UNIT4
BUSINESS SOFTWARE

# Annual Report 2010

## We are UNITed

EMBRACING **CHANGE**

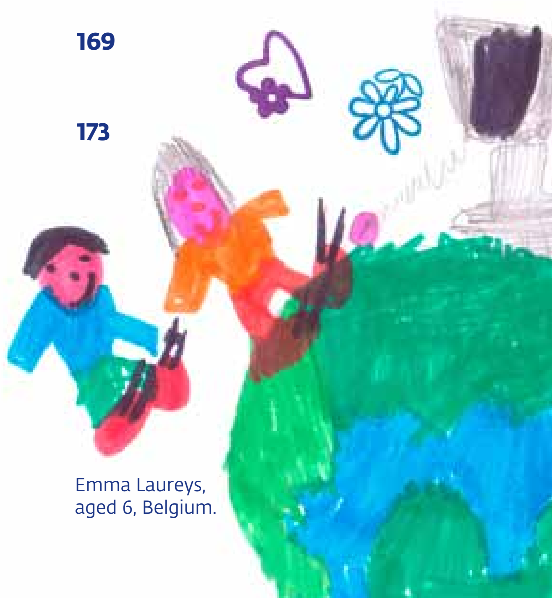
## We are UNITed - Drawings

The drawings throughout this year's Annual Report, except for those of the Management Board and Supervisory Board, are all created by children of UNIT4 employees around the world. Many thanks to all who submitted artwork.

Front cover artwork by Urszula Dulak, aged 6, Poland.
Back cover artwork by Marie-Emilie Gombault, aged 10, France.

# Contents





Emma Laureys,
aged 6, Belgium.

C&F Report Amsterdam B.V., Mike Croall and Tim Oake

# UNIT4: We are UNITed

At the beginning of 2010, UNIT4 completed its global rebranding programme. By bringing the organization together under one recognizable name, we believe we are better positioned to fulfil our ambition of becoming a truly global business software brand in the coming years. Unity lies at the heart of our business strategy.

As well as going to market globally under the UNIT4 brand, the organization has a consistent business strategy and targets the same, unique market segment – Businesses Living IN Change, or BLINC™* organizations. These are organizations that experience particularly high levels of on-going change, due to frequent reorganization, mergers and acquisitions, or compliance and regulation issues. Found in all industry sectors, from commercial and public sector, they need business software that can be changed at short notice and low cost, to support them in through change.

UNIT4 is unique in that it is united in addressing and supporting these BLINC organizations around the world, ensuring that its software solutions are all optimized to support change simply. Under the banner of 'Embracing Change' we have a clear focus, a united purpose and a powerful differentiation in the marketplace.

As a result of this clear, united focus, we are able to work together around the world to address the needs of clients large and small, cooperating between divisions where necessary to meet their needs and deliver results.

We have consolidated our global R&D operations, responsible for developing our core software solutions, into a few locations in order to ensure they work together and with the wider business more effectively, and help drive our product and business strategy successfully.

Examples of our global cooperation are highlighted here.

## We are UNITed – Benelux

Benelux is the largest 'country' within UNIT4 with some 1,100 employees, and operates eight subsidiaries across the Benelux region, all of which run their own product-market combinations. Although each subsidiary provides its customers with a specialized product offering, from accountancy, auditing or Human Resources and payroll software through to healthcare and wholesale solutions, they share a number of core elements across the UNIT4 operations. Some components, such as HR, are centralized. Marketing activities are also undertaken jointly, and UNIT4 is a proud sponsor of the Dutch Football Association.

## We are UNITed – United Kingdom

In the UK, the Agresso and Coda software suites were both well-established brands and solutions in their market places before we rebranded. After the process of bringing the organizations together began in 2009, the company was rebranded under the guidance of a new managing director. Additionally, the UK organization was restructured and a new board was appointed as the company embarked on implementing a new and exciting platform strategy that is already translating into winning bigger solution deals that include third party products. By bringing the Coda and Agresso teams and products together, we are able to provide customers with a broader choice of solutions.

## We are UNITed – Asia

During 2010, UNIT4's Asia Pacific operations headquartered in Singapore underwent skills transfer training to sell and support ABW, which has now been successfully introduced to the local market, having previously only offered Coda Financials. Working under the UNIT4 brand, the team successfully won a number of significant early ABW deals. ABW has been translated into Simplified Chinese and this will aid future sales in the region. The Asia market is buoyant and 2011 looks set to deliver further strong Agresso and Coda sales.

