso in 1999 in a strategic sales capacity. She became Sales Director for Agresso Limited in 2005 and following the acquisition of UK-based Coda in 2008 became Managing Director for the territory.

Ton Dobbe (G) joined UNIT4 in 1991 as a Partner Manager, and subsequently held the position of Product Manager, before taking his current role as the Vice-President of Product Marketing in 2005.

Supervisory Board



Rob A. Ruijter (A)
(1951) Chairman of the Audit Committee

Appointed in 2009. Current other positions: member of the Supervisory Board and Chairman of the Audit Committee of Wavin N.V., member of the Supervisory Board and Chairman of the Audit Committee of Ziggo N.V., member of the Advisory Board of Verdonck, Klooster & Associates, member of the continuity foundation of Delta Lloyd N.V. and Chairman of the Supervisory Council of Terre des Hommes Netherlands. Mr. Ruijter is a chartered accountant and financial expert and has held several senior financial positions at, among others, KLM and VNU/Nielsen.

Philip P.F.C. Houben (B)
(1950) Chairman of the Supervisory Board, Chairman of the Selection & Nomination Committee

Appointed in 2011. Current other positions: member of the Supervisory Board of TKH Group and of Stork Technical Services, Chairman of the Dutch Private Equity & Venture Capital Organization (NVP). Mr. Houben has broad experience in general management and specific knowledge in the area of corporate strategy, mergers & acquisitions, investor relations and management development.

Johan A. Vunderink (C)
(1947) Member of the Audit Committee

Appointed in 2002. Current positions: Interim Management Director of Practis Holding B.V. and Interim Management Director Value & Result B.V. Mr. Vunderink has many years of experience in the IT industry, both in the professional services and software products markets. He has led international expansions and is an expert in the area of marketing and account management.

Frank Rövekamp (D)
(1955) Chairman of the Remuneration Committee (from December 19, 2012)

Appointed in 2010. Current other positions: Chairman of the Supervisory board of Simons Voss Technologies AG, member of the Supervisory Board of PostNL N.V., member of the Supervisory Board of Royal Theatre Carré, Vice Chairman of the Board of Vluchtelingenwerk Nederland, member of the Foundation "Kasteel de Haar".
Mr. Rövekamp has held several senior executive positions with Vodafone, Beyoo and KLM and he is an expert in general management and in the field of marketing and strategy in telecommunications and information technology.

All Supervisory Board members are Dutch nationals and were appointed having due regard to the legal, statutory and regulatory stipulations for a term of four years.

Report of the Supervisory Board

We recommend to the General Meeting of Shareholders (GMS) to adopt the 2012 Annual Report. We further propose to discharge the statutory members of the Management Board from liability for their management in 2012 and to discharge the Supervisory Board from liability for their supervision. These matters are included as separate items on the agenda of the General Meeting of Shareholders.

Consultation and meetings

During the year, the Supervisory Board has discussed the development of UNIT4 and its markets regularly and in depth. There were eight Supervisory Board meetings. One meeting took place at the location of a major subsidiary, which allowed the Supervisory Board to meet local management and discuss regional opportunities and issues. All (applicable) meetings were attended by all members of the Supervisory Board. The Audit Committee (AC) had four meetings and the Remuneration Committee (RC), later Remuneration, Selection & Nomination Committee (RSN), had five meetings. Attendance and preparation proved that all directors have adequate time available to provide sufficient attention to the concerns of the company.

Supervisory Board meeting overview:

Meeting date	With/without management Board (MB) AC / RC (RSN)	Most important subjects
January 15	With MB Remuneration Committee	Discuss preliminary financials Long Term Incentive Plan, fixed remuneration adjustment
January 26	With MB	Approval budget 2013, refinancing proposals
February 21	With and without MB AC with auditor Remuneration Committee	Completion 2012 financials, auditor's report, meeting with auditor Short Term Incentive program
May 23	With MB and without MB AC without auditor	Preparation General Meeting of Shareholders
June 28	With MB	Long term strategy, industry consolidation trends Risk management
August 15	With MB AC with auditor	H1 2012 financials Status Poland
October 18	With MB Remuneration, Selection & Nomination Committee	R&D opportunities and priorities Impact restated financials on Short Term Incentive, succession Johan Vunderink
December 19	With and without MB Combined Remuneration, Selection & Nomination and Audit Committee	Portfolio analysis, performance evaluation SB and MB, preliminary budget 2013

In addition to the formally scheduled meetings, there were several informal contacts between the Management Board and the Supervisory Board.

Partly in addition to the main topics mentioned in the meetings overview, the Supervisory Board addressed the following topics in its various meetings:

- The activities and development of FinancialForce.com, Inc.
- The accounting irregularities in the Polish subsidiary
- Reorganization and restructuring measures. Acquisition targets and opportunities
- Market developments, industry consolidation opportunities and the competitive position of UNIT4
- The development of the Group results, as well as the financing of the company
- The development of the Dutch corporate governance code ('Code Frijns') and its implications for the company
- Risk exposure and risk management
- The activities of the Audit Committee and the Remuneration, Selection & Nomination Committee.

Developments 2012

During the course of 2012 the Supervisory Board closely followed market developments in cloud technology, as well as the impact of these developments on UNIT4 and its individual activities, especially on the business of FinancialForce.com.

The Supervisory Board also extensively discussed the Long Term Strategy of UNIT4 and its implications for the organization, product portfolio and development priorities of the company.

As described in the H1 2012 press release, UNIT4 discovered irregularities in the financial reporting of UNIT4 TETA in Poland. The accounting irregularities related to a number of historic transactions with external partners that were not – or were incorrectly – recognized in the financial statements. As a result, UNIT4 was forced to retroactively restate its consolidated financial figures. In close consultation with the Supervisory Board, UNIT4 assessed the impact and origin of the irregularities, replaced the CEO of UNIT4 TETA and took further effective actions to avoid any repetition in the future. In addition, the Supervisory Board recalculated previous incentive payments based on the restated results, and applied the resulting adjustment on the 2012 remuneration of the members of the Management Board.

The Board closely followed cash flow developments of the Group and reviewed/approved the refinancing package that the company announced in January this year.

In line with the ongoing strategy of the company, the acquisition of Primaccount in the Netherlands, SendRegning in Norway and Adata in Germany were reviewed and approved.

Functioning and composition of the Management Board and Supervisory Board during 2012

There were no changes to the composition of the Management Board during the reporting year. The Supervisory Board has evaluated the functioning and performance of the management in one of its meetings held in the absence of the Management Board. It was concluded that the membership of the Management Board is balanced in its composition and that it is functioning to the required high standards. Maintaining continuity in the composition of the Management Board is deemed to be of great importance to a consistent strategic and operational management. The Supervisory Board is grateful that the Management Board has fulfilled the objectives of meeting high professional standards, effective internal cooperation, and successful execution of strategy and maintenance of continuity in the organization.

At the General Meeting of Shareholders of 2013, the composition of the Supervisory Board will change following the resignation of Mr. Johan Vunderink, who has been a member of the Supervisory Board since 2002 and has served the maximum 12 years permissible. The Supervisory Board highly appreciates the significant contributions of Mr. Vunderink to the functioning of the Supervisory Board and to the development of UNIT4 during his term. A proposal to fill the vacancy will be addressed in the notice for the 2013 General Meeting of Shareholders. Also at the General Meeting of Shareholders of 2013 it will be proposed to reappoint Mr Ruijter.

The Audit Committee and the Remuneration Committee have been operational since 2009. For both committees, the leading principle is that they report to the Supervisory Board, which remains responsible for all decisions to be made on the basis of their recommendations. On 18 October 2012, the members of the Remuneration Committee formed a Selection & Nomination Committee, which has been combined with the Remuneration Committee. The new committee is called the Remuneration, Selection & Nomination Committee.

The Audit Committee had four meetings in 2012, during which the financial results were discussed, as were accounting procedures and internal controls. Particular attention was paid to the situation in the Polish subsidiary UNIT4 TETA, risk management procedures and internal control. Discussions were held with the financial management of the company and the external auditor. During the discussions with the external auditor, the Audit Committee addressed (a) the main items of the board report auditor's letter to the Management and Supervisory Board, (b) the auditor's firm rotation or tendering policy and (c) the approach to the use of the auditor for non-audit related services. The Audit Committee has reviewed and concluded (again) that there is no need within UNIT4 for a separate internal audit department. The control function is performed in a good qualitative way by the UNIT4 Corporate Finance Department. For the new accounting rules for pensions (IAS 19) applicable from 1 January 2013, the Supervisory Board has concluded that there are no additional risks for UNIT4, because it has already applied these accounting rules for several years.

The Remuneration Committee (later the Remuneration, Selection & Nomination Committee) had five meetings in 2012, during which the individual remuneration packages and incentive schemes for all members of the Management Board (statutory and non-statutory) were discussed, as was the impact of the financial restatement on the remuneration.

In its December 2012 meeting, the Supervisory Board reviewed and evaluated its own performance, as well as the schedule of resignations and vacancies for the future. The Supervisory Board concluded that the current composition is well balanced in terms of experience and expertise, and that the cooperation within the Supervisory Board and the interaction with the Management Board is meeting the high standards required. Furthermore, the Supervisory Board has concluded that all its members are independent in conformity with section III.2.2. of the Dutch Corporate Governance Code.

Remuneration of the statutory members of the Management Board

The Remuneration Committee evaluated the various factors relating to remuneration of the statutory members of the Management Board, and has made recommendations to the Supervisory Board, which reports as follows.
The remuneration of the statutory members of the Management Board is based on the Remuneration Policy as defined by the General Meeting of Shareholders and is composed of a number of elements, which together must constitute a competitive and motivational package with a correct balance between interests in the short and long term. The Remuneration Policy provides for a fixed salary together with a variable annual compensation as well as a long-term incentive plan. The variable component depends on achieving certain profit and growth objectives for the year under review. A long-term incentive is provided through a share option plan (which was replaced after 2011) or via the new Performance Share Plan (which was brought in on 1 January 2012), both of which aim to align the long-term interests of the company's shareholders with those of its directors.

The possible outcomes of the variable remuneration is maximized at 100% of the fixed remuneration in case of a cash pay-out or at 150% in case of participation in the Performance Share Plan; 50% of the variable remuneration is dependent on achieving a target for growth in earnings per share and 50% dependent on achieving an EBITDA growth target. A graduated calculation with a linear increase is applicable for the determination of the variable remuneration.

The statutory members of the Management Board have been entitled to the regular contributions to their respective pension arrangements, which are of a 'defined contribution' nature. The applicable employment agreements do not contain a predefined exit arrangement. The Supervisory Board is of the view that existing legal rights will be respected and arrangements in conformance with the market will be made when and if the occasion arises.
As from 1 January 2012, a new Performance Share Plan came into place that replaces the stock option plans.
The Performance Share Plan works as follows. Each year the applicable participants have the voluntary option to convert, at market value, part or the total of their annual cash bonus, together with their own resources ("Own Contribution") into shares ('Basic Shares') of UNIT4. The Supervisory Board has determined a minimum (currently an amount equal to the net equivalent of 50% of the earned bonus) and a maximum (currently an amount equal to the net equivalent of the maximum bonus to be earned) for the applicable participant. The Basic Shares, paid for by Own Contribution, may not be disposed of for a period of 3 years after the acquisition ('Lock-up Period'). After the Lock-up Period, the Supervisory Board may grant additional shares ('Performance Shares') to a participant on the basis of the achievement of pre-agreed long-term targets of the Company (currently growth EBITDA, growth EPS and Relative TSR (Total Shareholder Return measured in comparison with the performance peer-group)). Performance Shares shall be awarded based on the, together with the long-term targets, agreed ratio between Basic Share and Performance Share (increasing from 0 Performance Share per Basic Share up to maximum of 2 Performance Shares per Basic Share). Basic Shares and Performance Shares shall be granted annually up to a maximum joint total of 1% of the number of issued shares in the Company. By thus postponing a significant proportion of the annual cash bonus earned, variable income becomes more dependent on the long-term results of UNIT4. In this way participants acquire a substantial shareholding in UNIT4 and further align their interests with those of UNIT4.

Corporate governance considerations

The Supervisory Board is closely monitoring the developments regarding corporate governance in the Netherlands. The Corporate Governance Report on the UNIT4 website is devoted to a detailed explanation of the views taken. In general it can be stated that UNIT4 aligns with the Code in principle, while in a very small number of cases a difference in position will be explained.

With regard to this Remuneration Policy, the desired alignment with long-term goals and risks to the company has been thoroughly assessed. It was concluded that in broad terms, the existing Remuneration Policy and practice were in line with the interests of an ambitious and fast-growing company in the complex information technology sector. However, a number of adjustments were considered relevant, the most important of which are listed below.

It was considered that the proven focus on the financial health of UNIT4 is, in the current economic conditions, the best guarantee for a continued successful development, and that they serve the qualitative elements of strategy and operations in the best possible manner. The Supervisory Board therefore decided to maintain the current criteria of EPS and EBITDA as the basis for the 2013 bonus scheme. The Remuneration Policy contains a clause that enables

The remuneration elements and share option allocations are summarized below. A full and detailed report is given in Note 6.40.2 to the Financial Statements.

Remuneration of the Board of Directors

(€000)

	2012					2011				
	Short-term benefits	Post employment benefits	Long-term incentive plan	Share based payments	Total	Short-term benefits	Post employment benefits	Long-term incentive plan	Share based payments	Total
C. Ouwinga	1,059	144	191	172	1,566	938	132	0	139	1,209
E.T.S. van Leeuwen	818	68	146	183	1,215	731	57	0	139	927
Total	**1,877**	**212**	**337**	**355**	**2,781**	**1,669**	**189**	**0**	**278**	**2,136**

The short-term benefits can be specified as follows:

(€000)

	2012				2011			
	Salary	Short-term incentive plan[1]	Other short-term benefits (incl. Cars)	Total	Salary	Short-term incentive plan	Other short-term benefits (incl. Cars)	Total
C. Ouwinga	522	482	55	1,059	507	380	51	938
E.T.S. van Leeuwen	399	369	50	818	388	291	52	731
Total	**921**	**851**	**105**	**1,877**	**895**	**671**	**103**	**1,669**

[1] The short-term incentives for 2010 and 2011 have been adjusted according to the restatement of the financial statements related to Poland over the same period. The total correction has been deducted from the short-term incentive for 2012.

Share options granted to the Board of Directors

Director / Share options	Year	Outstanding at 1 January 2012	Awarded in 2012	Exercised in 2012	Expired in 2012	Outstanding at 31 December 2012	Exercise price	Price on exercise date	Expiration date
Share options in UNIT4 N.V.									
C. Ouwinga	2008	75,000	0	0	0	75,000	16.70 EUR	n/a EUR	March 2013
	2009	50,000	0	0	0	50,000	13.42 EUR	n/a EUR	Sept 2014
	2011	50,000	0	0	0	50,000	24.19 EUR	n/a EUR	Sept 2016
	Total	**175,000**	**0**	**0**	**0**	**175,000**			
E.T.S. van Leeuwen	2008	75,000	0	35,000	0	40,000	16.70 EUR	21.70 EUR	March 2013
	2009	50,000	0	0	0	50,000	13.42 EUR	n/a EUR	Sept 2014
	2011	50,000	0	0	0	50,000	24.19 EUR	n/a EUR	Sept 2016
	Total	**175,000**	**0**	**35,000**	**0**	**140,000**			
	Total	**350,000**	**0**	**35,000**	**0**	**315,000**			
Share options in FinancialForce.com									
C. Ouwinga	2011	251,875	0	0	0	251,875	0.08 USD	n/a USD	Nov 2021
E.T.S. van Leeuwen	2011	251,875	0	0	0	251,875	0.08 USD	n/a USD	Nov 2021
		503,750	**0**	**0**	**0**	**503,750**			

the adjustment or recovery of variable remuneration paid, if knowledge becomes available that it was granted on the basis of incorrect (financial) information. This clause was applied after the restatement of financials that followed the discovery of irregularities in the Polish subsidiary UNIT4 TETA.

For the share option schemes (last scheme in 2011) a lock-up period of four years is applicable as follows: after a full lock-up of two years, the option rights may be exercised by one-third in each of the third, fourth and fifth years. As from 2012, instead of a share option scheme, Performance Share Plans will be in place with a lock-up of three years on the Basic Shares.

Supervisory Board re-appointments / provisions for vacancies

The re-appointments of the members of the Supervisory Board are as follows:

- Mr. Houben: appointed on 25 May 2011 until 2015
- Mr. Vunderink: re-appointed on 14 May 2009 until 2013
- Mr. Ruijter: appointed on 14 May 2009 until 2013
- Mr. Rövekamp: appointed on 12 May 2010 until 2014.

An appointment will be for a four-year term, in accordance with legal, statutory and regulatory provisions.

In the year the appointment expires, a re-appointment or resignation will be placed on the agenda of the annual General Meeting of Shareholders of that year.

The Supervisory Board has drawn up a profile for members of the Supervisory Board. This profile is part of the Supervisory Board regulations (see below). In addition, the Supervisory Board aims for a diverse composition in terms of such factors as gender and age.

In view of the (as from 1 January 2013) required gender-balance, the Supervisory Board notes the following: In general UNIT4 strives to achieve a good gender-balance in its distribution of seats because it believes a good balance improves the quality of the decision-making process. Unfortunately, the speed at which the balance process develops lags behind our ambitions, because the ICT sector is characterized by low female intake in both early career and throughout the career process. UNIT4 seeks to contribute to business transcending initiatives to, for example, increase the number of female students in ICT training activities. Additionally, UNIT4 asks parties who assist UNIT4 with the selection of good candidates, explicitly to search and nominate female candidates. As a result, the number of female managers within the overall UNIT4 organization has risen in recent years.

Supervisory Board regulations

UNIT4 has regulations that define the working methods and profile of the Supervisory Board. These regulations are included in the documents: 'Supervisory Board Rules' and 'Appendices to the Supervisory Board Rules', which can be obtained on our website.

Shares ownership and option rights

In 2012, the members of the Supervisory Board owned no shares or option rights on UNIT4 shares or any of its subsidiaries.

Dividend

The Supervisory Board has approved in conformity with article 28.4 of the Articles of Association that the Board of Directors has retained the remainder of the 2012 earnings (after deduction of the recommended dividend described below) and added this remainder of the earning to the accumulated deficit as part of the equity. The Supervisory Board further approved the recommendation of the Board of Directors to the General Meeting of Shareholders that an ordinary dividend be paid out of €0.45 per share.

Appreciation

In spite of the adverse economic circumstances during 2012, UNIT4 again demonstrated its ability to continue its growth record and at the same time develop the organization in such a manner that it meets the challenges of the future This could only be achieved through the joint efforts of the employees and the management of UNIT4. The Supervisory Board wishes to express its appreciation for this effort and to thank all employees for their collective commitment and ambition to deliver an outstanding performance.

The members of the Supervisory Board have signed this year's Annual Report and Financial Statements to fulfill their legal obligation based on article 2:101 section 2 Dutch Civil Code.

Sliedrecht, 18 March 2013, The Supervisory Board of UNIT4 N.V.
Philip Houben, Chairman
Johan Vunderink
Rob Ruijter
Frank Rövekamp

Corporate governance

Developments in Corporate Governance

The Corporate Governance Committee Frijns presented an updated Dutch Corporate Governance Code at the end of December 2008, and this came into force on 1 January 2009. This is the current Dutch Corporate Governance Code and the full text can be found at www.commissiecorporategovernance.nl/Dutch_Corporate_Governance_Code. The proposed changes in legislation based on the advice of the Corporate Governance Committee Frijns were adopted by the Upper-Chamber of the Dutch Parliament on 13 November 2012 and the changes are expected to come into force from 1 July 2013.