## We are UNITed – Elsewhere in Europe

In Germany, the Agresso and Coda operations were combined under the UNIT4 brand in 2010, creating a stronger operating unit. In Sweden, meanwhile, our UNIT4 Agresso and UNIT4 Ocra divisions operate cooperatively, sharing the same building and the same managing director. This helps develop cross-selling opportunities, shortens communication lines and provides strategic clarity. Former Agresso operations in Norway and Coda operations in Hungary, the Czech Republic and France are now working

*Businesses Living IN Change (BLINC)' is a registered trademark in the name of UNIT4 Business Software Holding B.V.


Laurel Chwelos,
aged 13, Canada.

under the UNIT4 brand. In Poland, UNIT4 acquired TETA Software, a leading player in the domestic ERP and HR software markets. Work has started on rebranding the organization to UNIT4 Teta, and synergies and cross-selling opportunities are already apparent. The acquisition will not only enable UNIT4 to achieve a leading position in the Polish market but, combined with our operations in Hungary and the Czech Republic, we now have an even stronger platform for future growth in Central and Eastern Europe. In Italy, UNIT4 bought the Coda support and services division of its Italian partner, which was a long-term reseller of Coda Financials. Now operating as UNIT4, skills transfer for Agresso began immediately after the acquisition. They played a key role in the closure and initial implementation of an international deal with major not-for-profit organization Save the Children.

## We are UNITed – Business cooperation

Cross-border business cooperation is essential in today's corporate environment. For UNIT4's country operations, being able to tap into the expertise of colleagues in other locations or business units is an important aspect of providing complete customer satisfaction. We recently implemented a number of customer projects that achieved success with the help of international cooperation across the organization.

### Implementing ABW at Universidade Católica Portuguesa

Towards the end of 2010, UNIT4 signed a deal with Universidade Católica Portuguesa (UCP) to implement Agresso Business World, providing an integrated solution for finance, research, procurement, HR and payroll across the university. The project will involve UNIT4 consultants from Portugal, the United Kingdom and France working alongside a team from UCP to implement the new system. This is the first higher education win for Agresso solutions in Portugal and highlights how a united organization can help achieve real business results.

### Agresso Australia provides ABW to Queensland government

In 2010 Australian partner Agresso Pty signed a landmark education sector deal to provide the Queensland government's Department of Education and Training with ABW. UNIT4's system will become the finance technology solution used to support Queensland's transformational 'SmartClassroom' education initiative. As part of an iconic programme of change, the OneSchool application is being built on the department's enterprise platform and supports its core business of learning and teaching. OneSchool is a school-driven project focused on improving relationships among teachers, students and parents, with the key objective being to enhance the learning of all students. As part of the project preparation and offering, Agresso Pty enlisted the help and expertise of their colleagues from UNIT4 in North America, UK and the Netherlands which proved crucial to both the project's sale and implementation.

### Taking ERP software to the next level

Vita Cloud Angel and Coda Cloud Rebel are two of UNIT4's latest offerings, and are designed to take ERP software and Coda financial management software to the next level of agile, flexible, and affordable deployment. Each provides a low-cost, subscription-based, cloud-based deployment option for Agresso Business World or Coda Financials, aimed at the ever-changing needs of Businesses Living IN Change (BLINC). They allow customers to embrace change within their business independent of the location and deployment model of their chosen ERP or Financial software. They are aimed at organizations that want complete freedom to choose the specialist solutions that suit their needs, deployed in the way that best fits their organization: on their premises, in the cloud or in a hybrid approach.

What makes these two services even more special is that UNIT4 IT Solutions, serving the rest of the UNIT4 Group, provides the hosting. Through the creation of a corporate Hybrid Computing division dedicated to delivering services that mix on-premises, private and shared cloud services for Businesses Living IN Change, we're combining our 'We are UNITed' ethos with the recognition that most clients, especially medium-sized and large organizations, want to take a hybrid approach to cloud computing. No matter where the customer is based, our regional teams know that they can rely on UNIT4 IT Solutions to support their every need, 24/7.

# Message from the CEO
## Dear Stakeholders

The most important development in 2010 was that we saw a general stabilization of markets worldwide, although circumstances were by no means easy. We were able to deliver some solid results, and we saw a gradual improvement across many of our business areas as customers slowly began to regain confidence from the signs of recovery in the broader economy.

Within the company the cost cutting measures that we introduced in 2009 began to pay off and we saw improved cost structures in those areas where we reorganized our services' resources. In Spain, for example, we improved our performance after reducing costs, closing a number of record orders and increasing total licence revenues.

During the year we made a number of very interesting acquisitions, delivering on our goals of seeking out growing companies and moving into growth markets such as Eastern Europe and human resource management (HRM) solutions. In the first half of 2010 we acquired Consist, a Dutch company that produces both financial applications and human resource management applications for the domestic market. At the end of the year we completed our acquisition of TETA, one of Poland's leading ERP and HR software providers. This new company will provide us with leading positions in the Polish ERP and HR software markets and the Hungarian HR software market. TETA will also provide a solid platform for expansion in Central and Eastern Europe, where the ERP software market is growing at a faster pace than in Western Europe.

In December, FinancialForce.com, our cloud solutions operation formed with investment from salesforce.com, purchased the PS Enterprise cloud solution from US-based cloud computing company Appirio. The acquisition in the growing professional services automation (PSA) market makes strategic sense for FinancialForce.com and broadens the functionality of FinancialForce Accounting in areas such as time recording and project management. This will satisfy demand for these services from many existing customers as well as extending our market into large services enterprises.

James Martin, aged 6, UK.

We've continued to prove that we're a stable company that delivers a rock solid cash flow, and we've decreased some of the uncertainty that gripped the market in 2009. We cut our dependency on external lenders in 2010 by paying back part of our loan. Additionally, we continued to gain market share with our successful product offerings, saw good licence growth, and improved our working capital. The growing Software as a Service (SaaS) business, which includes FinancialForce, will become an increasingly important part of our strategy and we continue to invest in this important and exciting market.

As we announced last year, we chose to re-brand across the Group as UNIT4. The change was completed officially during 2010, and represents the start of the company's next stage of growth. Although our focus remains on helping our customers 'embrace change', the theme of this year's report is 'We are UNITed'. As a global brand that provides solutions across business areas, markets and regions, UNIT4 is truly moving forward as a global team. We're excited about the future, and we hope you are too.

Chris Ouwinga


Tess van Gelderen, aged 11, the Netherlands.

# Company Profile

UNIT4 is a global business software and services company focused on helping dynamic 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 Agresso Business World and Coda Financials.

With a revenue of €421.7 million in 2010, we are a top six mid-market ERP software player globally, and Europe's second-largest ERP supplier. Headquartered in Sliedrecht, the Netherlands, we have offices in 17 European countries, as well as seven countries across North America, Asia Pacific and Africa and sales activities in several other countries. The company has 4,202 employees (December 31, 2010), has been publicly listed on the NYSE Euronext Amsterdam since 1998, and is included in the Amsterdam Midcap Index (AMX).

## 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 business solution specializations include:

- Enterprise Resource Planning (ERP)
- Human Capital Management (HCM)
- Financial Management
- Consolidation and Cash
- Financial Audit
- On-demand Applications
- Expert Software Services.

Our aim is to help our customers embrace change and become independent, while minimizing the cost and maximizing the efficiency of the change process.

## BLINC

Businesses Living IN Change (BLINC) organizations all share one common characteristic: they face ongoing 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 and 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.

## Markets

Our expertise is built on over 30 years of knowledge and experience, helping businesses living in change across a wide range of commercial and public sectors. Our key markets include:

- Local Government
- Higher Education
- Financial Services
- Professional Services
- Retail
- Transport and Logistics
- Wholesale and Distribution.

We work with our clients to deliver strategic and long-term business benefits, further enhancing our products and services in the process and often creating dedicated solutions to meet their specific needs.

## International products

For medium-sized service-intensive organizations, UNIT4 markets the Agresso Business World ERP suite that is widely acknowledged as the business software solution that delivers the lowest total cost of change. This is achieved thanks to its Vita™ architecture, which allows for ongoing, post-implementation changes without the need for the typical external IT services that cost firms huge sums of money each year.

For medium to large-sized organizations seeking financial management software that will integrate seamlessly with their industry- and company-specific applications, UNIT4 markets the Coda best-of-class financial and accounting software suite. By acting as the financial information


Dahlia Egeberg, aged 11, Norway.

backbone for companies with fast-changing and mixed application environments, it offers a 'no compromise' approach to financial modelling, process controls and application choice.

Other international products in the Group's extensive portfolio of applications include FinancialForce.com, a company with minority investment from salesforce.com that offers cloud-based financial management and professional services solutions, Agresso Wholesale, Agresso CRM, UNIT4 Talent Management, UNIT4 Collaboration Software, ekon and a number of UNIT4 accountancy products.

## Local products

In the Benelux and a number of other countries, UNIT4 offers specialized business software for SMEs and specific vertical sectors, such as wholesale, accountancy, healthcare and financial agents. We also offer a range of solutions for payroll administration and human resource management. All applications have extensive facilities for reporting and management information.