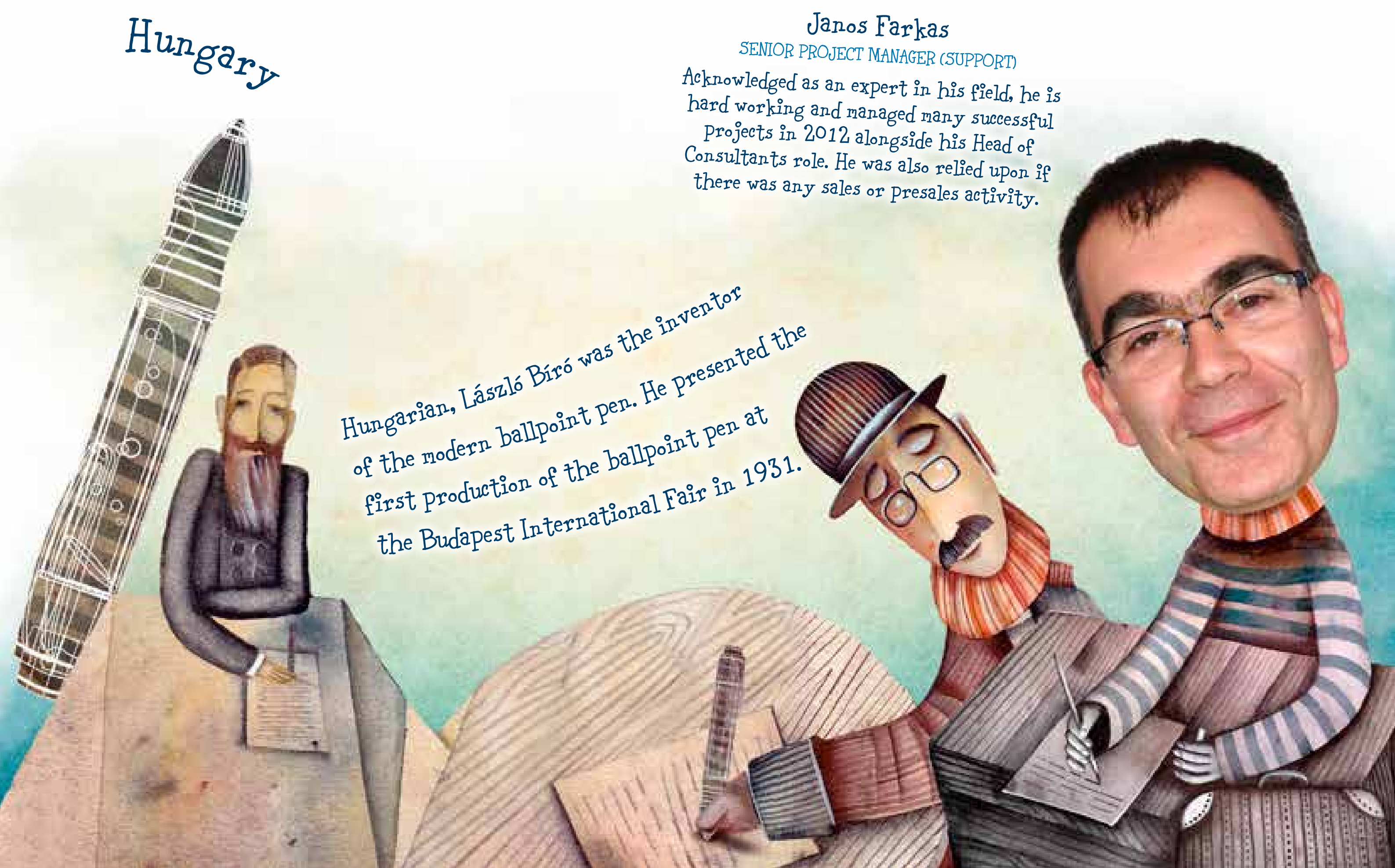
UNIT4 has taken note of the monitoring report 2012 of the Corporate Governance Code Monitoring Committee (Committee Streppel) that was presented in 13 December 2012.

New legislation (Wet Bestuur & Toezicht) came into force from 1 January 2013. The new elements that are applicable for UNIT4 are dealt with below.

Reporting year 2012

The 2009 Dutch Corporate Governance Code ('the Code') applies to the 2012 reporting year. UNIT4 strives to respect the Code as far as possible, and to make this public. Therefore, in accordance with the obligations stated in article 391, sections 4 and 5, Book 2 of the Netherlands Civil Code and the Decree of March 20, 2009 for further directives about the content of the annual report, a full report on corporate governance can be found on the corporate website (www.unit4.com/investors/corporategovernance). This full report on corporate governance contains a list detailing the extent to which the Principles and Best Practice Provisions of the Code are followed by UNIT4.

In view of the (as from 1 January 2013) required gender-balance it is noted that in general UNIT4 strives to achieve a good gender-balance in its distribution of seats because it believes a good balance improves the quality of the decision-making process. Unfortunately, the speed at which the balance process is developing lags behind our ambitions, because the ICT sector is characterized by low



female intake in both early career and throughout the career process. UNIT4 seeks to contribute to business transcending initiatives to, for example, increase the number of female students in ICT training activities. Additionally, UNIT4 asks parties who assist UNIT4 with the selection of good candidates, explicitly to search and nominate female candidates. As a result, the number of female managers within the overall UNIT4 organization has risen in recent years.

Additional information pursuant to the Decree on the Implementation of Article 10 of the Takeover Directive / Article 2:391 Paragraph 5 of the Netherlands Civil Code

In view of the decree of 5 April 2006 (which came into force on 31 December 2006) to implement Article 10 of Directive no. 2004/25/EC of the European Parliament and the Council of the European Union of 21 April 2004 on public bids (Bulletin of Acts and Decrees 2006, 191), additional regulations have been drawn up regarding the contents of the annual report of a company whose shares or depositary receipts for shares issued with its cooperation are listed on a regulated stock exchange in the EU.

a) The capital structure
UNIT4 N.V. ('the Company') had 29,457,789 issued ordinary shares, as at 1 January 2013. There are no other types of shares issued.

It has been agreed with Stichting Continuïteit UNIT4 that the company authorizes the Stichting to take preference shares in the capital of the company to such an amount as that is equal to the total nominal amount of all shares not invested by the Stichting Continuïteit in the capital of the company before the issue of the preference shares, reduced by the nominal amount of preference shares the Stichting Continuïteit holds at the time of issue.

b) Restrictions laid down by the Company in the Articles of Association or contractually regarding the transfer of shares or depositary receipts for shares issued with the cooperation of the Company
Not applicable.

c) Duty of disclosure of holdings pursuant to section 5.3 of the Financial Supervision Act
The register of the AFM indicated the following substantial holdings on 1 January 2013 (NB: the percentages are given based on the outstanding number of shares of UNIT4 N.V. as per 1 January 2013 mentioned above):

• Kempen Oranje Participaties NV	5.00%
• Delta Lloyd	5.33 %
• Ameriprise Financial Inc.	7.82 %
• Navitas B.V.	5.33 %
• Chris Ouwinga	5.55 %
• Stichting Continuiteit UNIT4: option on 100% of the then issued capital.	

d) Special control rights attached to shares and the name of the entitled party
Not applicable.

e) The control mechanism of a scheme in which employees are granted rights to take or acquire shares in the capital of the Company or in the capital of a subsidiary (employee share participation plan; employee stock option plan) if the control is not exercised by employees directly
There are several employee option plans in place within the company. Issue of options is made by the Managing Board after approval of the Supervisory Board.

f) Restrictions on voting rights, time periods for exercising voting rights and the issue of depositary receipts for shares with the cooperation of the Company
Not applicable.

g) Contracts with shareholders insofar as known to the Company which can give rise to a restriction (i) of the transfer of shares or depositary receipts for shares issued with the cooperation of the Company, or (ii) of the voting right
Not applicable.

h) The rules relating to the appointment and dismissal of directors and supervisory directors and alteration of the Articles of Association
The Articles of Association define that directors are appointed by the GMS. The GMS may suspend or dismiss a member of the Managing Board at any time. The Supervisory Board may suspend a member of the Managing Board. Members of the Supervisory Board are appointed by the GMS. The GMS may suspend or dismiss a member of the Supervisory Board at any time.

After proposal by the Supervisory Board the GMS may decide to amend the Articles of Association.

The Articles of Association of the company and the regulations of the Supervisory Board and the Managing Board, containing the full regulations, are published on the website.

i) The powers of the Managing Board, in particular to issue shares in the Company and to acquire shares in the Company's own share capital
The company may issue shares following a decision by the GMS, or by the Managing Board, if so authorized by the GMS. Such authorization was granted (most recently) on 23 May 2012 for two years, relating to the issue in support of the taking of preference shares by the Stichting Continuïteit up to a maximum of 100% of the invested share capital. Issue of shares other than in support of the taking of preference shares by the Stichting Continuïteit applies to a maximum 20% of the then invested share capital. If an authorization was granted to the Managing Board, the GMS cannot decide the issue. A decision for the issue of shares requires approval by the Supervisory Board.

Subject to certain conditions, the company may, after approval by the Supervisory Board and authorization by the GMS, obtain fully paid-up shares in its capital. By a decree of 23 May 2012, the Managing Board has received authorization from the GMS for a period of eighteen months to purchase up to a maximum of 10% of the invested capital shares, if the price thereof is not higher than the difference between the nominal value and 110% of the average closing rate on the three previous business days before acquisition. The Articles of Association of the company with the full regulations are published on the website.

j) Important contracts to which the Company is a party and which are made, altered or dissolved on the condition of a change in the control over the Company after a public bid has been made as referred to in section 5.5 of the Financial Supervision Act as well as the consequences thereof (change-of-control clauses) unless the contracts or consequences are of such nature that the Company could be seriously harmed by the disclosure
There are a number of important contracts with change-of-control clauses. Detailed publication is not possible due to confidentiality agreements.

k) Every contract between the Company and a director or employee which provides for a payout upon termination of the employment following a public bid as referred to in section 5.5 of the Financial Supervision Act
Not applicable.

Britain won seven out of 10 track cycling gold medals in the London Olympics 2012 - matching their achievement from Beijing 2008.

Information for shareholders

Financial agenda

20 February 2013	Publication of 2012 annual figures
21 February 2013	Press conference and analysts' meeting with audio-webcast
22 May 2013	General Meeting of Shareholders at Stationspark 1000, Sliedrecht, the Netherlands
21 August 2013	Publication of half-year figures for 2013
22 August 2013	Press conference and analysts' meeting with audio-webcast
18 February 2014	Publication of 2013 annual figures
19 February 2014	Press conference and analysts' meeting with audio-webcast

All dates are provisional and subject to change

Quotation on the stock exchange

The shares of UNIT4 are quoted on NYSE Euronext Amsterdam. The share UNIT4 is part of the Amsterdam Midcap Index (AMX). This index consists of the 25 most-traded mid caps and is therefore a complement to the AEX-index of the 25 most-traded Blue Chips in Amsterdam, and the Amsterdam Small Cap Index, which also totals 25 companies.

At the end of 2012, the market capitalization of UNIT4 was approximately €669 million. The most used symbols for UNIT4 are Euronext: NL0000003830896; Reuters: UNI4.AS; Bloomberg: UNIT4 NA.

Outstanding shares

The number of outstanding shares of UNIT4, with a nominal value of 5.0 euro cents, increased from 29,292,396 shares at the end of 2011 to 29,457,789 shares at the end of 2012.

In €	2012	2011
Basic earnings per share	0.83	0.81
Basic earnings per share before goodwill-related items	1.88	1.53
Diluted earnings per share	0.83	0.81
Diluted earnings per share before goodwill-related items	1.88	1.52
(Proposed) dividend for the financial year	0.45	0.40

For detailed information regarding equity, please see note 4 to the consolidated financial statements, on page 88. Current share price and additional historical information can be found in the Investors section of the corporate website.

Dividend

The Board of Directors will, with approval of the Supervisory Board, recommend to the General Meeting of Shareholders that an ordinary dividend be paid out of €0.45 per share.

Should any important strategic acquisitions occur prior to the date of the General Meeting of Shareholders, management reserves the right to adjust the dividend proposal.

The dividend policy for the coming years is, in line with previous years, aimed at paying out a dividend of between 20% and 25% of the net result if the yet to be determined conditions have been met.

Conforming to article 28.4 of the Articles of Association, the Board of Directors, with approval of the Supervisory Board, has retained the remainder of the 2012 earnings (after deduction of the recommended dividend described above) and added them to the accumulated deficit as part of the equity.

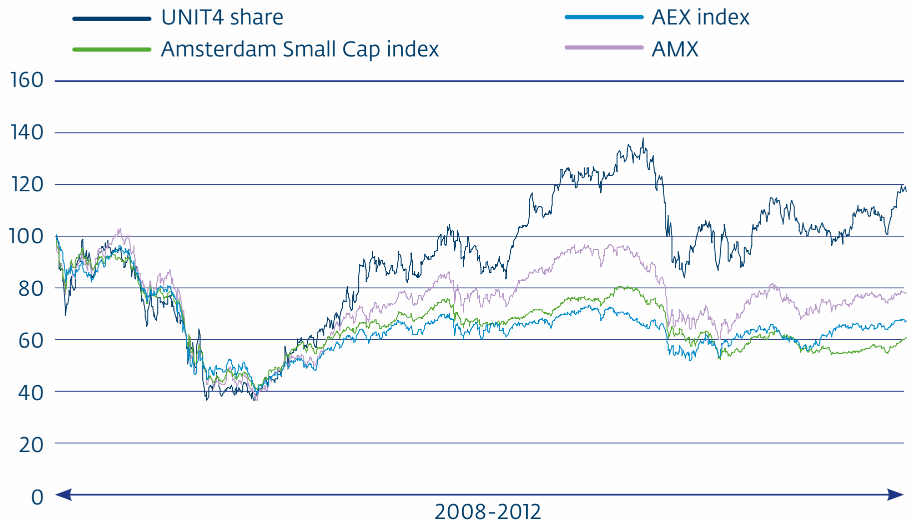
Share price development

Substantial participations

Under the Disclosure of Major Holdings in Listed Companies Act, shareholders are obliged to give notice of interests exceeding certain thresholds to the Netherlands Authority for the Financial Markets (AFM). The AFM register lists the following announcements of substantial participations as on January 1, 2013 (NB: the percentages are given based on the outstanding number of shares of UNIT4 N.V. as at 1 January 2013 mentioned above):

• Kempen Oranje Participaties NV	5.00%
• Delta Lloyd	5.33%
• Ameriprise Financial Inc.	7.82 %
• Navitas B.V.	5.33 %
• Chris Ouwinga	5.55 %
• Stichting Continuiteit UNIT4:	option on 100% of the then issued capital.

UNIT4 share price - 5 year history (indexed)



Options

UNIT4 has an option scheme for management. Within the framework of this option scheme 574,188 options were outstanding at the end of 2012 (2011: 703,335). For more information, please see Note 6.10 to the consolidated financial statements, on page 105.

Agenda for Shareholders' meeting

The agenda and the relevant documents for the General Meeting of Shareholders will be published on our website: www.unit4.com. Printed copies can be requested by phone or by e-mail via: ir@unit4.com and are also available as indicated in the advertisement related to this General Meeting.

Further information

In the section for investors on our website – www.unit4.com/Investors – you will find the most recent financial and related information, including press releases and (half) yearly figures. Annual reports, annual and half-year results and results presentations may be downloaded from there in PDF format.

Financial statements 2012

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1 CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

(€000)

	Notes	2012	2011 (restated[1])
Products		76,358	75,267
SaaS and Subscriptions		47,979	38,522
Contracts		196,310	181,659
Services and other		149,123	150,247
Revenue		**469,770**	**445,695**
Cost of sales	6.11	35,609	37,779
Gross profit		**434,161**	**407,916**
Employee costs	6.9	294,426	273,852
Other operating expenses	6.13	53,567	50,550
Operating result before interest, tax, depreciation and amortization (EBITDA)		**86,168**	**83,514**
Depreciation of property, plant and equipment and amortization of intangible assets	6.12	63,338	48,244
Operating result before interest and tax (EBIT)		**22,830**	**35,270**
Finance costs	6.14	16,129	11,517
Finance income	6.15	6,322	7,486
Share of profit of an associate	6.7	212	-77
Profit before tax		**13,235**	**31,162**
Income tax	6.16	-10,292	8,012
Profit for the year		**23,527**	**23,150**
Attributable to:			
Shareholders of UNIT4		24,292	23,739
Non-controlling interests		-765	-589
		23,527	**23,150**
Earnings per share in € (attributable to shareholders of UNIT4)	6.18		
- Basic earnings per share		0.83	0.81
- Diluted earnings per share		0.83	0.81

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(€000)

	Notes	2012	2011 (restated[1])
Profit for the year		**23,527**	**23,150**
Currency translation differences on translation of foreign operations[2]		11,226	2,078
Currency translation differences on hedge of net investment[2]		-25	-1,253
Currency translation differences		**11,201**	**825**
Actuarial gains and losses on defined benefit plans	6.28	-2,437	-2,135
Income tax effect on actuarial gains and losses on defined benefit plans		609	534
Actuarial gains and losses on defined benefit plans after taxes		**-1,828**	**-1,601**
Total comprehensive income for the year after taxes		**32,900**	**22,374**
Attributable to:			
Shareholders of UNIT4		32,802	23,953
Non-controlling interests		98	-1,579
		32,900	**22,374**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

[2] Income tax is not applicable for these items within the period.

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(€000)

	Notes	2012	2011 (restated[1])
Assets			
Non-current assets			
Goodwill	6.19	174,095	177,827
Intangible assets (excluding goodwill)	6.19	202,076	188,706
Property, plant and equipment	6.21	37,109	35,357
Investment in associates and joint ventures	6.7	5,424	5,212
Other financial assets	6.22	11,561	4,030
Deferred tax asset	6.23	50,587	21,073
		480,852	**432,205**
Current assets			
Inventories	6.24	642	911
Trade and other receivables	6.25	97,842	87,030
Income tax asset		246	457
Other taxes	6.25.3	503	754
Cash and cash equivalents	6.26	33,906	21,366
		133,139	**110,518**
Total assets		**613,991**	**542,723**
Equity and liabilities			
Equity			
Issued capital	6.17.1	1,473	1,465
Share premium	6.17.2	314,189	311,406
Currency translation differences reserve	6.17.3	-8,907	-19,245
Accumulated deficit		-57,257	-68,622
Equity attributable to UNIT4		249,498	225,004
Non-controlling interests		8,152	8,240
Total equity		**257,650**	**233,244**
Non-current liabilities			
Interest-bearing loans and borrowings	6.27	90,416	84,631
Pension obligations	6.28	6,961	4,278
Deferred tax liability	6.29	45,680	37,163
Provisions	6.30	2,231	1,962
		145,288	**128,034**
Current liabilities			
Provisions	6.30	2,608	1,986
Trade and other payables	6.31	17,818	14,477
Interest-bearing loans and borrowings	6.32	64,098	54,480
Income tax payable		9,627	8,025
Other taxes	6.33	22,945	20,529
Other liabilities, accruals and deferred income	6.34	93,957	81,948
		211,053	**181,445**
Total equity and liabilities		**613,991**	**542,723**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(€000)

	Attributable to shareholders of UNIT4						
	Issued capital	Share premium	Currency translation differences reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
1 January 2012	**1,465**	**311,406**	**-19,245**	**-68,622**	**225,004**	**8,240**	**233,244**
Profit reporting period (after tax)	0	0	0	24,292	24,292	-765	23,527
Other comprehensive income	0	0	10,338	-1,828	8,510	863	9,373
Total comprehensive income	**0**	**0**	**10,338**	**22,464**	**32,802**	**98**	**32,900**
Change in ownership non-controlling interest	0	0	0	82	82	-62	20
Issue of share capital	2	754	0	0	756	0	756
Exercise of options	6	2,029	0	0	2,035	0	2,035
Dividend	0	0	0	-11,836	-11,836	-124	-11,960
Share-based payment[1]	0	0	0	655	655	0	655
31 December 2012	**1,473**	**314,189**	**-8,907**	**-57,257**	**249,498**	**8,152**	**257,650**

For the year ended 31 December 2011 (restated)

(€000)

	Attributable to shareholders of UNIT4						
	Issued capital	Share premium	Currency translation differences reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
1 January 2011	**1,461**	**310,313**	**-20,651**	**-75,404**	**215,719**	**11,252**	**226,971**
Adjustment of previous period errors[2]	0	0	-409	-3,124	-3,533	0	-3,533
1 January 2011 (restated)	**1,461**	**310,313**	**-21,060**	**-78,528**	**212,186**	**11,252**	**223,438**
Profit reporting period (after tax)	0	0	0	23,739	23,739	-589	23,150
Other comprehensive income	0	0	1,815	-1,601	214	-990	-776
Total comprehensive income	**0**	**0**	**1,815**	**22,138**	**23,953**	**-1,579**	**22,374**
Acquisition of shares existing subsidiaries[3]	0	0	0	-5,544	-5,544	-1,130	-6,674
Exercise of options	4	1,093	0	0	1,097	0	1,097
Dividend	0	0	0	-7,319	-7,319	-303	-7,622
Share-based payment[1]	0	0	0	631	631	0	631
31 December 2011	**1,465**	**311,406**	**-19,245**	**-68,622**	**225,004**	**8,240**	**233,244**

[1] For equity settled share-based payment transaction IFRS 2.7 requires to recognize an increase in equity but does not specify where in equity this should be recognized. The Group has chosen to recognize the credit in Accumulated deficit.

[2] The opening balance for equity has been restated to include adjustments for errors in previous periods as described in Note 6.5.

[3] The movement in equity regarding acquisition of shares existing subsidiaries mainly relates to acquisition of the remaining non-controlling shareholding in I-Signaal B.V. as described in Note 6.5.3.