## Flexibility and choice

A unique feature of UNIT4's offering is the flexibility and choice we provide to our clients, especially in terms of how they wish to deploy their solutions. Many of them can either be deployed on their own premises, or hosted, or can run in the cloud. They can be deployed as a shared service, in their own dedicated environment, or with a range of outsourced business processes, such as payroll or invoice management. To facilitate even more flexibility and choice, we provide various delivery and payment combinations, and multi-platform hybrid computing services.

# Product 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 since 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 | Agresso Business World | ERP solution for people/ service-intensive organizations | Businesses Living IN Change, medium-sized and large organizations | Worldwide | Leading or strong regional and vertical positions |
| | 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 |
| | ekon | ERP system | SMEs | Spain and Latin America | Top 5 in Spain |
| | FinancialForce Accounting | Financial management system delivered in the cloud | Medium-sized organizations, particularly services-based | Worldwide | Introduced 2009; the only accounting system on salesforce.com's cloud platform, Force.com |
| | UNIT4 Multivers | Accounting, stock and sales administration | SMEs | Benelux | Top 3 in the Netherlands |
| | Ocra | Group reporting & consolidation solution | Medium & large multi-company organizations | Worldwide | Top 3 in Scandinavia |
| | 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 |
| | 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 and ÈFDÉCÉ | Financial services | Insurance brokers and mortgage advisors | The Netherlands | Top 3 in the Netherlands |

Aina Harma, aged 8, Sweden.

# Key figures

| in € x 1 million | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | **421.7** | **379.4** | **393.6** | **308.8** | **230.7** |
| Revenue growth against previous year | 11.1% | -3.6% | 27.5% | 33.8% | 18.6% |
| **Operating result before interest, tax, depreciation and amortization (EBITDA)** | **86.1** | **75.1** | **70.1** | **51.9** | **42.4** |
| % EBITDA/revenue | 20.4% | 19.8% | 17.8% | 16.8% | 18.4% |
| **Employees and ratios** | | | | | |
| Average number of employees (FTEs) | 3,666 | 3,323 | 3,302 | 2,702 | 2,051 |
| Revenue per employee (in €000) | 115 | 114 | 119 | 114 | 113 |
| **Discontinued operations**[1] | | | | | |
| **Revenue** | **1.2** | **3.9** | **6.6** | **70.3** | **183.7** |
| **Operating result before interest, tax, depreciation and amortization (EBITDA)** | **-2.4** | **-2.4** | **-4.2** | **-2.6** | **4.9** |
| % EBITDA/revenue | -200% | -61.5% | -63.8% | -3.7% | 2.7% |
| **Employees and ratios** | | | | | |
| Average number of employees (FTEs) | 21 | 49 | 81 | 172 | 325 |
| Revenue per employee (in €000) | 57 | 80 | 81 | 409 | 565 |
| **Total** | | | | | |
| **Revenue** | **422.9** | **383.3** | **400.2** | **379.1** | **414.4** |
| **Profit after tax before goodwill related items and impairments** | **43.2** | **35.0** | **30.3** | **35.1** | **26.3** |
| % profit before impairment/revenue | 10.2% | 9.2% | 7.6% | 9.3% | 6.3% |
| **Total number of employees at 31 December (FTEs)** | **4,040** | **3,320** | **3,486** | **3,412** | **2,933** |
| **Total equity** | **227.0** | **134.1**[2] | **97.7** | **165.2** | **133.0** |
| % total equity/total equity and liabilities | 39.9% | 28.3% | 20.5% | 44.5% | 35.1% |
| **Interest-bearing loans and borrowings** | **127.9** | **145.9** | **165.9** | **0.0** | **0.0** |
| **Liquidity**[3] | | | | | |
| Working capital (excl. cash and cash equivalents and bank credits) | -42.4 | -48.9 | -51.8 | -22.7 | -19.2 |
| % quick ratio (incl. cash and cash equivalents and bank credits) | 76.6% | 79.4% | 71.0% | 99.1% | 70.9% |
| **Financial figures per share in €** | | | | | |
| **Basic earnings per share before goodwill related items** | **1.52** | **1.33** | **1.15** | **1.35** | **1.02** |

[1] for further information see Note 6.16 of the Financial Statements

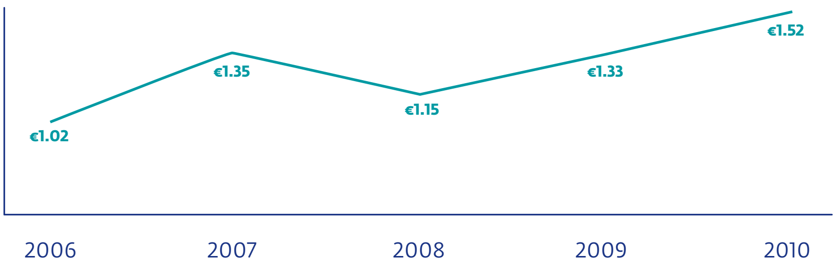
[2] for further information see Note 6.2.3.2

[3] continuing operations

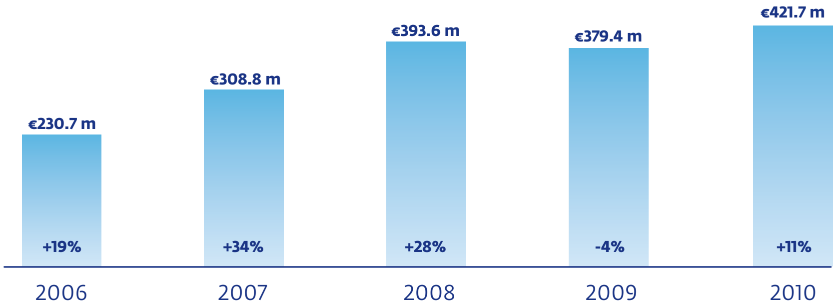

Louise Heide Akerman, aged 14, Norway.

## Earnings per share

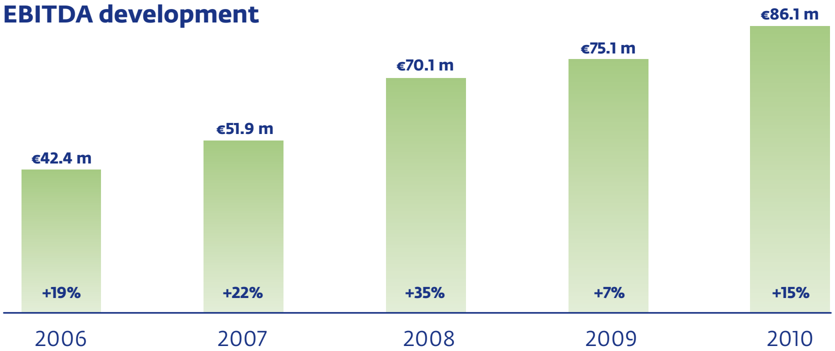
BEFORE GOODWILL RELATED ITEMS AND IMPAIRMENTS



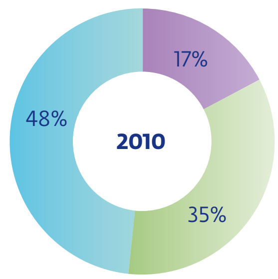

## Revenue development



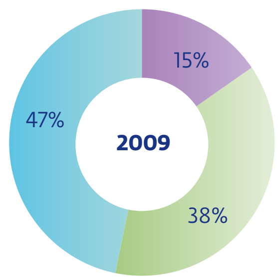

## EBITDA development




## Revenue split by category




| | |
|---|---|
| Products | 17% |
| Services & others | 35% |
| Contracts & subscriptions | 48% |




| | |
|---|---|
| Products | 15% |
| Services & others | 38% |
| Contracts & subscriptions | 47% |

# Our identity, vision, mission and strategic approach

## Our corporate identity

On 1 February 2010, we officially changed our name from Unit 4 Agresso to UNIT4, and applied the new name across all companies in the Group. The rebranding follows a series of acquisitions in recent years that has seen the company grow to become a top six mid-market ERP software player globally and the second-largest European ERP supplier. The rebranding of the Group and its subsidiaries represents the start of the company's next stage of growth. By using a single name worldwide, our marketing and communications efforts are clearer and more focused, enabling us to build a truly global business software brand.

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. We do.

## Our brand values

The brand values that support our 'Embracing Change' positioning are:

- agile
- result-driven
- transparent
- connected.

We focus our communications around how each of our products and services supports one or more of these values. This helps us to substantiate our positioning and make it real and understandable for staff, customers and the wider market.

## Our vision

UNIT4 aspires to set the global standard for business software that helps dynamic organizations to embrace change simply, quickly and cost-effectively.