5 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

(€000)

	Notes	2012	2011 (restated[1])
Cash flows from operating activities			
Operating result (EBIT)		22,830	35,270
Adjustments for:			
Depreciation and impairment		63,338	48,244
Share-based payment transaction expense		773	631
Changes in provisions		373	-691
Changes in operating capital		2,536	7,287
Cash flows from operations		**89,850**	**90,741**
Interest paid		-5,425	-6,541
Interest received		5,048	4,884
Income tax paid		-14,271	-19,325
Cash flows from operating activities		**75,202**	**69,759**
Cash flows from investing activities			
Investments in intangible assets		-29,189	-24,235
Acquisition and divestment of subsidiaries, net of cash and cash equivalents		-18,122	-11,194
Investments in associates		0	-5,199
Investments in other financial assets		-8,583	-1,551
Repayment of other financial assets		795	814
Dividend from securities		0	38
Investments in property, plant and equipment		-8,047	-6,232
Cash flows from investing activities		**-63,146**	**-47,559**
Cash flows from financing activities			
Proceeds from issue of shares		2,791	1,097
Payments of borrowings		-115,158	-23,223
Dividends paid		-11,964	-7,596
Interest paid		-3,878	-5,116
Proceeds from borrowings		120,774	846
Acquisition of non-controlling interest		18	-3,748
Cash flows from financing activities		**-7,417**	**-37,740**
Net cash flows		4,639	-15,540
Currency translation differences		2,283	4,266
Cash and cash equivalents at 1 January		-10,114	1,160
Cash and cash equivalents at 31 December		**-3,192**	**-10,114**
Reconciliation with items on the statement of financial position:			
Cash and cash equivalents	6.26	33,906	21,366
Interest-bearing loans and borrowings (Repayment term long-term loan not included)	6.32	-37,098	-31,480
Cash and cash equivalents at 31 December		**-3,192**	**-10,114**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 CORPORATE INFORMATION

The consolidated financial statements for 2012 of UNIT4 N.V. were authorized for issue in accordance with the resolution of the Board of Directors and the Supervisory Board on 18 March 2013. UNIT4 N.V. is a public company established and domiciled in the Netherlands whose shares are publicly traded. UNIT4 N.V. and its subsidiaries (jointly 'UNIT4'or 'Group') operate as an international producer and vendor of business software. The head office is based in Sliedrecht, the Netherlands.

6.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

6.2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

6.2.2 CONSOLIDATION

The consolidated financial statements include the financial information of the parent company, UNIT4 N.V., and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

In case of a non-controlling interest, total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative currency translation differences on translation of foreign operations, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or accumulated deficit, as appropriate.

Overview of consolidated Group companies

As at 31 December 2012, the following companies are recognized in the consolidation of the Group:

Companies

Companies	Registered office	Share in capital (direct parent/subsidiary relation)
UNIT4 N.V.	**Sliedrecht, the Netherlands**	
UNIT4 Business Software Benelux B.V.	**Sliedrecht, the Netherlands**	**100%**
UNIT4 Business Software B.V.	Sliedrecht, the Netherlands	100%
UNIT4 Accountancy B.V.	Veenendaal, the Netherlands	100%
UNIT4 Gezondheidszorg B.V.	Sliedrecht, the Netherlands	100%
UNIT4 Software B.V.	Sliedrecht, the Netherlands	100%
UNIT4 Business Software N.V.	Antwerp, Belgium	100%
UNIT4 IT Solutions B.V.	Capelle a/d IJssel, the Netherlands	100%
UNIT4 Financiële Intermediairs B.V.	Sliedrecht, the Netherlands	100%
UNIT4 C-Logic N.V.	Brugge, Belgium	100%
UNIT4 HR Solutions B.V.	Nieuwegein, the Netherlands	100%
I-Signaal B.V.	Enter, the Netherlands	100%

Companies	Registered office	Share in capital (direct parent/subsidiary relation)
Montana Software B.V.	Heerhugowaard, the Netherlands	100%
Montana Automatisering B.V.	Heerhugowaard, the Netherlands	100%
UNIT4 Business Software Holding B.V.	**Sliedrecht, the Netherlands**	**100%**
Agresso Cyprus Ltd.	Limassol, Cyprus	100%
UNIT4 R&D AS	Oslo, Norway	100%
UNIT4 Agresso AS	Oslo, Norway	100%
UNIT4 Current Software AS	Kristiansand, Norway	100%
SendRegning AS	Oslo, Norway	100%
EXIE AS	Oslo, Norway	100%
UNIT4 Agresso A/S	Lyngby, Denmark	100%
UNIT4 Agresso AB	Solna, Sweden	100%
UNIT4 Eesti OU	Tallinn, Estonia	100%
UNIT4 OCRA AB	Solna, Sweden	100%
UNIT4 Business Software Ltd.	Bristol, United Kingdom	100%
CODA Ltd.	Bristol, United Kingdom	100%
CODA Group International Ltd.	Bristol, United Kingdom	100%
GWG Holdings Ltd.	Limassol, Cyprus	100%
UNIT4 Coda B.V.	Sliedrecht, the Netherlands	100%
UNIT4 CODA France SAS	La Défense, France	100%
UNIT4 Malaysia Sdn. Bhd.	Petaling Jaya, Malaysia	100%
UNIT4 Asia Pacific Pte. Ltd.	Singapore, Singapore	100%
UNIT4 Prosoft Pte. Ltd.	Singapore, Singapore	100%
Prosoft Systems Pte. Ltd.	Singapore, Singapore	100%
UNIT4 Business Software (Ireland) Ltd.	Dublin, Ireland	100%
UNIT4 Business Software Spain S.L.U.	Granada, Spain	100%
UNIT4 Business Software Ibérica S.A.	Barcelona, Spain	100%
UNIT4 Agresso GE, S.L.	Malabo, Equatorial-Guinea	65%
UNIT4 Portugal Unipessoal LDA	Oeiras, Portugal	100%
UNIT4 Business Software S.r.l.	Milan, Italy	100%
UNIT4 Business Software GmbH	Munich, Germany	100%
adata Software GmbH	Verden (Aller), Germany	100%
UNIT4 Moçambique Ltd.	Maputo, Mozambique	100%
Agresso France Maintenance & Services SAS	Bourg la Reine, France	100%
UNIT4 R&D Spain, S.L.	Granada, Spain	100%
UNIT4 Business Software Pty Ltd.	Southport, Australia	100%
UNIT4 CODA Hungary Kft.	Budapest, Hungary	100%
UNIT4 CODA Czech s.r.o.	Praha, Czech Republic	100%
PT. UNIT FOUR INDONESIA	DFI Jakarta, Indonesia	100%
UNIT4 Business Software (Pty) Ltd.	Gauteng, South-Africa	100%
UNIT4 ABW B.V.	Sliedrecht, the Netherlands	100%
UNIT4 Business Software Sp. z o.o.	Wrocław, Poland	100%
UNIT4 TETA SA	Wrocław, Poland	100%
UNIT4 TETA HR Center Sp. z o.o.	Wrocław, Poland	100%
InsERT SA	Wrocław, Poland	35%
UNIT4 Software Engineering Sp. z o.o.	Wrocław, Poland	100%
UINT4 TETA BI Center Sp. z o.o.	Wrocław, Poland	66.43%
VT-SOFT Software Kft.	Budapest, Hungary	86%
UNIT4 Business Software Americas Inc.	**Victoria (BC), Canada**	**100%**
UNIT4 Business Software Corp.	Alberta, Canada	100%
UNIT4 Business Software Inc.	Massachusetts, United States	100%
FinancialForce.com Inc.	**San Mateo, United States**	**81.90%**
Foundation ICT Group B.V.	**Utrecht, the Netherlands**	**100%**

6.2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following amended IFRS as of 1 January 2012, which did not have any impact on the accounting policies, financial position or performance of the Group:

IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

IFRS 7 Disclosures - Transfers of financial assets (Amendment)
The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognized entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognized entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The following amendment to IFRS as of 1 January 2012 is not applicable to the Group and therefore did not have any impact on the accounting policies, financial position or the performance of the Group:
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

6.2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.2.4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in financial and legal advisory costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts are reported for the items for which the accounting is incomplete. If, during the measurement period, new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the assets and liabilities recognized as of that date, the provisional amounts recognized will be adjusted retrospectively. The measurement period ends as soon as the information it was seeking about facts and circumstances that existed as of the acquisition date is received or the moment that more information is not obtainable. The measurement period does not exceed one year.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, that do not reflect facts or circumstances that existed at the acquisition date, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with IAS 37 or other IFRSs as appropriate.
If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration (to be) transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.
If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

6.2.4.2 INVESTMENT IN AN ASSOCIATE

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate and the Group's share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit (or loss) of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

6.2.4.3 INTEREST IN A JOINT VENTURE

The Group has an interest in a joint venture that is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint venture using the equity method.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as 'investment in an associate'.

6.2.4.4 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) or other comprehensive income is reported separately in the income statement or statement of comprehensive income respectively.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

6.2.4.5 FOREIGN CURRENCY TRANSLATION

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the step by step method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Group companies

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions (closing rate method). The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The year-end exchange rates used are:

foreign currency compared to €1	2012	2011
Australian dollar (AUD)	1.2705	1.2720
Canadian dollar (CAD)	1.3115	1.3180
Czech krone (CZK)	25.0800	25.7700
Danish krone (DKK)	7.4595	7.4333
Hungarian forint (HUF)	291.5000	313.0000
Indonesion rupiah (IDR)	12,720.4146	11,766.7634
Malaysian ringgit (MYR)	4.0360	4.1128
Norwegian krone (NOK)	7.3500	7.7700
Polish zloty (PLN)	4.0800	4.4630
Pound sterling (GBP)	0.8150	0.8353
Singapore dollar (SGD)	1.6075	1.6810
South African rand (ZAR)	11.1750	10.4500
Swedish krone (SEK)	8.5750	8.9100
US dollar (USD)	1.3175	1.2933

The average exchange rates used are:

foreign currency compared to €1	2012	2011
Australian dollar (AUD)	1.2408	1.3460
Canadian dollar (CAD)	1.2853	1.3764
Czech krone (CZK)	25.1336	24.5606
Danish krone (DKK)	7.4434	7.4498
Hungarian forint (HUF)	288.7083	279.1736
Indonesion rupiah (IDR)	12,049.2305	N/A
Malaysian ringgit (MYR)	3.9688	4.2671
Norwegian krone (NOK)	7.4792	7.7956
Polish zloty (PLN)	4.1833	4.1183
Pound sterling (GBP)	0.8111	0.8688
Singapore dollar (SGD)	1.6064	1.7496
South African rand (ZAR)	10.5399	N/A
Swedish krone (SEK)	8.7040	9.0244
US dollar (USD)	1.2876	1.3949

6.2.4.6 REVENUE RECOGNITION

Revenues

The Group derives its revenues from the sale or license of software products and of support, subscription, consulting, development, training, and other services. The vast majority of the software arrangements include support services and many also include professional services and other elements.

Products revenue is the sum of proprietary software revenues, customization of the software and third party software products. Services and other revenues is the sum of professional services, customer services, training, IT services and other revenues. Contracts and subscription revenues is the sum of maintenance/support contracts, IT-related services (outsourcing) contracts and subscription-based software-related service revenues. Maintenance/support revenues represent fees earned from providing customers with unspecified future software updates, upgrades, enhancements and technical product support. Subscription-based software-related service revenues represents fees earned from subscription and hosting contracts. Subscription contracts have both software and support service elements as they provide the customer with current software products, rights to receive unspecified software products in the future, and rights to support services. Customers pay an annual fee for a defined subscription term, usually three to five years.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration (to be) received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following four criteria should all be met to allow for revenue recognition:

- Persuasive evidence of an arrangement exists.
- Delivery has occurred.
- UNIT4 subsidiary's fee is fixed or determinable.
- Collectability is probable.

The proceeds from the sales of software are recognized at the time when the risks and rewards have passed to the buyer. The proceeds from services are recognized pro rata to the activities carried out in the execution of the work. The proceeds from maintenance/support revenues are recognized ratably over the term of the contract, usually one year. The proceeds from subscription based software-related service revenues are recognized ratably over the term of the arrangement.
In multiple-element arrangements 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. Revenues for arrangements that involve significant production, modification, or customization of the software and those in which the services are not available from third-party vendors and are therefore deemed essential to 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.

If a customer is specifically identified as a bad debtor, no revenue is recognized except to the extent of fees that have already been collected.

Cost of sales
In general, the cost of third party goods and services delivered is recognized in the same period as the corresponding revenue.

Interest income
For all financial instruments measured at amortized cost and interest - bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends
Revenue is recognized when the Group's right to receive the payment is established. Dividends received from non-controlling interests are recognized in Finance income.

6.2.4.7 TAXES

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income and not in the income statement. Management 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.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax
Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

6.2.4.8 GOVERNMENT GRANTS
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as part of this asset reducing the carrying amount of this asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

6.2.4.9 PENSIONS AND OTHER POST EMPLOYMENT BENEFITS
The Group has defined benefit pension plans in Germany, France and in the Netherlands. The pension plan in France is managed by the government. The pension plans in the Netherlands and Germany are 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, France and in the Netherlands, the pension costs are measured using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in accumulated deficit and are not amortized in profit or loss in subsequent periods. Unvested past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately. The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions for jubilees are recognized in the statement of financial position at a value (per employee) that takes into account:

- The proportional composition of the deferred benefit.
- Actuarial gains or losses.
- Tax law effects.
- Discounting of the calculated obligation.

6.2.4.10 SHARE-BASED PAYMENT TRANSACTIONS

The Management Board and some senior executive employees of the Group receive remuneration in the form of share-based payment transactions if they realize a certain performance. This concerns both equity-settled transactions and cash-settled transactions.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in accumulated deficit in equity, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee costs.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect on the outstanding options is reflected as additional dilution of the shares in the calculation of the earnings per share (see Note 6.18).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date, further details of which are given in Note 6.10. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee costs (see Note 6.9).

6.2.4.11 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.
All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.
The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the

Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the income statement.
The Group has designated financial assets upon initial recognition valued at fair value through profit or loss.

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts, if available, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2012 and 2011.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in finance costs and removed from the available-for-sale reserve.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows 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 either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective

evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

<u>Financial liabilities at fair value through profit or loss</u>
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives, if available, are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognized in the income statement.
The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

<u>Loans and borrowings</u>
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the income statement.

<u>Derecognition</u>
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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

6.2.4.12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

During the year 2012 (and 2011) the Group did not apply hedge accounting to any transactions except for the hedge of a currency risk on a loan, nominated in GBP, against a (group of) investment(s) in the United Kingdom. These transactions are classified as a "Hedge of a net investment".
Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of an interest rate-hedging derivative is recognized in the income statement in finance costs or income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement in finance costs or income.
For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the currency translation differences reserve, while any ineffective portion is recognized immediately in the income statement in finance costs or income.
Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

Current versus non-current classification
Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).
- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

6.2.4.13 PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
- Property (buildings) : 50 years.
- Plant and equipment : 2-10 years.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

6.2.4.14 LEASES

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Financial leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

6.2.4.15 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.2.4.16 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. 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 income statement 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: 5 years (straight line).
- Acquired software: 3-5 years (straight line) or 5-12 years (accelerated).
- Customer contracts: 5-10 years (straight line) or 10-21 years (accelerated).
- Other intangible assets: 2-20 years (straight line) or 12 years (accelerated).

Intangible assets with indefinite useful lives, if any, are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to reliably measure the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is in principal tested for impairment annually.

6.2.4.17 INVENTORIES

Inventories are valued at the lower of cost and net realizable value.
Costs incurred in bringing each product to its present location and condition are accounted for on a first in, first out basis.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

6.2.4.18 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or if applicable, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

6.2.4.19 CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.
For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding interest-bearing loans and borrowings.

6.2.4.20 PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

6.2.4.21 CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method. In the cash flow statement a distinction is made between cash flows from operating, investing and financing activities. Cash flows in foreign currencies are translated at applicable rates on the dates of the transactions during the reporting year. Currency differences on cash and cash equivalents, less the overdraft liabilities are recognized separately in the cash flow statement. Revenue and expenses for income tax are recognized under Cash flows from operating activities. Interest costs and interest revenues, with the exception of interest of the syndicated loan and interest costs related to Research & Development projects, are recognized under Cash flows from operating activities. Interest costs of the syndicated loan are recognized under Cash flows from financing activities. Cash flows as a result of the acquisition or disposal of financial interests (subsidiaries and interests) are recognized under Cash flows from investing activities, taking into account the cash, cash equivalents and repaid third party debts present in these interests. Dividends paid out, as well as obtained loans, are recognized under Cash flows from financing activities.

6.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Certain accounting judgments, estimates and assumptions, which entail a considerable risk of causing an important adjustment of the carrying amount of assets and liabilities in the following financial year, could deviate from the current accounting estimates and assumptions determined by the management. The main accounting estimates and assumptions are set out below.

Estimates and assumptions

Goodwill and fixed assets

Assets subjected to depreciation are reviewed for impairment if events or changes in the circumstances indicate that the carrying amount may not be recoverable. Assets not subjected to depreciation are reviewed for impairment once a year. In the impairment tests the lowest level of cash-generating units are used. 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 estimates and assumptions used by the management determine if an impairment has to be recognized, are:

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

For more details on goodwill please see Note 6.20.

Business combinations

The costs related to acquired entities were valued against the total fair value per acquisition date of the acquired assets, liabilities and acquisition costs. Every purchase price allocation of the asset is determined by an active market or independent valuation, or estimated by the management based on cost price calculations or cash flows.

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 derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

For more details on acquisitions please see Note 6.6.

Provisions

The amounts recognized as provisions represent the most accurate estimate of the costs needed for the settlement of a current liability at the reporting date made by the management. The management expected that these amounts would be paid to settle the liability at the reporting date or to assign to a third party at that date.

Pension costs are based on actuarial assumptions to calculate a reliable estimate of the amounts regarding pension rights for employees in exchange for their services during this and the preceding financial years.

The main actuarial assumptions are:

- Discount rate.
- Expected investment revenues.
- General wage movements.
- Price inflation.
- Indexation of acquired rights.

The fair values of investments are based on prices in the market.

Deferred tax assets

UNIT4 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.

Financial instruments

The management express their opinion, if applicable, about the classification of the financial instruments:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Held-to-maturity investments.
- Available-for-sale financial investments.

Development costs

Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Legal procedures and claims

UNIT4 is involved in various legal procedures that are generally linked to its business. In relation to those procedures and claims, management has investigated the probability on a negative decision and estimated the reasonable amount for that claim, taking into account the facts and basic legal procedures. Those estimations have necessarily been made on subjective assumptions, including opinions on the validity on the claims received and the probable outcomes of the legal and administrative procedures. The outcome of those procedures depends on various facts on which we do not have influence, especially the uncertainty linked to predicting the verdict from the judge and administrative bodies. The advisory costs relating to the legal procedures are recognized in the income statement directly after the services have been carried out by the legal advisors.

6.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group had made a voluntary change in accounting policy to recognize actuarial gains and losses in OCI in the 2010 Financial Statements. The Group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.
This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.
IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.
Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
Based on the preliminary analyses performed and the fact that the Group already uses the equity method as accounting method for joint ventures, IFRS 11 is not expected to have any significant impact on the financial position or performance of the Group.
This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2014.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
  This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

- IAS 1 Presentation of Financial Statements
  This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- IAS 16 Property Plant and Equipment
  This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 Financial Instruments, Presentation
  This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

- IAS 34 Interim Financial Reporting
  The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

6.5 IRREGULARITIES POLAND

6.5.1 ADJUSTMENT OF PREVIOUS PERIOD ERRORS

In the first half year of 2012 UNIT4 has investigated certain sales and procurement transactions within its group company UNIT4 TETA S.A. (Poland). The investigation has revealed that the transactions were not compliant with the UNIT4 internal management regulations and UNIT4 accounting principles (based on the International Financial Reporting Standards).

Most of these transactions originate from the period before UNIT4 acquired TETA S.A. in July 2010. Therefore the Group has retrospectively restated, in accordance with the IFRS requirements, the fair value of the acquired assets and liabilities related to these transactions at the date of acquisition. All transactions after the acquisition date have been retrospectively reversed.

The following adjustments have been made to the comparative figures:

As of 1 January 2011

(€000)

Increase in intangible assets (Goodwill)	11,105
Decrease in intangible assets (Internally developed software & Acquired software)	3,349
Decrease in deferred tax asset	1,489
Decrease in inventories	2,894
Decrease in trade and other receivables	8,681
Decrease in trade and other payables	1,775
Decrease in currency translation differences reserve	409
Decrease in opening accumulated deficit	**3,124**

As of and for the year ended 31 December 2011

(€000)

Decrease in revenue products	4,655
Decrease in revenue services and others	4,279
Decrease in cost of sales	6,134
Increase in other operating expenses	1,545
Decrease in depreciation and amortization	1,004
Net decrease in profit after tax	**3,341**
Increase in currency translation differences (comprehensive income)	999
Net decrease in total comprehensive income after tax	**2,342**
Decrease in intangible assets (Goodwill)	919
Decrease in intangible assets (Internally developed software & Acquired software)	224
Increase in deferred tax asset	169
Increase in inventories	75
Decrease in trade and other receivables	2,121
Decrease in trade and other payables	230

The cumulative effect on the opening balance for 2012 can be specified as follows:

	Impact on opening balance 2011	Cumulative impact on opening balance 2012
Increase in intangible assets (Goodwill)	11,105	10,186
Decrease in intangible assets (Internally developed software & Acquired software)	3,349	3,125
Decrease in deferred tax asset	1,489	1,320
Decrease in inventories	2,894	2,819
Decrease in trade and other receivables	8,681	10,802
Decrease in trade and other payables	1,775	2,005
Decrease resp. increase in currency translation differences reserve	409	590
Decrease in accumulated deficit	**3,124**	**6,465**

The effect on earnings per share related to the restatement is as follows:

For the year ending 31 December 2011:

	Restated	Decrease
Basic earnings per share	€0.81	€0.12
Diluted earnings per share	€0.81	€0.11

See Note 6.12 for more information on the calculation of earnings per share.