## Our mission

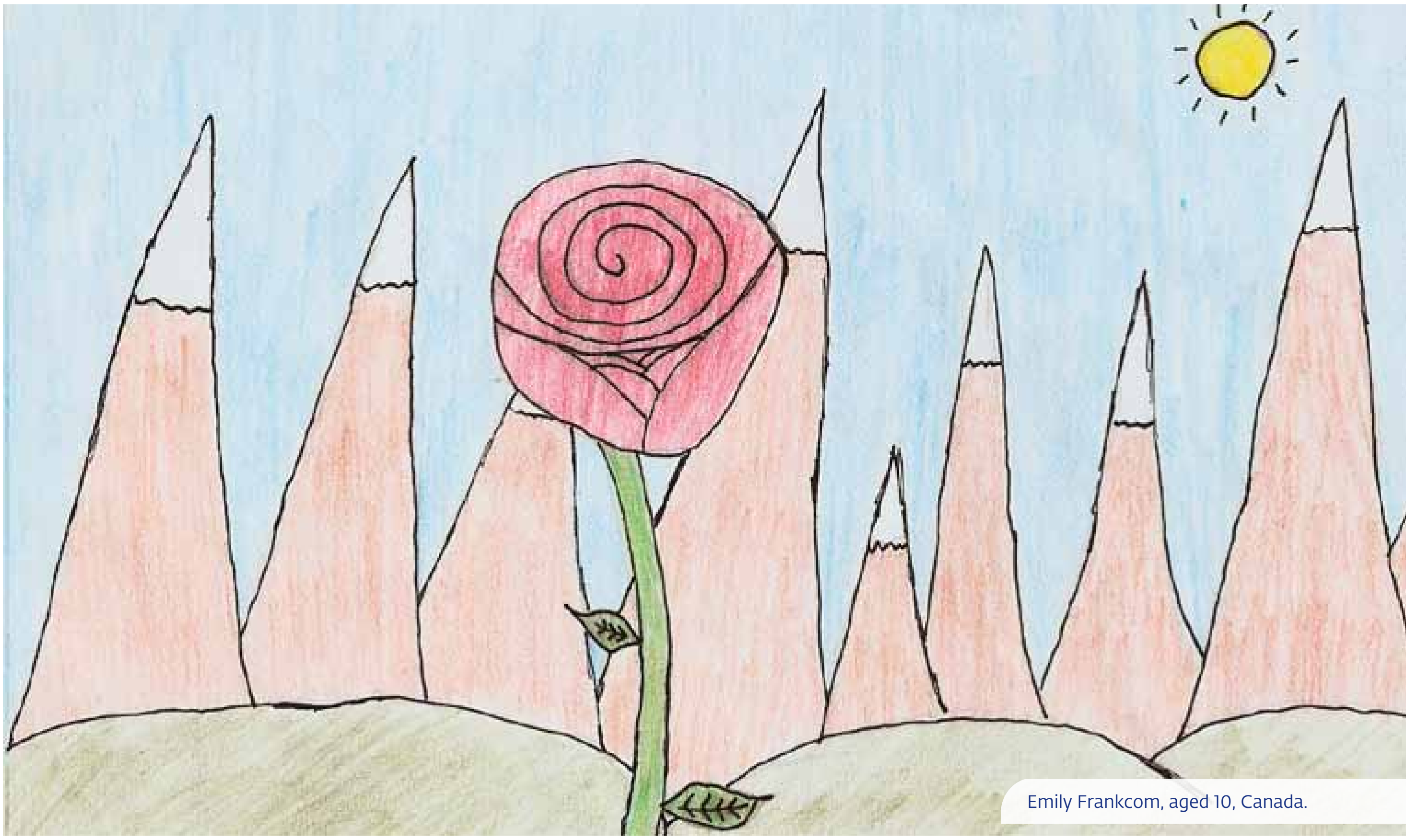
We create, deliver and support adaptable business software and services globally that help organizations to manage their dynamic business needs effectively. Our strategy is to grow organically and by acquisition to expand the scope of our solutions, the sectors we focus on and our routes to the market. 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 strategic objectives

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. We recognize that as a major international business we have a wide range of stakeholders and we strive successfully 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. Our headline financial objective is to achieve annual revenue of €500 million by the end of 2012.
- **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.
- **Staff**: we try to create a challenging and rewarding working environment and career structure for staff 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.
- **Suppliers**: we aim to build strong, mutually beneficial relationships with good quality suppliers and to be a responsible purchaser of goods and services.
- **Marketplace**: we 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.



Emily Frankcom, aged 10, Canada.