6.5.2 IMPACT ON FINANCIAL YEAR 2012

Off balance financial liabilities and settlement with external partners

In the second half year of 2012 UNIT4 received and collected information that UNIT4 TETA S.A. and it's direct subsidiary UNIT4 Software Engineering Spzoo had become directly liable for financial liabilities (i.e. bills of exchange, bank guarantees) signed or agreed upon by former management towards external partners. On 21 December 2012 related liabilities were settled in a settlement agreement in which the related payments on those liabilities were converted in a loan, granted by UNIT4 TETA S.A., towards the main external partner. As a result of the settlement UNIT4 had to incur €1.7 million of losses related to those financial liabilities, which loss is recognized within "Finance costs". The loan amounts to PLN 29.2 million (€7.1 million) and will be repaid in the coming 5 years. The loan is in its entirety secured by pledges on intangible assets (contractual rights) for which UNIT4 received an independent valuation. As a back up security UNIT4 received bills of exchange for each of the payment installments. The loan is classified as a "financial asset measured at amortized cost" financial instrument and presented within the category "Loans and receivables" within the "Other financial assets" in the face of the consolidated statement of financial position.

Impairment of goodwill

After discovering the irregularities the management of both companies has been replaced. After this replacement, the newly appointed management has reviewed and amended the financial budgets and forecasts for the TETA group for the coming five years during the fourth quarter. These adjustments have resulted in a downward revision of the projected cash flows and therefore the estimated recoverable amount due to the resulting delay in the execution of our business plans and lower future growth. As a result of the prior year's error adjustment as described in Note 6.5.1, the goodwill for the cash-generating unit UNIT4 TETA group increased with €10.2 million (as per 31 December 2011). As a consequence of the combination of both effects the estimated recoverable amount no longer exceeds the carrying value of the cash-generating unit, which has led to an impairment charge of €8.5 million. See Note 6.20 for more information on the impairment of goodwill.

6.6 BUSINESS COMBINATIONS

6.6.1 MENTECPLUS INTEGRATED SOLUTIONS LTD

On 1 February 2012 the Group acquired 100% of the (voting) shares in MentecPlus Integrated Solutions Ltd, an unlisted software company based in Dublin, Ireland. MentecPlus is a provider of integrated IT business solutions to organizations in the SME and Public Sectors and sole distributor of Agresso Business World in Ireland. In addition, the company sells its own M+ suite of products which are widely used throughout the UK & Ireland and internationally.

The Group has acquired MentecPlus Integrated Solutions Ltd to further strengthen its presence in the Irish market.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of MentecPlus at the date of acquisition were:
(€000)

	Fair values	Carrying amount
Assets		
Intangible assets	5,678	1,925
Property, plant and equipment	21	21
Trade and other receivables	1,232	1,232
Cash and cash equivalents	535	535
	7,466	**3,713**
Liabilities		
Non-current liabilities	-4,753	-4,753
Deferred corporate income tax	-710	0
Current liabilities	-1,754	-1,715
	-7,217	**-6,468**
Total identifiable net assets at fair value	**249**	
Goodwill arising on acquisition	0	
Purchase consideration transferred	**249**	

The fair value of the trade receivables amounts to €1.2 million. The gross amount of trade receivables is €1.2 million. The trade receivables have been provided for the amount of €17,000.

The acquisition has not contributed to goodwill, after revaluation of the balance sheet to fair values.

From the date of the acquisition, MentecPlus has contributed to the Group revenues of €4.6 million and a profit of €0.4 million. If the combination had taken place at the beginning of the year, revenue would have been €0.4 million higher and the profit for the Group would not have been impacted.

Purchase consideration (€000)

Consideration paid in cash	249
Total consideration	**249**

Analysis of cash flows on acquisition (€000)

Transaction costs of the acquisition (included in cash flows from operating activities)	-184
Net cash acquired with the subsidiary (included in cash flows from investing activities)	535
Interest-bearing loans repaid at completion (included in cash flows from investing activities)	-4,753
Consideration paid in cash (included in cash flows from investing activities)	-249
Net cash flow on acquisition	**-4,651**

Transaction costs of the acquisition are included in other operating expenses (see Note 6.13).
At the date of the acquisition the company employed 26 people.

6.6.2 MONTANA SOFTWARE B.V.

On 13 November 2012 the Group acquired 100% of the (voting) shares in the legal entities Montana Software B.V. and Montana Automatisering B.V. (known as the Primaccount business), both unlisted software companies based in Heerhugowaard, The Netherlands. Montana Software is a software manufacturer, developing tax related software for the Dutch market.

The Group has acquired Montana Software to further strengthen its position in the tax, audit and accounting related software market and to achieve important synergies in a fast changing segment.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Montana Software at the date of acquisition were:
(€000)

	Fair values	Carrying amount
Assets		
Intangible assets	10,990	0
Property, plant and equipment	19	19
Deferred corporate income tax	36	0
Trade and other receivables	139	139
Cash and cash equivalents	144	144
	11,328	**302**
Liabilities		
Pension obligations	-144	0
Deferred corporate income tax	-2,748	0
Current liabilities	-516	-284
	-3,408	**-284**
Total identifiable net assets at fair value	**7,920**	
Goodwill arising on acquisition	2,080	
Purchase consideration transferred	**10,000**	

The fair value of the trade receivables amounts to €139,000. The gross amount of trade receivables is €159,000. The trade receivables have been provided for the amount of €20,000.

The goodwill of €2.1 million comprises the fair value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of the acquisition, Montana software has contributed to the Group revenues of €0.4 million and a profit of €0.1 million.
If the combination had taken place at the beginning of the year, revenue would have been €2.2 million higher and the profit for the Group would have been €1.2 million higher.

Purchase consideration

(€000)

Consideration paid in cash	9,500
Contingent consideration liability	500
Total consideration	**10,000**

As part of the purchase agreement with the previous shareholder(s), a contingent consideration has been agreed. There will be additional cash payments to the previous owner of:
a) €250,000, if the entity generates at least 90% of a predefined EBIT target for 2013.
b) €250,000, if the entity generates at least 90% of a predefined EBIT target for 2014.
As at the acquisition date, the fair value of the contingent consideration was estimated to be €500,000.

As at 31 December 2012, the development of the key performance indicators relating to the fair value of the contingent consideration has been considered. As a result, the contingent consideration did not change.

Analysis of cash flows on acquisition

(€000)

Transaction costs of the acquisition (included in cash flows from operating activities)	-89
Net cash acquired with the subsidiary (included in cash flows from investing activities)	144
Consideration paid in cash (included in cash flows from investing activities)	-9,500
Net cash flow on acquisition	**-9,445**

Transaction costs of the acquisition are included in other operating expenses (see Note 6.13).
At the date of the acquisition the company employed 15 people.

6.6.3 ADATA SOFTWARE GMBH

On 20 November 2012 the Group acquired 100% of the (voting) shares in adata Software GmbH, an unlisted software company based in Verden, Germany. Adata Software develops and markets software solutions in the areas of payroll, human resources management and time recording. About 400 customers in the public sector, services and manufacturing industry use the company's industry-independent standard solutions as well as industry-specific custom solutions.

The Group has acquired adata to extend the ERP and financial solutions from UNIT4 to cover the human resources and related management function and to expand the customer base in the German-speaking region.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of adata at the date of acquisition were:

(€000)

	Fair values	Carrying amount
Assets		
Intangible assets	774	0
Property, plant and equipment	18	18
Trade and other receivables	342	342
Cash and cash equivalents	362	362
	1,496	**722**
Liabilities		
Non-current liabilities	-253	-181
Deferred corporate income tax	-232	0
Current liabilities	-261	-261
	-746	**-442**
Total identifiable net assets at fair value	**750**	
Goodwill arising on acquisition	0	
Purchase consideration transferred	**750**	

The fair value of the trade receivables amounts to €342,000. The gross amount of trade receivables is €362,000. The trade receivables have been provided for the amount of €20,000.

The acquisition has not contributed to goodwill, after revaluation of the balance sheet to fair values.

From the date of the acquisition, adata has contributed to the Group revenues of €0.4 million and a profit of €16,000.
If the combination had taken place at the beginning of the year, revenue would have been €1.4 million higher and the profit for the Group would have been €27,000 lower.

Purchase consideration

(€000)

Consideration paid in cash	750
Total consideration	**750**

Analysis of cash flows on acquisition

(€000)

Transaction costs of the acquisition (included in cash flows from operating activities)	-107
Net cash acquired with the subsidiary (included in cash flows from investing activities)	362
Consideration paid in cash (included in cash flows from investing activities)	-750
Net cash flow on acquisition	**-495**

Transaction costs of the acquisition are included in other operating expenses (see Note 6.13).
At the date of the acquisition the company employed 35 people.

6.6.4 SENDREGNING AS

On 3 December 2012 the Group acquired 100% of the (voting) shares in SendRegning AS, an unlisted software company based in Oslo, Norway. SendRegning offers an E-Billing solution for the Norwegian market and is an authorized EHF (Electronic Handels Format) file transport provider.

The Group has acquired SendRegning to strengthen its position in e-commerce and exchange of electronic trade documents.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of SendRegning at the date of acquisition were:
(€000)

	Fair values	Carrying amount
Assets		
Intangible assets	4,031	271
Property, plant and equipment	85	85
Other financial assets	11	11
Deferred corporate income tax	19	10
Trade and other receivables	220	287
Cash and cash equivalents	770	770
	5,136	**1,434**
Liabilities		
Deferred corporate income tax	-1,128	0
Current liabilities	-310	-185
	-1,438	**-185**
Total identifiable net assets at fair value	**3,698**	
Goodwill arising on acquisition	983	
Purchase consideration transferred	**4,681**	

The fair value of the trade receivables amounts to €220,000. The gross amount of trade receivables is €303,000. The trade receivables have been provided for the amount of €83,000.

The goodwill of €1.0 million mainly comprises the fair value of the knowledge and experience regarding E-Billing in the organization. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of the acquisition, SendRegning has contributed to the Group revenues of €0.2 million and a profit of €0.1 million. If the combination had taken place at the beginning of the year, revenue would have been €1.4 million higher and the profit for the Group would have been €0.4 million higher.

Purchase consideration

(€000)

Consideration paid in cash	4,681
Total consideration	**4,681**

Analysis of cash flows on acquisition

(€000)

Transaction costs of the acquisition (included in cash flows from operating activities)	-101
Net cash acquired with the subsidiary (included in cash flows from investing activities)	770
Consideration paid in cash (included in cash flows from investing activities)	-4,681
Net cash flow on acquisition	**-4,012**

Transaction costs of the acquisition are included in other operating expenses (see Note 6.13).
At the date of the acquisition the company employed 8 people.

6.7 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2012 the Group has an interest in the following entities:
- NCCW (the Netherlands): 49.00% (2011: 49.00%).
- Exa Group Consultores S.A. (Spain): 30.33% (2011: 30.33%).
- Offentliga Dokument i Solna AB (Sweden): 50.00% (2011: 50.00%).
- A-Plaza (the Netherlands): 50.00% (2011: 50.00%).

The interest in NCCW of 49% is part of an extensive collaboration between UNIT4 and NCCW in providing cloud services to the social housing sector in the Netherlands.
Together with the acquisition of 49% of the shares in 2011 UNIT4 received a call option to purchase the remaining 51% of the shares which is exercisable between 1 January and 30 June 2013. Once UNIT4 will not exercise this call option a put option becomes active in which the current 51% shareholder can sell its shares to UNIT4 for a (relatively low) fixed price. As per reporting date UNIT4 did not have the power to control.

At the end of December 2011 Exa Group Consultores S.A. started the process of filing for bankruptcy which was expected to be finalized in 2012. This process has been delayed. As a consequence the expectation has been revised into a finalization in 2013. Since the Group does not expect to derive any future cash flows from the investment in Exa Group Consultores S.A. the carrying amount was already impaired to zero in 2011.

At 31 December 2012

The revenue and the net profit of the associates and joint ventures for the year ended are:

(€000)

	NCCW	Offentliga Dokument i Solna AB	A-Plaza	Total
Revenue	29,195	4,052	378	33,625
Expenses (including cost of sales)	28,683	4,062	546	33,291
Net profit	**512**	**-10**	**-168**	**334**

The (abridged) statements of financial position of the associates at the reporting date are:

(€000)

	NCCW	Offentliga Dokument i Solna AB	A-Plaza	Total
Non-current assets	12,134	0	0	12,134
Current assets	6,407	683	169	7,259
Non-current liabilities	-3,173	0	0	-3,173
Current liabilities	-4,319	-664	-268	-5,251
Equity	**11,049**	**19**	**-99**	**10,969**
The share in the Group is: (in percentages)	49.00%	50.00%	50.00%	
Carrying amount of the investment	**5,414**	**10**	**0**	**5,424**

At 31 December 2011

(€000)

	NCCW[1]	Offentliga Dokument i Solna AB	A-Plaza	Total
Revenue	2,903	2,875	767	6,545
Expenses (including cost of sales)	2,831	2,870	761	6,462
Net profit	**72**	**5**	**6**	**83**

[1] For NCCW the Revenue and Net profit only reflect the period after the acquisition date (1 December 2011 till 31 December 2011).

The (abridged) statements of financial position of the associates at the reporting date are:

(€000)

	NCCW	Offentliga Dokument i Solna AB	A-Plaza	Total
Non-current assets	2,711	0	0	2,711
Current assets	6,745	805	159	7,709
Non-current liabilities	-1,149	0	0	-1,149
Current liabilities	-6,935	-776	-91	-7,802
Equity	**1,372**	**29**	**68**	**1,469**
The share in the Group is: (in percentages)	49.00%	50.00%	50.00%	
Carrying amount of the investment	**5,163**	**15**	**34**	**5,212**

As at 31 December 2011, the assets and liabilities of NCCW were stated at their carrying amount, pending for the completion of a valuation of the identifiable assets and liabilities. This assessment was completed in 2012.

6.8 OPERATING SEGMENT INFORMATION

Operating segments

The Group is organized in legal entities linked to the type of activities (e.g. Sales, Research & Development), the product (e.g. ABW, Coda), market sector (e.g. Accountancy, Healthcare) or the geographical location. The financial reporting structure is where possible linked to the legal entity structure.

Operational responsibilities within the Group are linked to the financial results of the specific legal entities. This can be more than one legal entity per responsible operational manager. Furthermore more than one reporting segment can exist per country that are evaluated separately, as a result of which the reporting segment is not the same as the geographic information elsewhere in this document.

The Management Board evaluates the results of the various business operations within the Group on a periodic basis. Based on their operational responsibilities or size, the legal entities are consolidated into one or more reporting units per country. The Management Board separates the following reporting segments:

- Benelux
- FinancialForce.com
- United Kingdom
- Germany
- Norway
- Sweden
- Central R&D

No operational segments have been consolidated to come to the reporting segments mentioned above. The Management Board evaluates the results for the whole Group on a periodic basis including in particular the operating results (EBITDA) of those reporting segments. Transfer prices between operating segments are on an arm's length basis.

The following tables present the revenues, results and assets of the reporting segments of the Group, including the total of all other operating segments and the eliminations and adjustments.

For the year ended 31 December 2012
(€000)

	Benelux	Financial Force.com	United Kingdom	Germany	Norway	Sweden	Central R&D	All other operating segments	Eliminations and adjustments	Total
Revenues third parties	151,997	9,017	80,102	14,194	43,180	69,471	20	101,789	0	469,770
Revenues inter-segment	12,554	0	1,974	122	992	1,600	44,155	3,030	-64,427[1]	0
Total revenues	**164,551**	**9,017**	**82,076**	**14,316**	**44,172**	**71,071**	**44,175**	**104,819**	**-64,427**	**469,770**
EBITDA	**37,312**	**-9,101**	**17,460**	**-4,465**	**6,445**	**7,778**	**25,504**	**5,235**	**0**	**86,168**
Depreciation of property, plant and equipment and intangible assets	10,569	1,211	12,320	1,365	1,999	1,751	10,170	11,732	0	51,117
Impairment charges	194	0	0	0	0	0	0	12,027	0	12,221

[1] Inter-segment deliveries are eliminated.

	Benelux	Financial Force.com	United Kingdom	Germany	Norway	Sweden	Central R&D	All other operating segments	Eliminations and adjustments	Total
Segment assets	**200,140**	**29,432**	**237,230**	**15,227**	**52,024**	**31,988**	**113,115**	**598,864**	**-726,177**	**551,843**
Acquisition of associates	0	0	0	0	0	0	0	0	0	0
Purchase of intangible assets and property, plant and equipment	20,639	1,395	15,413	2,059	8,308	1,540	5,545	7,652	0	62,551

For the year ended 31 December 2011 (restated[2])
(€000)

	Benelux	Financial Force.com	United Kingdom	Germany	Norway	Sweden	Central R&D	All other operating segments	Eliminations and adjustments	Total
Revenues third parties	149,457	4,480	74,811	15,313	39,566	66,668	62	95,338	0	445,695
Revenues inter-segment	11,473	0	369	80	550	962	41,209	2,183	-56,826[1]	0
Total revenues	**160,930**	**4,480**	**75,180**	**15,393**	**40,116**	**67,630**	**41,271**	**97,521**	**-56,826**	**445,695**
EBITDA	**34,750**	**-6,053**	**18,455**	**-1,745**	**7,137**	**9,030**	**19,967**	**1,973**	**0**	**83,514**
Depreciation of property, plant and equipment and intangible assets	10,189	816	11,679	1,705	1,224	1,534	9,037	10,854	0	47,038
Impairment charges	235	0	0	0	0	0	0	971	0	1,206

[1] Inter-segment deliveries are eliminated.

	Benelux	Financial Force.com	United Kingdom	Germany	Norway	Sweden	Central R&D	All other operating segments	Eliminations and adjustments	Total
Segment assets	**123,598**	**17,836**	**259,381**	**14,916**	**29,209**	**37,818**	**98,183**	**516,705**	**-580,026**	**517,620**
Acquisition of associates	5,199	0	0	0	0	0	0	0	0	5,199
Purchase of intangible assets and property, plant and equipment	6,388	734	2,509	1,817	4,969	1,177	10,791	12,915	0	41,300

Reconciliation of assets

Deferred tax assets and other financial assets are not allocated to individual segments as these items are managed on Group level.

(€000)

	2012	2011
Segment assets	**551,843**	**517,620**
Deferred tax assets	50,587	21,073
Other financial assets	11,561	4,030
Group assets	**613,991**	**542,723**

Geographic information

The revenues in the table below were generated from external customers attributed to the entity's country of domicile. The non-current assets for this purpose consist of intangible assets, property, plant and equipment and investment in associates and joint ventures. Allocation has been made to the country to which the non-current assets relate to not depending on the legal entity in which they are accounted for.

(€000)

	2012		2011 (restated[1])	
	Revenues	**Non-current assets**	**Revenues**	**Non-current assets**
Australia	43	0	68	0
Belgium	11,135	3,212	11,960	3,642
Canada	6,491	524	4,826	523
Czech Republic	64	0	54	0
Denmark	1,345	500	1,571	215
Equatorial Guinea	1,311	618	1,185	702
Estonia	0	12	0	12
France	7,321	892	7,909	1,246
Germany	14,194	12,347	15,313	11,665
Hungary	4,773	3,129	5,818	3,140
Indonesia	17	12	0	0
Ireland	4,086	5,101	0	0
Italy	832	511	593	574
Malaysia	1,024	12	1,054	12
Norway	43,195	43,204	39,628	33,480
Poland	17,704	51,051	21,924	55,695
Portugal	596	116	602	101
Singapore	6,400	5,278	3,008	5,981
South Africa	127	0	0	0
Spain	25,771	35,466	29,273	40,563
Sweden	69,471	11,611	66,668	11,385
The Netherlands	140,863	78,464	137,498	61,949
United Kingdom	83,453	157,834	75,694	167,279
United States	29,554	8,810	21,049	8,938
	469,770	**418,704**	**445,695**	**407,102**

[2] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

Reliance on major customers

The Group did not have external customers with revenues from transactions exceeding 10 per cent or more of the Group's revenues in 2012 (2011: n/a).

6.9 EMPLOYEE COSTS

(€000)

	2012	2011
Wages and salaries	200,594	184,065
Social security costs	37,803	34,139
Pension costs	12,735	11,208
Expense arising from equity-settled share-based payment transactions	655	631
Expense arising from cash-settled share-based payment transactions	118	0
Other employee costs	42,521	43,809
	294,426	**273,852**

Number of employees at 31 December

The number of employees concerns all employees that have a current employment contract, often referred to as 'headcount'.

	2012			2011		
	The Netherlands	Other countries	Total	The Netherlands	Other countries	Total
Sales & Marketing	151	435	586	152	412	564
Consultants	274	1,046	1,320	284	1,042	1,326
Developers	316	1,009	1,325	297	915	1,212
Support	191	438	629	165	432	597
Other	186	336	522	182	365	547
31 December	**1,118**	**3,264**	**4,382**	**1,080**	**3,166**	**4,246**
Average number of employees during the reporting year	**1,094**	**3,218**	**4,312**	**1,073**	**3,130**	**4,203**

Weighted number of employees at 31 December

The weighted number of employees concerns the number of employees taking account of part-time employees and temporary staff, usually abbreviated as FTE (full time equivalents).

	2012			2011		
	The Netherlands	Other countries	Total	The Netherlands	Other countries	Total
Sales & Marketing	142	426	568	146	401	547
Consultants	263	1,025	1,288	272	1,021	1,293
Developers	301	988	1,289	284	897	1,181
Support	179	417	596	155	417	572
Other	163	318	481	158	344	502
31 December	**1,048**	**3,174**	**4,222**	**1,015**	**3,080**	**4,095**
Average number of employees during the reporting year	**1,026**	**3,134**	**4,160**	**1,008**	**3,040**	**4,048**

6.10 SHARE-BASED PAYMENTS

Equity settled share-based payments in UNIT4 N.V.

Share options of the parent are granted to the Board of Directors and other key officials of the parent. The exercise price of the share options is the average of the market price up to 5 days in advance but not lower than the market price on the date of grant. The share options vest for one-third of the options 2 years after the grant date, for one-third 3 years after grant date and for one-third 4 years after grant date, under the condition that the employee is still on service.

In 2012 there were no share options granted. An overview of the current equity settled share option plan for UNIT4 N.V. shares is depicted below:

Year granted	Exercise period up to and including	Granted	Outstanding at 1 January 2012	Expired in 2012	Exercised in 2012	Outstanding at 31 December 2012	Exercise price (€)	Exercisable
2008	Mar. 2013	290,000	263,334	0	92,482	170,852	16.70	170,852
2009	Sep. 2014	250,000	235,001	0	36,665	198,336	13.42	131,668
2011	Apr. 2016	205,000	205,000	0	0	205,000	24.19	-
		745,000	**703,335**	**0**	**129,147**	**574,188**		**302,520**

The weighted average remaining term for the share options at 31 December 2012 is 1.8 years (2011: 2.7 years).

Cash settled share-based payments in UNIT4 N.V.

As from 1 January 2012, a new Performance Share Plan came into place for the UNIT4 Management Board that replaces the equity settled share option plans. The Performance Share Plan works as follows. Each year the applicable participants have the voluntary option to convert, at market value, part or the total of their annual cash bonus (short term incentive), together with their own resources

("Own Contribution") into shares ('Basic Shares') of UNIT4. The Supervisory Board has determined a minimum (currently an amount equal to the net equivalent of 50% of the earned bonus) and a maximum (currently an amount equal to the net equivalent of the maximum bonus to be earned) for the applicable participant. The Basic Shares, paid for by Own Contribution, may not be disposed of for a period of 3 years after the acquisition ('Lock-up Period'). After the Lock-up Period, the Supervisory Board may grant additional shares ('Performance Shares') to a participant on the basis of the achievement of pre-agreed long-term targets of the Company (currently growth EBITDA, growth EPS and Relative TSR (Total Shareholder Return measured in comparison with the performance peer group)). Performance Shares shall be awarded based on the, together with the long-term targets, agreed ratio between Basic Share and Performance Share (increasing from 0 Performance Share per Basic Share up to maximum of 2 Performance Shares per Basic Share).

Details on participation into the Performance Share Plan 2012 (UNIT4 N.V.)
At the beginning of 2012 in total 36.246 Basic Shares were acquired by the participants. Based upon the expected outcome of the pre-agreed long-term targets this would lead to 15.564 performance Shares to be awarded.
The carrying amount of the liability relating to the 2012 Performance Share Plan at 31 December 2012 was € 117,766.

Equity settled share-based payments in FinancialForce.com
Share options in FinancialForce.com are granted to the Board of Directors and other (key) employees of this Group company. The exercise price of the share options is the price per common share on the date of grant. The share options vest for one-fourth of the options in each of the 4 following years under the condition that the employee is still on service.

The fair value of the share options is estimated at the grant date using a binomial (Black & Scholes) option pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value is proportionally allocated over the vesting period.

Details on share options granted in 2012 (FinancialForce.com)
The relevant details on the share options granted during 2012 are included in the following table:

Exercise price	USD	0.08
Weighted average share price on grant date	USD	0.08
Dividend yield (%)		n/a
Expected volatility (%)		n/a
Average risk-free interest rate (%)		n/a
Model used		Binomial
Fair value (per option value)	USD	0.00

An overview of the current equity settled share option plan for FinancialForce.com shares is depicted below:

Year granted	Exercise period up to and including	Granted	Outstanding at 1 January 2012	Expired in 2012	Exercised in 2012	Outstanding at 31 December 2012	Exercise price (USD)	Exercisable
2010	Sep.2020	1,902,625	1,844,500	51,969	246,542	1,545,989	0.08	1,117,436
2011	Nov.2021	2,319,250	2,319,250	10,000	57,656	2,251,594	0.08	1,099,472
2012	Mar.2022	251,875	251,875	0	0	251,875	0.08	62,969
		4,473,750	**4,415,625**	**61,969**	**304,198**	**4,049,458**		**2,279,877**

The weighted average remaining term for the share options at 31 December 2012 is 8.3 years. (2011: 9.0 years).

Expense of share-based payments

The expense of all current share-based payments is specified below:

	2012	2011
Granted during the financial year 2012 (€)	117,766	0
Granted during the financial year 2011 (€)	418,134	288,685
Granted during the financial year 2009 (€)	236,466	342,500
	772,366	**631,185**

6.11 COST OF SALES

(€000)

	2012	2011 (restated[1])
Products	8,105	9,941
SaaS and Subscriptions	4,285	3,668
Contracts	10,277	9,612
Services and other	12,942	14,558
	35,609	**37,779**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.12 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF INTANGIBLE ASSETS

(€000)

	2012	2011 (restated[1])
Amortization of software products	29,360	25,893
Amortization of customer contracts	13,695	14,045
Amortization of other intangible assets	670	842
Depreciation of property, plant and equipment	7,392	6,258
Impairment of intangible assets and property, plant and equipment	12,221	1,206
	63,338	**48,244**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

For goodwill impairment, see Note 6.20.

6.13 OTHER OPERATING EXPENSES

(€000)

	2012	2011 (restated[1])
Selling costs	13,050	10,978
Accommodation costs	17,420	16,685
Financial and advisory costs	6,917	4,796
Other expenses	16,180	18,091
	53,567	**50,550**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.14 FINANCE COSTS

(€000)

	2012	2011
Interest charges	11,229	10,406
Financial liabilities settlement[1]	1,746	0
Exchange rate loss	770	1,079
Result on valuation interest swap	2,202	0
Interest concerning capitalized development costs	-270	-555
Finance costs (based on historical value)	15,677	10,930
Interest concerning capitalized finance costs (based on amortized costs)	452	587
	16,129	**11,517**

[1] These amounts relate to the settlement with regard to the irregularities in Poland as described in Note 6.5.

6.15 FINANCE INCOME

(€000)

	2012	2011
Interest revenue	5,631	3,873
Result on valuation interest swap	0	2,497
Exchange rate gains	691	1,079
Dividend received from securities	0	37
	6,322	**7,486**

6.16 INCOME TAX

(€000)

	2012	2011
Current income tax charge		
Current financial year	17,986	20,364
Amendments for preceding years	-466	-515
	17,520	**19,849**
Deferred taxes		
Temporary differences between fiscal and commercial valuation	-19,518	-5,486
Change in tax rates	-2,153	-1,281
Utilization/benefit of tax losses recognized	-6,141	-5,070
	-27,812	**-11,837**
Taxes	**-10,292**	**8,012**

Specification of effective tax rate

(€000)

	2012	%	2011 (restated[1])	%
Profit before tax	**13,235**		**31,162**	
Income tax using the domestic corporation tax rate	3,309	25.0%	7,791	25.0%
Effect of tax rates in foreign jurisdictions	-1,272	-9.6%	312	1.0%
Income not subject to tax	-613	-4.7%	-500	-1.6%
Expenses not deductible for tax purposes	4,768	36.0%	1,836	5.9%
Fiscal facilities related to intellectual property	-13,936	-105.3%	0	0.0%
Utilization of previously unrecognized tax losses	-100	-0.8%	-205	-0.7%
Tax losses for which no deferred income tax asset was recognized	171	1.3%	574	1.8%
Change in tax rates	-2,153	-16.3%	-1,281	-4.1%
Adjustment in respect of prior years	-466	-3.5%	-515	-1.7%
	-10,292	**-77.8%**	**8,012**	**25.7%**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.17 ISSUED CAPITAL AND RESERVES

6.17.1 ISSUED CAPITAL

The authorized share capital at 31 December 2012 encompasses 40,000,000 (2011: 40,000,000) ordinary shares and 40,000,000 (2011: 40,000,000) preference shares, both with a nominal value of €0.05. No preference shares have been issued. The holders of ordinary shares have one vote per share at UNIT4's shareholders' meeting.

At the reporting date 29,457,789 ordinary shares (2011: 29,292,396) were issued and paid up in full. The changes (in numbers) in the share capital can be presented as follows:

	2012	2011
Balance at 1 January	29,292,396	29,217,316
Share issue	36,246	0
Exercise of options	129,147	75,080
Balance at 31 December	**29,457,789**	**29,292,396**

6.17.2 SHARE PREMIUM RESERVE

The share premium can be considered as paid up capital and is not restricted for dividend purposes.

6.17.3 CURRENCY TRANSLATION DIFFERENCES RESERVE

The currency translation differences reserve encompasses all exchange differences, as of 1 January 2004 (IFRS transition date), 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 UNIT4 N.V.

6.17.4 DIVIDENDS PAID AND PROPOSED

(€000)

	2012	2011
Declared and paid during the year		
Final dividend for 2011 (€0.40 per share)	11,731	0
Final dividend for 2010 (€0.25 per share)	0	7,319
Proposed for approval at the Annual General Meeting (not recognized as a liability as at 31 December)		
Dividends on ordinary shares: 2012 proposed: €0.45 per share (2011: €0.40 per share)	13,256	11,717

6.18 EARNINGS PER SHARE

The earnings per share can be specified as follows:

	2012	2011 (restated[1])
Basic earnings per share (A/X)	€0.83	€0.81
Diluted earnings per share (B/Y)	€0.83	€0.81
Basic earnings per share before goodwill related items and impairment (D/X)	€1.88	€1.53
Diluted earnings per share before goodwill related items and impairment (C/Y)	€1.88	€1.52

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares outstanding.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders (after adjusting for outstanding option rights, after tax) by the weighted average number of shares outstanding plus the weighted average number of shares that would be issued on conversion of all the potential dilutive ordinary shares.

The basic and diluted earnings per share before goodwill related items and impairments are calculated by using the net profit attributable to ordinary shareholders without goodwill impairment, amortization of customer contracts, acquired software development costs and trademarks instead of the net profit attributable to ordinary shareholders.

The calculation can be specified as follows:
(€000)

	2012	2011 (restated[1])
Net profit attributable to ordinary shareholders (A)	**24,292**	**23,739**
Effect of outstanding option rights (after tax)	0	0
Net profit attributable to ordinary shareholders (after dilution) (B)	**24,292**	**23,739**
Goodwill related items and impairments	31,024	20,926
Net profit attributable to ordinary shareholders before goodwill related items and impairments (after dilution) (C)	**55,316**	**44,665**
Net profit attributable to ordinary shareholders (A)	**24,292**	**23,739**
Goodwill related items and impairments	31,024	20,926
Net profit attributable to ordinary shareholders before goodwill related items and impairments (D)	**55,316**	**44,665**

(in numbers x 1,000)

	2012	2011
Weighted average number of shares during the period (X)	**29,340**	**29,275**
Effect of outstanding option rights	98	115
Weighted average number of shares during the period adjusted for the effect of dilution (Y)	**29,438**	**29,390**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.19 INTANGIBLE ASSETS

At 31 December 2012

(€000)

	Goodwill	Internally developed software	Acquired software	Customer contracts	Other intangible assets	Total
Carrying amount at 1 January	177,827	62,170	39,389	78,718	8,429	366,533
Adjustments preceding financial years	114	83	-14	-12	-71	100
Acquisition of subsidiaries	3,063	0	4,810	16,610	54	24,537
Internally developed intangible assets	0	29,208	0	0	0	29,208
Investments	0	0	250	0	1	251
Divestments (cost price)	0	-30	-3,235	-568	-10	-3,843
Divestments (accumulated depreciation and impairment)	0	30	3,235	568	10	3,843
Depreciation & amortization	0	-18,800	-10,560	-13,695	-670	-43,725
Impairment	-12,221	0	0	0	0	-12,221
Currency translation differences	5,312	2,088	1,470	1,894	724	11,488
Carrying amount at 31 December	**174,095**	**74,749**	**35,345**	**83,515**	**8,467**	**376,171**
1 January 2012						
Cost price	188,280	140,795	75,413	133,070	11,564	549,122
Accumulated depreciation & amortization	-3,426	-78,625	-35,810	-54,352	-3,135	-175,348
Accumulated impairment	-7,027	0	-214	0	0	-7,241
Carrying amount	**177,827**	**62,170**	**39,389**	**78,718**	**8,429**	**366,533**
31 December 2012						
Cost price	197,047	174,787	81,036	152,068	12,461	617,399
Accumulated depreciation & amortization	-3,426	-100,038	-45,457	-68,553	-3,994	-221,468
Accumulated impairment	-19,526	0	-234	0	0	-19,760
Carrying amount	**174,095**	**74,749**	**35,345**	**83,515**	**8,467**	**376,171**

At 31 December 2011 (restated[1])

(€000)

	Goodwill	Internally developed software	Acquired software	Customer contracts	Other intangible assets	Total
Carrying amount at 1 January	167,567	53,333	46,424	89,145	9,554	366,023
Adjustments of previous period errors[1]	11,105	0	-3,349	0	0	7,756
Carrying amount at 1 January (restated)	**178,672**	**53,333**	**43,075**	**89,145**	**9,554**	**373,779**
Adjustments preceding financial years	23	101	-87	-78	2	-39
Acquisition of subsidiaries	0	0	7,082	3,087	0	10,169
Internally developed intangible assets	0	24,036	0	0	0	24,036
Investments	0	0	0	299	455	754
Divestments (cost price)	0	-475	-6,005	-5,401	-176	-12,057
Divestments (accumulated depreciation and impairment)	0	293	6,005	5,401	176	11,875
Depreciation & amortization	0	-15,321	-10,572	-14,045	-842	-40,780
Impairment	-1,206	0	0	0	0	-1,206
Currency translation differences	338	203	-109	310	-740	2
Carrying amount at 31 December (restated)	**177,827**	**62,170**	**39,389**	**78,718**	**8,429**	**366,533**
1 January 2011						
Cost price	189,919	116,268	74,387	134,520	12,080	527,174
Accumulated depreciation & amortization	-3,748	-62,935	-31,071	-45,375	-2,526	-145,655
Accumulated impairment	-7,499	0	-241	0	0	-7,740
Carrying amount (restated)	**178,672**	**53,333**	**43,075**	**89,145**	**9,554**	**373,779**
31 December 2011						
Cost price	188,280	140,795	75,413	133,070	11,564	549,122
Accumulated depreciation & amortization	-3,426	-78,625	-35,810	-54,352	-3,135	-175,348
Accumulated impairment	-7,027	0	-214	0	0	-7,241
Carrying amount	**177,827**	**62,170**	**39,389**	**78,718**	**8,429**	**366,533**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

The amount of borrowing costs capitalized as part of internally developed software during the year ended 31 December 2012 was €270,000 (2011: €555,000). The rate used to determine the amount of capitalized borrowing costs was 1.32% (2011: 2.617%), being 6 months Euribor plus a surcharge.

6.20 IMPAIRMENT TEST OF GOODWILL

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

(€000)

	Carrying amount goodwill at 31 December 2012	Impairment 2012	Carrying amount goodwill at 31 December 2011 (restated[1])	Impairment 2011
Van der Kley automatisering (2000)	418	194	612	235
Fininfor (2003)	416	430	846	971
Spain (2004/2006/2008)	8,473	3,120	11,593	0
CODA (2008)	99,376	0	96,961	0
TETA (2010)	24,437	8,477	30,285	0
Other CGU's	40,975	0	37,530	0
	174,095	**12,221**	**177,827**	**1,206**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

The recoverable amount of the CGU's has been determined based on a value in use calculations using pre-tax cash flow projections from financial budgets approved by senior management. The pre-tax discount rates applied to the cash flow projections have been included in the table below.

In general the period over which management has projected cash flows based on financial budgets/forecasts is 5 years. In case there are substantial intangible assets amortized over a longer period than 5 years, longer projections than 5 years are used to achieve a more accurate calculation. Any terminal value is calculated on the basis of an infinite cash flow that is determined by means of the projected cash flow in the final year of the projection.

The key assumptions used for value in use calculations in 2012 are as follows:

	Van der Kley	Fininfor	Spain	CODA	TETA	Other CGU's
Gross profit growth	-20%	-40%	4%	4%	4%	1% - 10%
Employee and other expenses growth	-20%	-34%	1%	2%	3%	1% - 10%
Discount rate	12.99%	14.60%	11.36%	11.75%	12.80%	11.47% - 13.33%

The key assumptions used for value in use calculations in 2011 are as follows:

	Van der Kley	Fininfor	Spain	CODA	TETA	Other CGU's
Gross profit growth	-20%	-32%	4%	4%	4%	1% - 11%
Employee and other expenses growth	-20%	-34%	1%	2%	2%	2% - 6%
Discount rate	13.07%	14.70%	12.03%	12.20%	12.40%	11.10% - 14.00%

The individual growth percentages relate to growth of the undiscounted free pre-tax cash flows and are derived from long-term forecasts for the industry and expectations of the management involved. The long-term forecasts are based upon growth rates for the different revenue categories, being Products, Services and other, Contracts and SaaS and Subscriptions, as well as the retention rate and various costs indexations.

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 its 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 marked data.

Impairment charge

The impairment charge relating Van der Kley arose as a result of the decreasing business of Van der Kley. Management expects that the activities of Van der Kley will generate revenue up to and including 2015.

The impairment charge relating Fininfor arose as a result of a decrease in the level of product and contract revenues of Fininfor. This decrease was caused by the management decision to sell parts of the activities of Fininfor in 2010 as part of the management buy out of Agresso France SA. Management expects that the activities of Fininfor will generate revenue up to and including 2016.

The deteriorated economic circumstances in Spain during 2012 have negatively impacted the performance of the cash-generating unit Spain in 2012. Therefore management has revised its long term financial budgets and forecasts which results in a decrease of the projected cash flows and an impairment charge.

As a result of the prior year's error adjustment and the adjustment on the acquisition balance as described in Note 6.5.1, the goodwill for the cash-generating unit TETA increased with €10.2 million (as per 31 December 2011). In addition, management has reviewed and amended the financial budgets and forecasts for the TETA group for the next five years, which resulted in a downward revision of the projected cash flows for the next five years and therefore the estimated recoverable amount. As a consequence the estimated recoverable amount no longer exceeds the carrying value of the unit, which has led to an impairment charge.

Sensitivity to changes in assumptions

<u>CGU's with an impairment charge during 2012</u>

For the CGU's with an impairment charge during 2012, the estimated recoverable amount is equal to its carrying value and, consequently any adverse change in a key assumption would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

Van der Kley

Management has considered the possibility of a faster decrease in activities for Van der Kley. In case the value in use is calculated with an average negative growth of 25% for both gross profit and employee and other expenses an additional impairment of €71,000 will arise.

Fininfor

Management has considered the possibility of less product revenue and a lower retention rate for existing contracts which results in a faster decrease of revenues for Fininfor. In case the value in use is calculated with a gross profit growth of -/- 47% an additional impairment of €114,000 will arise.

Spain

Management has considered the possibility of a decrease in gross profit growth to 3% with a corresponding 0% growth in employee and other operating expenses. This would result in an additional impairment charge of €1.0 million.