## Strategic challenges

Based on our SWOT analysis (see page 14), we have targeted a number of key strategic challenges that we will focus on in the coming few years. These are:

- to deliver further cost synergies by continuing to coordinate and integrate R&D, marketing and sales activities, particularly for our international flagship products, Agresso Business World and Coda Financials
- to build on Agresso Business World's strong position in the public sector market by responding to the sector's increasing demand with a strong marketing and sales focus
- to develop partnerships to facilitate cost-effective growth and to extend our ability to deliver bigger solutions and target larger opportunities
- to achieve further improvements in organizational efficiency through the optimal use of more automated maintenance methods, improved planning, and the wider mobilization of employees to save costs and utilize available capacity more effectively
- to realize growth in brand awareness and market share through our rebranding efforts, more effective and integrated international marketing, and the acquisition of software companies that make a good strategic and geographic fit with our existing activities
- to develop SaaS options for further products and offerings.

## Strategic priorities

Our strategic direction concentrates on the following priorities:

- to grow market share, organically and through partnerships, strategic alliances and acquisitions, especially in growing markets and in countries where our market positions have been too small until now
- to continue to focus on specialized, standard products that meet the needs of BLINC organizations, enabling us to use our R&D capacity efficiently
- to optimize the product mix on a country-by-country basis.

### Growing market share

The expansion of our customer base for our existing products through organic growth, partnerships and acquisitions has a strong positive effect on the fixed R&D costs per customer and the profitability of the company. Additionally, market share growth also contributes to the improvement of our brand awareness.

In countries with good sales potential but where UNIT4 has no sales organization of its own, the company often has cooperation agreements with one or more partners for distribution and implementation. UNIT4 chooses partners who offer complementary applications and/or services. In certain cases, these cooperation agreements run for a trial period before acquiring the partner.

# SWOT analysis

## Strengths

- **Leading position in the public sector**
  In the public sector, we have leading positions in Sweden, Norway, the United Kingdom and Ireland, and in the Benelux. UNIT4 also enjoys success and growth in the public sector in other countries. With our clear track record and commitment to serving public bodies, this strength is particularly valuable while markets remain unsettled.
- **Acquisitions**
  UNIT4 has consistently managed to identify, target and then acquire companies that have solid growth opportunities and make healthy returns on those investments.
- **Product range**
  We have a range of strong products that generate considerable customer satisfaction and are focused on fast-changing (BLINC) organizations. In addition to our international flagship Agresso Business World and Coda product suites, UNIT4 also has a range of leading vertical and horizontal products.
- **Strong market position in Europe**
  UNIT4 is the world's sixth-largest mid-market ERP solution provider (source: IDC), with particularly strong positions in Europe, and the fifth-largest supplier of financial software in the EMEA region (source: Gartner).
- **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.
- **United branding**
  The united 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, standard products developed for them and of the market for open, interoperable financial systems.

## Weaknesses

- **Small market size in some countries**
  UNIT4's market positions remain too small in some countries to enable them to make a substantial contribution to profitability.
- **Relative size**
  We remain relatively small compared to some key competitors, which in turn makes our R&D costs relatively high.
- **Brand awareness**
  Outside of the Benelux, Scandinavia and the UK, brand awareness of our Group and its products has remained low compared to some key competitors. Our global brand awareness has been steadily improving as a result of our rebranding however.

## 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 is the only accounting application developed and delivered on salesforce.com's enterprise cloud-computing platform. It continued to perform well in 2010, and we see significant growth potential for 2011 and beyond. Its subscription model and fast time to implement make it particularly attractive in the current economic climate.
- **Developing in growth markets**
  Following the acquisition of TETA in Poland, we aim to expand our footprint in Eastern Europe, and we intend to pursue the growth opportunities we have identified 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.
- **SaaS development**
  SaaS can be viewed as an opportunity. By offering subscription-based contracts, we will be able to close more deals, thereby growing our market share.

## Threats

- **Price pressure**
  The general price pressure on licence sales and services is likely to remain while investment continues to be cautious 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 gain cost advantages, enabling them to further strengthen their market position.
- **SaaS development**
  The SaaS 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.

Lise Verherstraeten, aged 5, Belgium.

The objectives of a partnership or acquisition can be:

- to extend the customer base and offer customers paths to migrate to appropriate UNIT4 products. This is a good option for companies with a strong client base but obsolete products
- to access new vertical markets or specific niche markets in a country
- to extend the support of specific functions, such as performance management, HRM or payroll administration, in countries where no local versions of such products are available
- to extend our service offerings.

A number of principles and conditions have been defined for acquisitions with respect to performance requirements and risk control. Expanding the customer base also increases the annual maintenance revenue, and additional services can be provided. This improves UNIT4's risk profile.