TETA

Management has considered the possibility of an unexpected lower gross profit growth of 2% with a corresponding 1% growth in employee and other operating expenses. This would result in an additional impairment charge of €0.5 million.

<u>CGU's without an impairment charge during 2012</u>

In the cash-generating unit Germany, which is included in the "Other CGU's" for €3.3 million of goodwill, the recoverable amount calculated based on value in use exceeded the carrying value by €8 million. The value in use is calculated using a gross profit growth of 8% and an employee and other operating expenses growth of 1%. In case the cash-generating unit experiences an unexpected fall in gross profit growth to 6% with a corresponding 0% growth in employee and other operating expenses, this would remove the remaining headroom.

With regard to the assessment of the value in use of the other cash-generating units, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

6.21 PROPERTY, PLANT AND EQUIPMENT

At 31 December 2012

(€000)

	Land and buildings	Technological inventories	Other tangible assets	Total
Carrying amount at 1 January	23,189	6,311	5,857	35,357
Acquisition of subsidiaries	0	70	73	143
Investments	438	5,213	2,761	8,412
Divestments	0	-1,182	-1,038	-2,220
Depreciation of divestments	0	1,159	1,021	2,180
Depreciation	-688	-4,408	-2,296	-7,392
Currency translation differences	407	104	95	606
Other movements	-16	3	36	23
Carrying amount at 31 December	**23,330**	**7,270**	**6,509**	**37,109**
1 January 2012				
Cost price	29,345	28,005	18,428	75,778
Accumulated depreciation	-6,156	-21,694	-12,571	-40,421
Carrying amount	**23,189**	**6,311**	**5,857**	**35,357**
31 December 2012				
Cost price	30,146	32,666	20,915	83,727
Accumulated depreciation	-6,816	-25,396	-14,406	-46,618
Carrying amount	**23,330**	**7,270**	**6,509**	**37,109**

Land and Buildings are pledged for the total amount of €2.4 million (2011: €2.2 million). There were no borrowing costs capitalized during the year ended 31 December 2012 (2011: none).

At 31 December 2011

(€000)

	Land and buildings	Technological inventories	Other tangible assets	Total
Carrying amount at 1 January	23,625	4,737	7,094	35,456
Acquisition of subsidiaries	0	27	15	42
Investments	347	4,857	1,095	6,299
Divestments	0	-3,289	-307	-3,596
Depreciation of divestments	0	3,270	299	3,569
Depreciation	-669	-3,482	-2,107	-6,258
Currency translation differences	-133	-14	0	-147
Other movements	19	205	-232	-8
Carrying amount at 31 December	**23,189**	**6,311**	**5,857**	**35,357**
1 January 2011				
Cost price	29,055	25,804	17,797	72,656
Accumulated depreciation	-5,430	-21,067	-10,703	-37,200
Carrying amount	**23,625**	**4,737**	**7,094**	**35,456**
31 December 2011				
Cost price	29,345	28,005	18,428	75,778
Accumulated depreciation	-6,156	-21,694	-12,571	-40,421
Carrying amount	**23,189**	**6,311**	**5,857**	**35,357**

6.22 OTHER FINANCIAL ASSETS

The other financial assets can be specified as follows:

At 31 December 2012

(€000)

	Loans and receivables	Securities	Total
Balance at 1 January	4,583	7	4,590
Acquisition of subsidiaries	11	0	11
Investments	8,583	0	8,583
Reclassifications	-241	0	-241
Repayments/Waivers	-795	0	-795
Currency translation differences	10	0	10
Balance at 31 December	**12,151**	**7**	**12,158**
Current	597	0	597
Non-current	11,554	7	11,561
	12,151	**7**	**12,158**

The item Securities relates to the 15% interest in Arge Holding B.V. and the 0.4% interest in ArgeWeb B.V., both based in Maassluis, the Netherlands.

At 31 December 2011

(€000)

	Loans and receivables	Securities	Pensions	Total
Balance at 1 January	2,259	7	3	2,269
Acquisition of subsidiaries	144	0	0	144
Investments	1,551	0	0	1,551
Reclassifications	1,986	0	-3	1,983
Repayments/Waivers	-1,314	0	0	-1,314
Discontinued operations	0	0	0	0
Currency translation differences	-43	0	0	-43
Balance at 31 December	**4,583**	**7**	**0**	**4,590**
Current	560	0	0	560
Non-current	4,023	7	0	4,030
	4,583	**7**	**0**	**4,590**

6.23 DEFERRED TAX ASSET

The deferred tax asset recognized is caused by tax losses which are expected to be offset in the future against taxable income and by differences between fiscal and commercial valuations and result determinations. The deferred tax asset is to a significant extent of a long-term nature.

The deferred tax asset at 31 December relates to the following:
(€000)

	2012	2011 (restated[1])
Losses available for offset against future taxable income	20,916	12,505
Temporary differences	29,671	8,568
	50,587	**21,073**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

In certain countries the Group has a history of losses. The Group has valued deferred tax assets in relation to the (carry forward) losses and other temporary differences within those countries as the management expects that there will be sufficient taxable income available in the future.

The Group has an amount of €6.2 million in non-recognized losses available for offset (2011: 5.8 million). These losses are not recognized on the statement of financial position because the losses have not yet been determined by the local authorities or because the uncertainty as to whether sufficient taxable profits can be realized within the foreseeable future is too high.

The expiration of these non-recognized losses can be specified as follows:

(€000)

	2012	2011
Within 1 year	24	30
Between 1 and 5 years	0	0
After 5 years	6,144	5,720
	6,168	**5,750**

6.24 INVENTORIES

The inventories consist entirely of trading stock.
(€000)

	2012	2011 (restated[1])
Trading stock	642	911
	642	**911**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.25 TRADE AND OTHER RECEIVABLES

(€000)

	2012	2011 (restated[1])
Trade receivables	72,125	64,622
Other receivables	25,717	22,408
	97,842	**87,030**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.25.1 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30-90 day payment terms.

As at 31 December 2012, trade receivables of an initial value of €7.4 million (2011: €7.8 million) were impaired and fully provided for.

The movement in the provision for impairment of receivables is as follows:

(€000)

	2012	2011 (restated[1])
Balance at 1 January	7,815	5,124
Addition	4,353	5,887
Expenditure	-4,253	-1,322
Reversal	-773	-1,815
Currency translation differences	281	-59
Balance at 31 December	**7,423**	**7,815**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.25.2 OTHER RECEIVABLES

(€000)

	2012	2011
To be invoiced	12,854	12,332
Prepayments and accrued income	11,380	8,928
Receivables employees	422	206
Short-term part of long-term receivables	597	560
Other receivables	464	382
	25,717	**22,408**

Prepayments and accrued income

Prepayments and accrued income includes, in particular, prepaid services or supplies, interest to be received and prepaid costs such as lease, rental and interest costs. These can be specified as follows:

(€000)

	2012	2011
Prepaid rent	1,681	1,436
Prepaid maintenance contracts	3,669	3,154
Prepaid insurance	719	714
Prepaid pensions	374	64
Interest to be received	320	85
Other	4,617	3,475
	11,380	**8,928**

6.25.3 OTHER TAXES

The other taxes consist of:

(€000)

	2012	2011
Sales tax	323	652
Other taxes and social security premiums	180	102
	503	**754**

6.26 CASH AND CASH EQUIVALENTS

(€000)

	2012	2011
ING Bank	3,638	3,323
ABN AMRO Bank	240	1,177
Handelsbanken	5,158	4,519
Den Norske Bank	14,576	4,148
Citizens Bank	2,228	190
Other	8,066	8,009
	33,906	**21,366**

6.27 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

	2012	2011
Interest-bearing loans and borrowings	86,456	84,174
Derivatives	3,296	105
Other interest-bearing loans and borrowings	664	352
	90,416	**84,631**

Interest-bearing loans and borrowings

On 1 February 2012 the Group obtained a €150,000,000 Senior Facilities agreement together with a €30,000,000 accordion option. This new facility replaces the former syndicated loan facility which remaining balance would have become due in the first quarter of 2013. The extra funds increase UNIT4's financial strength, support the company's growth strategy and support future dividend payments.

The new facility can be divided in a term loan of €50,000,000, which will be repaid in installments of €2,500,000 per quarter, and a revolving facility of €100,000,000. The term of the loan is 3 years with 2 extension options to extend to a period of 5 years in total.

No specific securities have been given. The following covenants need to be complied with, measured over a period of 12 months before the test date (relevant period) and monitored quarterly.

- Interest Cover: this is the ratio between EBITDA and net finance charges which should exceed 4.0:1.0.
- Leverage: this is the ratio between EBITDA and total net debt which should not exceed: 2.0:1.0 but may on one occasion increase to a maximum limit of 2.50 for 2 successive quarters and and a maximum limit of 2.25 for the quarter immediately thereafter.

At the reporting date the Group complies with both covenants. In addition, the most significant Group companies, based on 80% of the total operating result (EBITDA) and 70% of the total statement of financial position, are severally responsible.

The interest period is 3 months and floating (Euribor), but is, for at least 2/3 of the outstanding balance, hedged to a fixed 5 years rate. This 5 year rate has been fixed on 2.2475% (excluding margin) and includes the close out of the formerly existing interest swaps.

The development of the interest-bearing loans and borrowings can be presented as follows:
(€000)

	2012	2011
Balance at 1 January	107,174	127,873
Acquisition of subsidiaries	0	0
Additions	122,090	846
Repayment	-115,031	-23,223
Capitalized financing costs	-1,316	0
Amortized capitalized financing costs (effective interest method)	452	587
Exchange rate differences recognized as other comprehensive income	25	1,253
Currency translation differences	62	-162
Balance at 31 December	**113,456**	**107,174**
Current	27,000	23,000
Non-current	86,456	84,174
	113,456	**107,174**

The current part of the interest-bearing loans and borrowings as per 31 December 2012 include an extra repayment on the facility of €17.0 million.

6.28 PENSION OBLIGATIONS

The development of the pensions can be presented as follows:
(€000)

	2012	2011
Balance at 1 January	4,278	2,553
Acquisition subsidiaries	144	0
Pension costs attributable to the year	2,539	1,725
Balance at 31 December	**6,961**	**4,278**

The breakdown of the plans by country is as follows:
(€000)

	2012	2011
Defined benefit plans in the Netherlands	6,729	4,066
Defined benefit plan in France	159	143
Defined benefit plan in Germany	73	69
	6,961	**4,278**

The provisions relate to the obligations regarding committed pension entitlements in France, which are regulated by the government, to the obligations regarding defined benefit plans in the Netherlands, and to one individual pension plan in Germany.

The plan in France concerns an unfunded obligation. Because of the limited importance of the obligation, no further explanation has been included.

In Germany there is one individual pension plan with one employee for which the premiums are reinsured with an insurance company. Germany has no other pension plans.

In other countries, only defined contribution plans and/or old age provisions are in place, where applicable in accordance with the regulations in those countries.

Within the Netherlands, several (individual) pension plans exist which under IFRS qualify as defined contribution plans. These plans are fully reinsured.

In the Netherlands there are also defined contribution plans which were made free of premium at the beginning of 2009 as all the participants moved to a new (average pay pension) plan that is classified as a defined benefit plan (ASR plan I and ASR plan II). The former plan has been frozen.

In the Netherlands there are currently 6 defined benefit plans with Nationale Nederlanden, AEGON and ASR.

These defined benefit plans have been calculated by external actuaries. The material plans can be specified as follows:

Net benefit expense 2012
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Current service cost (incl. administration costs)	277	75	169	2,262	315	3,098
Past service costs	0	-19	0	0	0	-19
Interest cost on benefit obligation	185	59	88	550	52	934
Expected return on plan assets	-158	-59	-76	-422	-36	-751
Net benefit expense	**304**	**56**	**181**	**2,390**	**331**	**3,262**
Actual return on plan assets	1,295	244	548	4,004	170	6,261

Net benefit expense 2011
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Current service cost (incl. administration costs)	304	82	149	1,615	258	2,408
Interest cost on benefit obligation	156	53	74	368	32	683
Expected return on plan assets	-125	-49	-66	-307	-25	-572
Net benefit expense	**335**	**86**	**157**	**1,676**	**265**	**2,519**
Actual return on plan assets	-192	-67	62	-351	-86	-634

Benefit (asset)/liability 2012
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Defined benefit obligation	5,689	1,734	2,715	18,121	1,428	29,687
Fair value of plan assets	-4,806	-1,521	-2,263	-13,546	-967	-23,103
Benefit liability	**883**	**213**	**452**	**4,575**	**461**	**6,584**

Benefit (asset)/liability 2011
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Defined benefit obligation	3,743	1,246	1,776	9,171	711	16,647
Fair value of plan assets	-3,140	-1,190	-1,447	-6,376	-428	-12,581
Benefit liability	**603**	**56**	**329**	**2,795**	**283**	**4,066**

Changes in the present value of the defined benefit obligation are as follows:
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Defined benefit obligation as at 1 January 2011	**3,487**	**1,244**	**1,355**	**5,193**	**241**	**11,520**
Interest cost	156	53	74	368	32	683
Current service cost (incl. administration costs)	406	74	185	2,480	389	3,534
Benefits paid	0	-7	-3	-9	0	-19
Actuarial (losses)/gains on obligation	-306	-118	165	1,139	49	929
Defined benefit obligation as at 31 December 2011	**3,743**	**1,246**	**1,776**	**9,171**	**711**	**16,647**
Interest cost	185	59	88	550	52	934
Current service cost (incl. administration costs)	363	64	206	3,175	434	4,242
Past service cost	0	-19	0	0	0	-19
Benefits paid	0	-7	-6	-51	0	-64
Actuarial (losses)/gains on obligation	1,398	391	651	5,276	231	7,947
Defined benefit obligation as at 31 December 2012	**5,689**	**1,734**	**2,715**	**18,121**	**1,428**	**29,687**

Changes in the fair value of plan assets are as follows:
(€000)

	Nationale Nederlanden plan	AEGON plan	ASR plan I	ASR plan II	ASR plan III	Total
Fair value of plan assets as at 1 January 2011	**2,927**	**1,170**	**1,121**	**3,797**	**139**	**9,154**
Expected return	125	49	66	307	25	572
Employer contributions	303	102	231	2,074	244	2,954
Employee contributions	174	23	66	1,194	173	1,630
Benefits paid	0	-7	-3	-9	0	-19
Administration costs	-72	-31	-30	-329	-42	-504
Actuarial (losses)/gains on plan assets	-317	-116	-4	-658	-111	-1,206
Fair value of plan assets as at 31 December 2011	**3,140**	**1,190**	**1,447**	**6,376**	**428**	**12,581**
Expected return	158	59	76	422	36	751
Employer contributions	285	105	237	2,304	250	3,181
Employee contributions	151	20	68	1,273	160	1,672
Benefits paid	0	-7	-6	-51	0	-64
Administration costs	-65	-31	-31	-360	-41	-528
Actuarial (losses)/gains on plan assets	1,137	185	472	3,582	134	5,510
Fair value of plan assets as at 31 December 2012	**4,806**	**1,521**	**2,263**	**13,546**	**967**	**23,103**

The historic overview of the deficit / (surplus) of the pension plans can be displayed as follows:
(€000)

	2012	2011	2010	2009	2008
Defined benefit obligation	**29,687**	**16,647**	**11,520**	**6,177**	**3,198**
Fair value of plan assets	-23,103	-12,581	-9,154	-4,798	-2,834
Deficit	**6,584**	**4,066**	**2,366**	**1,379**	**364**
Experience adjustments on plan liabilities	344	-298			
Experience adjustments on plan assets	-194	-1,412			

The Group expects to contribute €3.4 million to its defined benefit pension plans in 2013 (Employer contribution).
The cumulative amount of actuarial gains or losses recognized in other comprehensive income is €7.7 million (2011: €5.3 million).

The major category of plan assets as a percentage of fair value of total plan assets are as follows:

	Nationale Nederlanden plan		AEGON plan		ASR plan I		ASR plan II		ASR plan III	
	FY12	**FY11**	**FY12**	**FY11**	**FY12**	**FY11**	**FY12**	**FY11**	**FY12**	**FY11**
	%	%	%	%	%	%	%	%	%	%
Bonds and other fixed income	0	0	0	0	0	0	0	0	0	0
Equities	0	0	0	0	0	0	21	20	0	0
Cash	0	0	0	0	0	0	0	0	0	0
Other	100	100	100	100	100	100	79	80	100	100

The category "Other" mainly consists of re-valued reserves with the insurer on the basis of a discount rate.

The actuarial assumptions related to the Nationale Nederlanden plan on which the above calculation is based are:

Demographic		
Mortality	AG 2012-2062 projection table with 1 year age set back (2011: AG 2010-2060 projection table with 1 year age set back)	
Resignation	From 20% until the age of 29, down to 0.0% for age 55 and over (2011: From 20% until the age of 30, down to 0.0% for age 60 and over)	
Disablement	From 0.3% until the age of 27, rising to 1.2% for age 53 and over (2011: From 0.3% until the age of 29, rising to 1.2% for age 55 and over)	
Retirement	At the age of 65 (2011: Equal to 2012)	
Financial	*2012*	*2011*
Discount rate	3.36%	4.48%
Expected return on assets	3.36%	4.48%
General wage movements	2%, plus age related scale: age 20-24: 10.0%; age 25-29: 6.0%; age 30-44: 2.0%; age 45+: 0.5% (2011: 2%, plus age related scale: age 25-34: 6.0%; age 35-44: 2.0%; age 45+: 0.5%)	
Indexation of acquired rights	Actives: 0.00% and Non-actives: 0.00% (2011: equal to 2012)	

The actuarial assumptions related to the AEGON plan on which the above calculation is based are:

Demographic		
Mortality	AG 2012-2062 projection table with 1 year age set back (2011: AG 2010-2060 projection table with 1 year age set back)	
Resignation	From 20% until the age of 29, down to 0.0% for age 55 and over (2011: From 20% until the age of 30, down to 0.0% for age 60 and over)	
Disablement	From 0.30% until the age of 27, rising to 1.2% for age 53 and over (2011: From 0.3% until the age of 29, rising to 1.2% for age 55 and over)	
Retirement	At the age of 65 (2011: Equal to 2012)	
Financial	*2012*	*2011*
Discount rate	3.41%	4.59%
Expected return on assets	3.41%	4.59%
General wage movements	2%, plus age related scale: age 20-24: 10.0%; age 25-29: 6.0%; age 30-44: 2.0%; age 45+: 0.5% (2011: 2%, plus age related scale: age 25-34: 6.0%; age 35-44: 2.0%; age 45+: 0.5%)	
Indexation of acquired rights	Actives: 0.00% and Non-actives: 0.00% (2011: equal to 2012)	

The actuarial assumptions related to the ASR plan I on which the above calculation is based are:

Demographic		
Mortality	AG 2012-2062 projection table with 1 year age set back (2011: AG 2010-2060 projection table with 1 year age set back)	
Resignation	From 13.3% until the age of 30, down to 0.0% for age 55 and over (2011: From 13.3% until the age of 39, down to 0.0% for age 55 and over)	
Disablement	From 0.30% until the age of 27, rising to 1.2% for age 53 and over (2011: From 0.30% until the age of 29, rising to 1.2% for age 55 and over)	
Retirement	At the age of 65 (2011: Equal to 2012)	
Financial	*2012*	*2011*
Discount rate	3.37%	4.48%
Expected return on assets	3.37%	4.48%
General wage movements	2.0%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% (2011: equal to 2012)	
Indexation of acquired rights	Actives:0.00% and Non-actives:0.00% (2011: equal to 2012)	

The actuarial assumptions related to the ASR plan II on which the above calculation is based are:

Demographic		
Mortality	AG 2012-2062 projection table with 1 year age set back (2011: AG 2010-2060 projection table with 1 year age set back)	
Resignation	From 13.3% until the age of 30, down to 0.0% for age 55 and over (2011: From 13.3% until the age of 39, down to 0.0% for age 55 and over)	
Disablement	From 0.30% until the age of 27, rising to 1.2% for age 53 and over (2011: From 0.30% until the age of 29, rising to 1.2% for age 55 and over)	
Retirement	At the age of 65 (2011: Equal to 2012)	
Financial	*2012*	*2011*
Discount rate	3.36%	4.46%
Expected return on assets	3.36%	4.46%
General wage movements	2.0%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% (2011: equal to 2012)	
Indexation of acquired rights	Actives:0.00% and Non-actives:0.00% (2011: equal to 2012)	

The actuarial assumptions related to the ASR plan III on which the above calculation is based are:

Demographic		
Mortality	AG 2012-2062 projection table with 1 year age set back (2011: AG 2010-2060 projection table with 1 year age set back)	
Resignation	From 13.3% until the age of 30, down to 0.0% for age 55 and over (2011: From 13.3% until the age of 39, down to 0.0% for age 55 and over)	
Disablement	From 0.30% until the age of 27, rising to 1.2% for age 53 and over (2011: From 0.30% until the age of 29, rising to 1.2% for age 55 and over)	
Retirement	At the age of 65 (2011: Equal to 2012)	
Financial	*2012*	*2011*
Discount rate	3.39%	4.51%
Expected return on assets	3.39%	4.51%
General wage movements	2.0%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% (2011: equal to 2012)	
Indexation of acquired rights	Actives:0.00% and Non-actives:0.00% (2011: equal to 2012)	

6.29 DEFERRED TAX LIABILITY

The deferred tax liability recognized is caused by differences between fiscal and commercial valuations and result determinations and by fiscal facilities that make it possible to postpone tax payment. The deferred tax liability is to a significant extent of a long-term nature.

The deferred tax liability at 31 December relates to the following:
(€000)

	2012	2011
Facility deferred tax payment	425	235
Difference between commercial and fiscal result	45,255	36,928
	45,680	**37,163**

6.30 PROVISIONS

The provisions consist of:

At 31 December 2012

(€000)

	Earn out obligations	Deferred benefits	Other provisions	Total
Balance at 1 January	1,473	1,199	1,276	3,948
Acquisition subsidiaries	500	0	0	500
Arising during the year	114	314	867	1,295
Expenditure	-599	-19	-259	-877
Reversed unused amounts	0	-25	-255	-280
Discount rate adjustment	34	168	0	202
Foreign currency translation differences	45	1	5	51
Balance at 31 December	**1,567**	**1,638**	**1,634**	**4,839**
Current	871	107	1,630	2,608
Non-current	696	1,531	4	2,231
	1,567	**1,638**	**1,634**	**4,839**

At 31 December 2011

(€000)

	Earn out obligations	Deferred benefits	Other provisions	Total
Balance at 1 January	2,308	1,228	1,432	4,968
Acquisition subsidiaries	0	0	0	0
Arising during the year	23	64	311	398
Expenditure	-575	-61	0	-636
Reversed unused amounts	-310	-34	-431	-775
Discount rate adjustment	21	0	0	21
Foreign currency translation differences	6	2	-36	-28
Balance at 31 December	**1,473**	**1,199**	**1,276**	**3,948**
Current	644	100	1,242	1,986
Non-current	829	1,099	34	1,962
	1,473	**1,199**	**1,276**	**3,948**

Earn out obligations

The earn out obligations relate to the expectations of the management for the variable part of the purchase price of the shares acquired during the year or earlier. No interest is owed over the earn out obligations.
The terms of these obligations vary between 3 months minimum till 7 years maximum. The earn out obligations to be paid were discounted at 1.32% (2011: 2.617%), being 6 months Euribor plus a surcharge.

Deferred benefits

The provision for deferred benefits (jubilee provision) relates to the payments connected with years of service (12.5 and 25 years and right before retirement) which is applied by a number of subsidiaries within the Group.

Other provisions

The other provisions include provisions relating to (legal) claims.

6.31 TRADE AND OTHER PAYABLES

The trade payables and other payables consist of:

(€000)

	2012	2011 (restated[1])
Trade payables	15,057	12,459
Supplier invoices to be received	2,761	2,018
	17,818	**14,477**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.32 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

	2012	2011
Bank credit ING	16,331	9,136
Bank credit ABN AMRO	20,575	21,530
Repayment term long-term loan	27,000	23,000
Other bank credit facilities	192	814
	64,098	**54,480**

ING Bank Nederland extended a credit facility of €10.0 million to UNIT4 N.V. and its Group companies that forms part of a pool of accounts that was set up for capital and interest compensation. In this way, the available funds are maximized and the interest costs are optimized. The balance of what is represented above as Bank credit ING relates to the total of debit balances present in the pool of accounts. No specific securities have been given. The interest on this credit facility is the Euribor (1 month) interest plus a surcharge of 75 basis points.

ING Bank Nederland also provides an umbrella facility of €10.0 million for UNIT4 N.V. linked to the cross border Zero Balancing Pool. This facility has the sole purpose to guarantee the temporary exceeding of local facilities as a result of cross border Zero Balancing, which has the ultimate goal ensuring the most efficient use of cash within the Group. This facility can not be used for financing working capital. The interest on this credit facility is the Euribor (1 month) interest plus a surcharge of 75 basis points.

ABN AMRO Bank has provided multi-purpose facilities with a total limit of €25.0 million. This credit facility can be used as current account, as a cash loan with a term between one and twelve months (maximized at €15.0 million) and in the form of guarantees (maximized at €10.0 million). The interest rate and term on the current account is Euribor (1 month) plus a variable margin (between 125 and 205 basis points depending on the leverage) and liquidity premium.

ING Bank Slaski SA with its office in Katowski, Poland, has provided a facility for the amount of €8.0 million. This credit facility can be used as current account. The interest on the current is WIBOR (1 month) interest plus a surcharge of 110 basis points.

ING Bank N.V. Hungary branch with its office in Budapest, Hungary, has provided a facility for the amount of HUF 320 million (€1.0 million). This credit facility can be used as current account and in the form of guarantees (maximized at HUF 20 million (€64,000). The interest on the current account is BUBOR (daily) interest plus a surcharge of 110 basis points.

6.33 OTHER TAXES

The other taxes consist of:

(€000)

	2012	2011
Sales tax	11,314	9,928
Tax on wages	6,324	6,088
Other taxes and social security premiums	5,307	4,513
	22,945	**20,529**

6.34 OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

Other liabilities, accruals and deferred income consist of:

(€000)

	2012	2011
Deferred income	55,443	42,487
Holiday pay, holidays, salaries and employee bonuses to be paid	24,846	23,942
Pensions to be paid	590	439
Deferred and prepaid interest	328	347
Derivatives	2,041	3,030
Other	10,709	11,703
	93,957	**81,948**

6.35 HEDGING ACTIVITIES AND DERIVATIVES

At reporting date UNIT4 N.V. had the following derivatives outstanding at the ING and ABN AMRO bank.

All changes in both the fair value of the underlying positions and in the financial instruments are recognized directly in the profit and loss. The fair values are determined as the difference between the forward exchange rate on closing date and the forward exchange rate on reporting date.

Forward currency contracts

Positions at 31 December 2012	Expiration date	Forward exchange rate
Sell USD 0.3 million in exchange for GBP	30 January 2013	1.63580
Sell USD 0.3 million in exchange for GBP	30 April 2013	1.63535

Positions at 31 December 2011	Expiration date	Forward exchange rate
Sell EUR 0.2 million in exchange for NOK	2 January 2012	7.783489
Sell USD 0.3 million in exchange for GBP	31 January 2012	1.64030
Sell USD 0.3 million in exchange for GBP	30 April 2012	1.63900
Sell USD 0.3 million in exchange for GBP	30 July 2012	1.63800
Sell USD 0.3 million in exchange for GBP	30 October 2012	1.63730
Sell USD 0.3 million in exchange for GBP	30 January 2013	1.63580
Sell USD 0.3 million in exchange for GBP	30 April 2013	1.63535

Interest rate swaps

Positions at 31 December 2012	Expiration date	Fixed interest
The Group pays 3-month floating interest in exchange for 1-month floating interest		N/A
Underlying value GBP 34.0 million	25 February 2013	
The Group pays 3-month floating interest in exchange for 1-month floating interest		N/A
Underlying value EUR 15.8 million	25 February 2013	
The Group pays 5-year fixed interest in exchange for 3-month floating interest		2.248%
Underlying value EUR 30.0 million	31 January 2017	
The Group pays 5-year fixed interest in exchange for 3-month floating interest		2.248%
Underlying value EUR 30.0 million	31 January 2017	
The Group pays 5-year fixed interest in exchange for 3-month floating interest		2.248%
Underlying value EUR 30.0 million	31 January 2017	

Positions at 31 December 2011	Expiration date	Fixed interest
The Group pays 5-year fixed interest in exchange for 3-month floating interest		
Underlying value GBP 34.0 million	25 February 2013	5.037%
The Group pays 5-year fixed interest in exchange for 3-month floating interest		
Underlying value EUR 38.8 million	25 February 2013	4.030%
The Group pays 3-month floating interest in exchange for 1-month floating interest		
Underlying value GBP 34.0 million	25 February 2013	N/A
The Group pays 3-month floating interest in exchange for 1-month floating interest		
Underlying value EUR 38.8 million	25 February 2013	N/A

6.36 FAIR VALUE

The following overview presents a comparison of the carrying amount and fair value of all financial instruments of the Group recognized in the financial statements.

(€000)

	Carrying amount		**Fair value**	
	2012	**2011** (restated[1])	**2012**	**2011** (restated[1])
Financial assets				
Other financial assets	12,158	4,590	12,158	4,590
Trade debtors	72,125	64,622	72,125	64,622
Other receivables	422	206	422	206
Cash and cash equivalents	33,906	21,366	33,906	21,366
	118,611	**90,784**	**118,611**	**90,784**
Financial liabilities				
Non-current liabilities	87,120	84,526	87,120	84,526
Earn out liabilities	1,567	1,473	1,567	1,473
Derivatives	5,337	3,135	5,337	3,135
Interest-bearing loans and borrowings (current)	64,098	54,480	64,098	54,480
Trade payables	15,057	12,459	15,057	12,459
	173,179	**156,073**	**173,179**	**156,073**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for that all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs which have a significant effect on the recorded fair value and that are not based on observable market data.

As at 31 December 2012, the Group held the following financial instruments measured at fair value through profit or loss:
(€000)

	Total	Level 1	Level 2	Level 3
Liabilities measured at fair value				
Derivatives (interest SWAP´s)	5,337	0	5,337	0
	5,337	**0**	**5,337**	**0**

As at 31 December 2011, the Group held the following financial instruments measured at fair value through profit or loss:
(€000)

	Total	Level 1	Level 2	Level 3
Liabilities measured at fair value				
Derivatives (interest SWAP´s)	3,135	0	3,135	0
	3,135	**0**	**3,135**	**0**

On 23 February 2011 the Group executed the call options on the non-controlling interest which were measured at fair value through profit and loss.

During the reporting period ending 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements (2011: none).

6.37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

6.37.1 LIQUIDITY RISK

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. UNIT4 monitors its liquidity risk daily 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 week and compared with the monthly estimated cash balances. This monthly cash flow forecast has a forecasting period of 6 months in which the first 3 months are forecasted on a weekly basis and the last 3 months on a monthly basis.

The table below represents an aging analysis of the liabilities recognized by UNIT4 as at 31 December, based on contractual expiry date (excluding discontinued operations):

At 31 December 2012

(€000)

	On demand	< 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Non-derivative financial liabilities						
Interest-bearing loans and borrowings	0	20,425	10,296	96,797	0	127,518
Other borrowings	0	0	0	23	641	664
Trade and other payables	8,739	7,538	1,541	0	0	17,818
Bank overdrafts	37,098	0	0	0	0	37,098
	45,837	**27,963**	**11,837**	**96,820**	**641**	**183,098**

At 31 December 2011 (restated[1])

(€000)

	On demand	< 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Non-derivative financial liabilities						
Interest-bearing loans and borrowings	0	6,916	20,353	85,519	0	112,788
Other borrowings	0	0	0	66	286	352
Trade and other payables	6,867	4,213	3,397	0	0	14,477
Bank overdrafts	31,480	0	0	0	0	31,480
	38,347	**11,129**	**23,750**	**85,585**	**286**	**159,097**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.37.2 INTEREST 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 risk on the long-term loans, as this is one of the conditions. The Group does not use derivatives or other instruments to manage the interest risk on short-term bank overdrafts, as the interest 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 short-term deposits. Need for short term financing is, depending on the interest conditions, fulfilled by cash loans and existing working capital facilities.

For more information regarding the split of the total interest-bearing loans see Note 6.27. In relation to the newly acquired long term loan UNIT4 has contracted three interest swaps. These interest swaps have an original value of €100.0 million (€33.3 million each) and total current underlying value of €90.0 million and exchanges the floating into a fixed interest of 2.2475%. The underlying value of these interest swaps follow the repayment schedule of the loan and will end on 1 February 2017.
As at balance sheet date the Group still carries two interest swaps related to the former loan which will both end on 25 February 2013.

Sensitivity analysis

On the reporting date UNIT4 had interest-bearing loans of €117.3 million (2011: €118.6 million) from which in total €28.6 million (2011: €38.2) was exposed to interest fluctuations.
An increase of 100 base points for all floating interest at the reporting date would, based on the current net interest-bearing (including Cash and cash equivalents) loans, increase the net finance cost in the profit and loss by €286,000 (2011: €382,000).
A decrease of 100 base points in the interest rates at 31 December would result in the opposite effect.
Without the interest swaps, the effect of a change of 100 base points in the floating interest rate would have been €1.2 million (2011: €1.2 million). In this analysis it is assumed that all other variables, especially the exchange rates, remain unchanged.

The carrying amount of the Group's financial instruments that are exposed to an interest risk are set out below at nominal value, by maturity.

At 31 December 2012

(€000)

	Less than 1 year	1-5 years	More than 5 years	Total
Fixed interest rates				
Other financial assets	597	11,554	0	12,151
	597	**11,554**	**0**	**12,151**
Variable interest rates				
Cash and cash equivalents	33,906	0	0	33,906
Long-term bank credit facilities	-27,000	-88,425	0	-115,425
Short-term bank credit facilities	-37,098	0	0	-37,098
	-30,192	**-88,425**	**0**	**-118,617**

At 31 December 2011

(€000)

	Less than 1 year	1-5 years	More than 5 years	Total
Fixed interest rates				
Other financial assets	560	4,023	0	4,583
	560	**4,023**	**0**	**4,583**
Variable interest rates				
Cash and cash equivalents	21,366	0	0	21,366
Long-term bank credit facilities	-23,000	-84,616	0	-107,616
Short-term bank credit facilities	-31,480	0	0	-31,480
	-33,114	**-84,616**	**0**	**-117,730**

6.37.3 CREDIT RISK

The Group only trades with reputable, creditworthy third parties. It is the Group's policy that all customers who wish to pay in installments are subject to a credit verification procedure. Moreover, the outstanding balances are continually monitored, so that the Group does not run any significant risks in respect to doubtful debtors.

A credit risk is run on the other 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. For certain designated loans and receivables, which are included in the other financial assets for €7.1 million, a collateral is held which is independently valuated for €7.1 million.

Aging analysis trade receivables

The table below represents an aging analysis of the trade receivables as of the reporting date.

At 31 December

(€000)

	Neither past due nor impaired	Past due					Total
		< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days	
2012	7,675	43,012	5,734	3,932	3,738	8,034	72,125
2011 (restated[1])	20,905	24,556	5,992	3,826	3,869	5,474	64,622

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.37.4 SENSITIVITY ANALYSIS FOREIGN CURRENCY

Exchange rate risk

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

Till 1 February 2012, the Group hedged part of its exposure to GBP fluctuations on the translation into euro of its United Kingdom operations by holding a GBP denominated loan. As this loan qualified as a net investment hedged on an investment in an entity with the GBP as functional currency, the currency exchange differences on this loan till 1 February 2012 went through the equity (currency translation differences reserve).

The Group has some limited exposure to exchange rate risks on transactions. These risks arise from sales or purchases made by subsidiaries in a currency other than the functional currency. The Group's currency policy requires all the subsidiaries to use, in consultation with the Corporate Finance Department, forward currency contracts to eliminate the currency exposures on individual transactions resulting in statement of financial positions worth more than 5% of the subsidiary's statement of financial position total or if the counter value exceeds the amount of €500,000. In addition the Group uses currency swap's to optimize the interest charges and interest income (see Note 6.35). For the derivatives the Group's Corporate Finance Department enters into contracts with accredited banks.

The table below presents the impact on the profit before tax and on the equity of a significant change (stated in euro's) in exchange rates within the non-euro countries in which the Group operates, assuming that other variables remain unchanged.

(€000)

		NOK		SEK		GBP		CAD		USD		PLN		Other	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
2012	10%*	-941	5,438	1,444	2,316	939	32,446	326	-53	43	-1,443	519	-1,850	170	1,368
	-10%**	770	-4,449	-1,182	-1,895	-769	-26,546	-267	44	-35	1,181	-424	1,513	-139	-1,119
2011 (restated[1])	10%*	-735	3,875	1,599	2,596	774	23,369	288	-182	118	-1,304	-363	5,003	201	1,170
	-10%**	601	-3,170	-1,309	-2,124	-633	-19,120	-236	149	-96	1,067	297	-4,093	-164	-958

* Appreciation foreign currency

** Devaluation foreign currency

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

6.38 COMMITMENTS AND CONTINGENCIES NOT DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION

6.38.1 RENTAL OBLIGATIONS

The Group has entered into rental obligations for an annual amount of €12.6 million (2011: €11.9 million).
The average term of the rental obligations is 4 years (2011: 5 years).
The rental obligation for a period of less than 1 year is €11.7 million (2011: €11.4 million).
The rental obligation for the period longer than 1 year and less than 5 years is €28.0 million (2011: €31.4 million).
The rental obligation for the period longer than 5 years is €15.6 million (2011: €20.6 million).
In 2012, €11.8 million worth of rental costs was recognized in the income statement (2011: €11.1 million).

6.38.2 LEASE OBLIGATIONS

The Group has taken on operational lease obligations for which the remaining installments amount to €15.3 million (2011: €14.6 million). The average term of the lease obligations is 2 years (2011: 2 years).
The lease obligation for a period of less than 1 year is €6.9 million (2011: €6.7 million).
The lease obligation for the period longer than 1 year and less than 5 years is €8.4 million (2011: €7.6 million).
There is no lease obligation for the period longer than 5 years. (2011: €0.3 million).
In 2012, €6.9 million worth of lease costs was recognized in the income statement (2011: €7.7 million).

6.38.3 OTHER OBLIGATIONS

As at 31 December 2012, the Group did not have any other obligations. (2011: €0.3 million).

6.38.4 SECURITIES

The securities issued by the Group on behalf of third parties amount to €0 (2011: €0).

6.38.5 BANK AND OTHER GUARANTEES

On the reporting date the amount of the current guarantees is €4.9 million (2011: €6.3 million).

6.38.6 GUARANTEE STATEMENT

UNIT4 N.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 a number of the Dutch companies mentioned under Note 6.2.2. These companies are therefore exempted from the regulations that apply to the preparation and publication of the financial statements.

Furthermore, the Dutch companies that are included in the fiscal unity for corporation tax and sales tax are severally responsible to the tax authorities.

6.38.7 LEGAL PROCEDURES

Following the activities of the Group, the company is involved in a number of legal proceedings.
In the opinion of the management this will not be of any material significance to the Group's financial position.

6.38.8 ABRIDGED PRESENTATION OF COMPANY INCOME STATEMENT

As permitted pursuant to Article 402, Title 9, Book 2 of the Dutch Civil Code UNIT4 N.V.'s company income statement is presented in an abridged form.

6.39 CAPITAL MANAGEMENT

The Group's principal goal is to maintain healthy balance ratios for the support and continuity of the operational activities and maximizing shareholders value. The Group monitors the capital structure and balance ratios so as to optimize their goals, taking into account the present economic circumstances. To achieve those goals, the Group's management is able to determine the dividend policy, share issues, other financial instruments or repurchase outstanding shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by EBITDA. The Group's policy is to keep the leverage ratio well within bank covenants.
The Group includes within net debt, interest-bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

(€000)

	Notes	2012	2011 (restated[1])
Interest-bearing loans and borrowings	6.27	86,456	84,174
Short term Interest-bearing loans and borrowings	6.32	64,098	54,480
Less: cash and cash equivalents	6.26	-33,906	-21,366
Net Debt		**116,648**	**117,288**
EBITDA		86,168	83,514
Leverage ratio[2]		**1.35**	**1.40**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.
[2] Due to different definitions and interpretation of those definitions the leverage ratio may slightly differ from the leverage ratio that is calculated and reported to the banks.

For the years ending 31 December 2012 and 31 December 2011 the Group complies with all banking covenants. For more information see Note 6.27. For more information about dividend, see Note 10.3.

6.40 RELATED PARTIES

6.40.1 IDENTITY OF RELATED PARTIES

The following related parties of the Group can be distinguished: the subsidiaries, the associates, the Supervisory Board and the Board of Directors. Note 6.2 provides an overview of the subsidiaries that are included in the consolidated figures.

6.40.2 TRANSACTIONS WITH AND REMUNERATION OF THE BOARD OF DIRECTORS AND OTHER KEY OFFICIALS

In addition to the Board of Directors, three employees are designated key officials.
The remuneration of the members of the Board of Directors and other key officials over 2012 and 2011 can be presented as follows:
(€000)

	2012					2011				
	Short-term benefits	**Post employment benefits**	**Long-term incentive plan**	**Share-based payments**	**Total**	**Short-term benefits**	**Post employment benefits**	**Long-term incentive plan**	**Share-based payments**	**Total**
C. Ouwinga	1,059	144	191	172	1,566	938	132	0	139	1,209
E.T.S. van Leeuwen	818	68	146	183	1,215	731	57	0	139	927
Other key officials	1,871	145	360	375	2,751	1,529	110	0	292	1,931
Total	**3,748**	**357**	**697**	**730**	**5,532**	**3,198**	**299**	**0**	**570**	**4,067**

The short-term benefits can be specified as follows:
(€000)

	2012				2011			
	Salary	**Short-term incentive plan**[1]	**Other short-term benefits (incl. Cars)**	**Total**	**Salary**	**Short-term incentive plan**	**Other short-term benefits (incl. Cars)**	**Total**
C. Ouwinga	522	482	55	1,059	507	380	51	938
E.T.S. van Leeuwen	399	369	50	818	388	291	52	731
Other key officials	924	882	65	1,871	884	579	66	1,529
Total	**1,845**	**1,733**	**170**	**3,748**	**1,779**	**1,250**	**169**	**3,198**

[1] The short-term incentives for 2010 and 2011 have been adjusted according to the restatement of the financial statements related to Poland over the same period. The total correction has been deducted from the short-term incentive for 2012.

The remuneration to members of the Board of Directors is defined annually by the Supervisory Board after being advised by the Remuneration Committee. The basis for the bonus is maximized at 100% of the fixed annual salary in case a member of the Board of Directors does not participate in the Long term Incentive Plan and at 150% of the fixed annual salary in case a member of the Board of Directors does participate in the Long term Incentive Plan. For more information about the Long term Incentive Plan we refer to the Remuneration Policy on our website http://www.unit4.com/investors/corporategovernance.
The criterion for the allocation of the Short Term Incentive Plan in 2012 is, as in previous years, 50% on achievement of a target EBITDA growth and 50% on achievement of target earnings per share growth. The 2012 performance resulted in a 100% realization of the Short Term Incentive plan.

No transactions were entered into nor were guarantees given on behalf of the members of the Board of Directors and other key officials.

The amounts related to article 32bd of the Wages and Salaries Tax Act (known as 'Crisis Levy') can be specified as followed:
(€000)

	2012
C. Ouwinga	146
E.T.S. van Leeuwen	132
Other key officials	200
Total	**478**

The table below contains the information on options granted to the members of the Board of Directors (statutory board):

Director / Share options	Year	Outstanding at 1 January 2012	Awarded in 2012	Exercised in 2012	Expired in 2012	Outstanding at 31 December 2012	Exercise price	Price on exercise date	Expiration date
Share options in UNIT4 N.V.									
C. Ouwinga	2008	75,000	0	0	0	75,000	16.70 EUR	n/a EUR	March 2013
	2009	50,000	0	0	0	50,000	13.42 EUR	n/a EUR	Sept 2014
	2011	50,000	0	0	0	50,000	24.19 EUR	n/a EUR	Sept 2016
	Total	**175,000**	**0**	**0**	**0**	**175,000**			
E.T.S. van Leeuwen	2008	75,000	0	35,000	0	40,000	16.70 EUR	21.70 EUR	March 2013
	2009	50,000	0	0	0	50,000	13.42 EUR	n/a EUR	Sept 2014
	2011	50,000	0	0	0	50,000	24.19 EUR	n/a EUR	Sept 2016
	Total	**175,000**	**0**	**35,000**	**0**	**140,000**			
	Total	**350,000**	**0**	**35,000**	**0**	**315,000**			
Share options in FinancialForce.com									
C. Ouwinga	2011	251,875	0	0	0	251,875	0.08 USD	n/a USD	Nov 2021
E.T.S. van Leeuwen	2011	251,875	0	0	0	251,875	0.08 USD	n/a USD	Nov 2021
	Total	**503,750**	**0**	**0**	**0**	**503,750**			

For more information about these options, see Note 6.10.

6.40.3 TRANSACTIONS WITH THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board over 2012 and 2011 can be presented as follows:
(€000)

	2012	2011
Ph.P.F.C. Houben, Chairman (appointed 25 May 2011)	59	59
Th.J. van der Raadt, (resigned 25 May 2011)	0	47
R.A. Ruijter	41	41
J.A. Vunderink	38	38
F.H. Rövekamp	38	38
Total	**176**	**223**

Member of the Supervisory Board also receive a small payment to cover expenses.
No options are granted and no assets are made available to the members of the Supervisory Board.
No loans have been granted to the members of the Supervisory Board. No guarantee obligations have been entered into on behalf of the members of the Supervisory Board.

Since none of the members of the Supervisory Board received a remuneration above €150,000, no amounts related to article 32bd of the Wages and Salaries Tax Act (known as 'Crisis Levy') have been recognized.

6.40.4 TRANSACTIONS WITH OTHER PARTIES

In 2012 a long term loan was granted to associate NCCW for €700,000. As at 31 December 2012 the loan was included under the Other financial assets for €700,000.

6.41 EVENTS AFTER REPORTING DATE

There are no reportable events after the balance sheet date.

7 COMPANY INCOME STATEMENT

For the year ended 31 December 2012 (€000)

	Notes	2012	2011 (restated[1])
Company profit for the year		-9,510	-1,852
Group companies profit for the year		33,802	25,591
Profit for the year	**9.3.1**	**24,292**	**23,739**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

8 COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2012 (€000)

	Notes	2012	2011 (restated[1])
Assets			
Non-current assets			
Intangible assets	9.3.3	6,564	13,280
Property, plant and equipment	9.3.4	90	82
Financial assets			
Interests in subsidiaries	9.3.5	193,212	185,627
Other financial assets	9.3.6	92	6
Deferred tax asset		1,931	1,381
		201,889	**200,376**
Current assets			
Trade and other receivables	9.3.7.1	176,514	140,043
Other taxes	9.3.7.2	10	25
Cash and cash equivalents		0	922
		176,524	**140,990**
Total assets		**378,413**	**341,366**
Equity and liabilities			
Equity	9.3.8		
Issued capital		1,473	1,465
Share premium		314,189	311,406
Legal reserves		65,842	42,925
Accumulated deficit		-156,298	-154,531
Profit for the year		24,292	23,739
		249,498	**225,004**
Non-current liabilities			
Interest-bearing loans and borrowings	9.3.9.1	86,991	81,444
Deferred tax liability	9.3.9.2	3,118	2,316
Provisions	9.3.9.3	250	233
		90,359	**83,993**
Current liabilities			
Provisions	9.3.9.3	121	0
Trade and other payables	9.3.10.1	951	522
Interest-bearing loans and borrowings	9.3.10.2	27,727	23,000
Income tax payable		3,905	3,640
Other taxes	9.3.10.3	859	138
Other liabilities and accruals	9.3.10.4	4,993	5,069
		38,556	**32,369**
Total equity and liabilities		**378,413**	**341,366**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

9.1 ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

The company financial statements of UNIT4 N.V. are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code, making use of the facility offered by Article 362 Paragraph 8 to apply the same accounting policies for valuation of assets and liabilities and determination of the result to the company financial statements as are applied to the consolidated financial statements.

Interests in subsidiaries

Interests in subsidiaries relate to the subsidiaries in which the company has significant influence and decisive control. This creates the option of determining the financial and operational policy. Interests in subsidiaries are valued at the net equity value.

9.2 ACCOUNTING POLICIES FOR VALUATION OF ASSETS AND LIABILITIES AND ACCOUNTING POLICIES FOR THE DETERMINATION OF THE RESULT

The accounting policies for valuation of assets and liabilities and the accounting policies for the determination of the result are set out in notes to the consolidated financial statements (Notes 6.3 and 6.4).

9.3 NOTES TO ITEMS ON THE COMPANY STATEMENT OF FINANCIAL POSITION

9.3.1 COMPANY INCOME STATEMENT

The company profit after tax relates to the costs of the company, less inter-group charges to subsidiaries and taking into account non-controlling interests.

9.3.2 REMUNERATION OF THE BOARD OF DIRECTORS

See Note 6.40.2.

9.3.3 INTANGIBLE ASSETS

The intangible assets consist entirely of goodwill. The development can be presented as follows:
(€000)

	2012	2011
Carrying amount at 1 January	13,280	13,280
Acquisition of subsidiaries	0	0
Relocation of assets within the Group	-6,716	0
Impairment	0	0
Carrying amount at 31 December	**6,564**	**13,280**
1 January		
Cost price	15,994	15,994
Accumulated depreciation	-2,714	-2,714
Accumulated impairment	0	0
Carrying amount	**13,280**	**13,280**
31 December		
Cost price	7,408	15,994
Accumulated depreciation	-844	-2,714
Accumulated impairment	0	0
Carrying amount	**6,564**	**13,280**

9.3.3.1 IMPAIRMENT TEST OF GOODWILL

(€000)

	Carrying amount goodwill at 31 December 2012	Impairment 2012
UNIT4 Business Software Inc.	6,564	0
	6,564	**0**

For more information on the impairment test of goodwill see Note 6.20.

The key assumptions used for value-in-use calculations for the above CGU are as follows:

(€000)

	2012	2011
Gross profit growth	10%	8%
Employee and other expenses growth	10%	6%
Discount rate	13.33%	14.00%

9.3.4 PROPERTY, PLANT AND EQUIPMENT

At 31 December 2012

(€000)

	Technological inventories	Other tangible assets	Total
Carrying amount at 1 January	35	47	82
Investments	15	58	73
Divestments (cost price)	-11	0	-11
Depreciation of divestments	11	0	11
Depreciation	-24	-41	-65
Carrying amount at 31 December	**26**	**64**	**90**
1 January 2012			
Cost price	110	276	386
Accumulated depreciation	-75	-229	-304
Carrying amount	**35**	**47**	**82**
31 December 2012			
Cost price	114	334	448
Accumulated depreciation	-88	-270	-358
Carrying amount	**26**	**64**	**90**

At 31 December 2011

(€000)

	Technological inventories	Other tangible assets	Total
Carrying amount at 1 January	9	94	103
Investments	38	5	43
Divestments (cost price)	-3	0	-3
Depreciation of divestments	3	0	3
Depreciation	-12	-52	-64
Carrying amount at 31 December	**35**	**47**	**82**

1 January 2011			
Cost price	75	271	346
Accumulated depreciation	-66	-177	-243
Carrying amount	**9**	**94**	**103**

31 December 2011			
Cost price	110	276	386
Accumulated depreciation	-75	-229	-304
Carrying amount	**35**	**47**	**82**

9.3.5 INTERESTS IN SUBSIDIARIES

The interests in subsidiaries relate to the interests at 31 December 2012 as set out in Note 6.2. With regard to the interests in subsidiaries account must be taken of the acquisitions and divestments during the financial year. The movements can be presented as follows:

(€000)

	2012	2011 (restated[1])
Balance at 1 January	185,627	165,323
Dividend	-41,525	0
Change in non-controlling interest	101	-5,544
Profit from Group companies	33,802	25,591
Actuarial gains and losses on defined benefit plans in Group companies (after tax)	-1,828	-1,601
Relocation of assets within the Group	6,716	0
Foreign currency translation differences	10,319	1,858
Balance at 31 December	**193,212**	**185,627**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

9.3.6 OTHER FINANCIAL ASSETS

The other financial assets per 31 December 2012 include a financial instrument classified as 'Held for sale'. This item was not changed during 2012.

The Securities item relates to the 15% interest in Arge Holding B.V. (formerly Arge Consultancy B.V.) and the 0.4% interest in ArgeWeb B.V., both based in Maassluis, the Netherlands.

9.3.7 CURRENT ASSETS

9.3.7.1 TRADE AND OTHER RECEIVABLES

(€000)

	2012	2011
Trade receivables	17	3
Intercompany accounts	175,636	139,948
Other receivables	861	92
	176,514	**140,043**

9.3.7.2 OTHER TAXES

The other taxes consist of:

(€000)

	2012	2011
VAT	10	25
	10	**25**

9.3.8 EQUITY

The division of the company equity in accordance with Title 9, Book 2 of the Dutch Civil Code can be presented as follows:

For the year ended 31 December 2012

(€000)

	Issued capital	Share premium	Legal reserves		Accumulated deficit	Profit for the year	Total
			Currency translation differences	Software development costs			
1 January 2012	**1,465**	**311,406**	**-19,245**	**62,170**	**-154,531**	**23,739**	**225,004**
Capitalized development costs in Group companies	0	0	0	12,579	-12,579	0	0
Foreign currency translation differences	0	0	10,338	0	0	0	10,338
Actuarial gains and losses on defined benefit plans (after tax) in Group companies	0	0	0	0	-1,828	0	-1,828
Profit for the year	0	0	0	0	0	24,292	24,292
Total income and expenses for the financial year	**0**	**0**	**10,338**	**12,579**	**-14,407**	**24,292**	**32,802**
Change in ownership non-controlling interest	0	0	0	0	82	0	82
Issue of share capital	2	754	0	0	0	0	756
Exercise of options	6	2,029	0	0	0	0	2,035
Appropriation of result	0	0	0	0	23,739	-23,739	0
Dividend 2011	0	0	0	0	-11,836	0	-11,836
Share-based payments	0	0	0	0	655	0	655
31 December 2012	**1,473**	**314,189**	**-8,907**	**74,749**	**-156,298**	**24,292**	**249,498**

For the year ended 31 December 2011 (restated[1])
(€000)

	Issued capital	Share premium	Legal reserves: Currency translation differences	Legal reserves: Software development costs	Accumulated deficit	Profit for the year	Total
1 January 2011	**1,461**	**310,313**	**-20,651**	**53,333**	**-152,143**	**23,406**	**215,719**
Adjustment of previous period errors[1]	0	0	-409	0	0	-3,124	-3,533
1 January 2011 (restated)	**1,461**	**310,313**	**-21,060**	**53,333**	**-152,143**	**20,282**	**212,186**
Capitalized development costs in Group companies	0	0	0	8,837	-8,837	0	0
Foreign currency translation differences	0	0	1,815	0	0	0	1,815
Actuarial gains and losses on defined benefit plans (after tax) in Group companies	0	0	0	0	-1,601	0	-1,601
Profit for the year	0	0	0	0	0	23,739	23,739
Total income and expenses for the financial year	**0**	**0**	**1,815**	**8,837**	**-10,438**	**23,739**	**23,953**
Acquisition of shares existing subsidiaries	0	0	0	0	-5,544	0	-5,544
Exercise of options	4	1,093	0	0	0	0	1,097
Appropriation of result	0	0	0	0	20,282	-20,282	0
Dividend 2010	0	0	0	0	-7,319	0	-7,319
Share-based payments	0	0	0	0	631	0	631
31 December 2011	**1,465**	**311,406**	**-19,245**	**62,170**	**-154,531**	**23,739**	**225,004**

[1] Certain amounts do not correspond to the Group's annual financial statements as at 31 December 2011 as they include adjustments for errors in previous periods as described in Note 6.5.

9.3.9 NON-CURRENT LIABILITY

9.3.9.1 NON-CURRENT LIABILITY

The non-current liabilities consist of:
(€000)

	2012	2011
Interest-bearing loans and borrowings	83,695	81,339
Derivatives	3,296	105
	86,991	**81,444**

9.3.9.2 DEFERRED TAX LIABILITY

The deferred tax liability recognized relates to the future liability based on a temporary downward valuation facility.
The temporary downward valuation facility (Article 13ca Dutch tax law) for Group companies is related to the downward valuation option in the Dutch tax legislation offering the possibility of a temporary downward valuation of a Group company (under normal circumstances 5 years), thus realizing an interest and rate gain.

9.3.9.3 PROVISIONS

The provisions consist of:

At 31 December 2012

(€000)

	Earn out obligations	Deferred benefits	Other provisions	Total
Balance at 1 January	169	64	0	233
Expenditure	0	-3	0	-3
Arising during the year	0	21	120	141
Balance at 31 December	**169**	**82**	**120**	**371**
Current	0	1	120	121
Non-current	169	81	0	250
	169	**82**	**120**	**371**

At 31 December 2011

(€000)

	Earn out obligations	Deferred benefits	Total
Balance at 1 January	169	64	233
Arising during the year	0	0	0
Balance at 31 December	**169**	**64**	**233**
Current	0	0	0
Non-current	169	64	233
	169	**64**	**233**

Earn out obligations

The earn out obligations relate to the expectations of the management for the variable part of the purchase price of the shares acquired during the year or earlier. No interest is owed over the earn out payments. The earn out obligations are not discounted.

Deferred benefits

The provision for deferred benefits relates to the payments connected with years of service (12 1/2 and 25 years and right before retirement).

9.3.10 CURRENT LIABILITIES

9.3.10.1 TRADE AND OTHER PAYABLES

The trade and other payables consist of:

(€000)

	2012	2011
Trade payables	793	361
Other payables	91	126
Intercompany accounts	67	35
	951	**522**

9.3.10.2 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

	2012	2011
Bank credit ING	3	0
Cash loan Fortis	724	0
Repayment term long-term loan	27,000	23,000
	27,727	**23,000**

For notes regarding the Group's credit facilities, see Note 6.28.2.

9.3.10.3 OTHER TAXES

The other taxes consist of:

(€000)

	2012	2011
Tax on wages	224	138
Other tax	635	0
	859	**138**

9.3.10.4 OTHER LIABILITIES AND ACCRUALS

The accruals and deferred income consist of:

(€000)

	2012	2011
Accountants and advisory costs to be paid	273	260
Commissions to be paid	1,782	1,289
Holiday pay/holidays to be paid	233	217
Annual report costs to be paid	94	80
Derivatives	2,041	3,030
Other	570	193
	4,993	**5,069**

9.3.11 AUDITORS FEES

In accordance with the provisions of Article 382a, Book 2 of the Dutch Civil Code, the Group's auditors charged €487,000 to UNIT4 and its subsidiaries regarding the total audit fees for the audit of UNIT4 N.V. (2011: €476,000).
€208,000 (2011: 195,000) was charged by Ernst & Young Accountants LLP to UNIT4 N.V. and its Dutch subsidiaries. Regarding other audit fees Ernst & Young Accountants LLP charged €45,000 in 2012 (2011: €8,000) and regarding other services €0 (2011: €12,000).

9.3.12 GUARANTEE STATEMENT

UNIT4 N.V. has issued statements in accordance with the provisions of Article 403 of Book 2 Title 9 of the Dutch Civil Code regarding a number of the Dutch companies mentioned under 'General accounting policies'.
These companies are therefore exempt from the regulations that apply to the preparation and publication of the financial statements.

Sliedrecht, 13 March 2013

Board of Directors

C. Ouwinga
E.T.S van Leeuwen

Supervisory Board

Ph.P.F.C. Houben, Chairman
R.A. Ruijter
J.A. Vunderink
F.H. Rövekamp

10 OTHER INFORMATION

10.1 INDEPENDENT AUDITOR'S REPORT

To: the Annual General Meeting of Shareholders and the Supervisory Board of UNIT4 N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of UNIT4 N.V., Sliedrecht. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company statement of financial position as at 31 December 2012, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of UNIT4 N.V. as at 31 December 2012 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of UNIT4 N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report , to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, the Netherlands, 18 March 2013

Ernst & Young Accountants LLP
Signed by M. Huizer

10.2 REGULATIONS IN THE ARTICLES OF ASSOCIATION CONCERNING THE APPROPRIATION OF RESULT

In accordance with article 28.4 of the Articles of Association, the Board of Directors is empowered, with the approval of the Supervisory Board, to entirely or partly reserve the profit remaining after payment to holders of preference shares. Any remaining profit is then at the free disposal of the General Meeting of Shareholders.

10.3 APPROPRIATION OF THE NET PROFIT 2012

During the financial year no interim dividend was paid out.

It will be proposed to the General Meeting of Shareholders to pay out part of the 2012 result (attributable to UNIT4 shareholders) to the amount of €0.45 per outstanding share as cash dividend. The amount that will be added to the accumulated deficit can be calculated as follows:

(€000)

Net profit 2012	24,292
Cash dividend on ordinary shares over 2012[1]	13,256
	11,036

[1] Based on the number of shares outstanding as per 31 December 2012.

10.4 EVENTS AFTER REPORTING DATE

See Note 6.41.

10.5 STICHTING CONTINUÏTEIT UNIT4

The objective of Stichting Continuïteit UNIT4, a foundation with its seat in Sliedrecht, the Netherlands, is to protect the interests of the Group in such a way that the interests of the Group, its subsidiaries and all parties involved will be safeguarded in the best possible way and that influences that might negatively affect the independence and/or continuity and/or identity of the aforementioned companies are resisted, as well as performing all tasks related to or beneficial to the foregoing.

The foundation strives to achieve its objective by, amongst other activities, acquiring preference shares in the capital of the company and by exerting all rights connected with these preference shares.

The foundation is managed by:
J. Ekelmans, N.J. van der Wal, Ph.P.F.C. Houben, J. Thierry, M. Veninga.

Declaration of independence

The Board of Directors of UNIT4 and the management of Stichting Continuïteit UNIT4 hereby declare that they are jointly of the opinion that the requirements concerning the independence of the management of Stichting Continuïteit UNIT4, as previously mentioned in Appendix X of the Listing and Issuing Rules of the NYSE Euronext Amsterdam Stock Market have been met.

Sliedrecht, the Netherlands, 18 March 2013

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