## Focusing on specialized, standard products

As a medium-sized international player in the ERP software arena, our competitive position is based largely on our ability to market our key products. Our financial resources are more limited than those of larger players. To use R&D capacity efficiently, we focus on standard technology platforms for specific target groups. Specialization and flexibility after implemention are important elements in the design of these platforms.

Our standard software packages can be implemented rapidly, and are developed to allow changes to be made after implementation quickly, cheaply, and efficiently, without the need for many external consultants. This results in a low 'total cost of change' for our clients, a key factor that differentiates us from our competition. Our priority is to create software that helps customers cope with change, and use it to their advantage.

## Optimizing product mix by country

When economies or market circumstances are less than stable, our clients need to be able to cope with change. Our priority is to create software that helps customers cope with this change, and use it to their advantage. A changing environment can be viewed as both a threat and an opportunity, and we want to make sure that our software helps create positive situations for our clients.

We aim to offer an optimal mix of international and national products in each country to exploit local opportunities and to leverage advantages in distribution and R&D. For this reason, we list three product categories per country:

*International products with a centralized market approach*

This category applies to Agresso Business World and the Coda products, for which an international development plan has been created and for which centralized investments in marketing and R&D are made. Also included in this category are the accountancy products developed in the Netherlands and some other add-on products that can be sold into our core customer base around the world.

*Local products with international growth potential*

There are national development plans for these products. Their international growth potential is tested and, if thought to be sufficient, they are marketed in other countries. The development costs for these products are locally justified. Examples of this category include Agresso Wholesale, developed in the Netherlands, ekon, developed in Spain and EMS, a front office application developed in Canada for universities and high schools, integrated with Agresso Business World.

*Purely local products*

These products contribute to a more complete product offering per country, addressing local customer needs, specific market requirements and sales opportunities. Local investment funds the marketing of these products. Local sales success can cause products to change categories. A number of purely local products originate from acquisitions. They are usually replaced after a while by existing UNIT4 products with a proven success. Others in this category have also proved to have growth potential.

UNIT4 products are sold via:

- our own country organizations, also selling partners' products to offer customers a better overall range
- distribution partners who offer products from several companies
- strategic partners, who offer their own product linked to a UNIT4 product as a total solution.

# Management Board Report


UNIT4
By Tony Parsons

## 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 accountant at Coopers & Lybrand and other firms.

## 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 primarily responsible for the operations in the United Kingdom, Sweden, Norway, Germany, the United States, and Poland and the cooperation with international partners in the Czech Republic and Hungary. 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.


## 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.

## 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 the operations in Spain, UNIT4 Coda in the United States, Asia Pacific, international R&D and FinancialForce.com. 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 Committee
The Executive Committee consists of the members of the Management Board, the management of the main regions and certain other key officers. As UNIT4's main consultative body, the Executive Committee discusses key business issues, including financial results and developments, acquisitions, R&D, product marketing, marketing communications, sales, services and HRM.

| | | |
|---|---|---|
| Total revenue | €421.7 million | +11.1% |
| EBITDA (Earnings before interest, taxes, depreciation and amortization) | €86.1 million | +14.6% |
| Net profit before goodwill | €43.2 million | +23.4% |
| EPS before goodwill related items and impairments | €1.52 | +14.3% |

## Key highlights: 2010

- Public sector business in the UK, Norway and Sweden remained strong
- Cloud computing, Software as a Service (SaaS) and subscription-based pricing is becoming increasingly important
- Successfully acquired TETA, giving us a large stake in the growing Eastern European market
- FinancialForce.com continued to grow and is already showing its strategic value

## Financial objectives

Our business strategy continues to be the maintenance and strengthening of our market position internationally. This requires us to focus on constant growth both organically from existing operations and through acquisitions. The Management Board has defined a number of medium term financial objectives in order to finance this growth:

- achieve an average organic revenue growth of 5% to 10% per year
- maintain an average EBITDA margin of at least 20%
- grow further through acquisitions, with each acquisition making an immediate contribution to EPS and ROI of at least 15%
- maintain a sound financial position (a leverage ratio, or the ratio of the net debt position to EBITDA, of less than 2).

In the short term, UNIT4 expects to grow its 2011 EBITDA (excluding the results of FinancialForce.com and restructuring/exceptional costs), to between €100 million and €105 million.

## Revenue development

UNIT4 had a successful 2010, despite challenging market conditions. We returned to licence growth, following a decline in 2009. SaaS and subscription revenues grew by 31% from €20.3 million in 2009 to €26.6 million in 2010. Significantly, the monthly recurring revenues (contract value) grew from €1.8 million per month at the end of 2009 to €2.5 million per month at the end of 2010.

Contract (maintenance and subscription) revenues again grew significantly (up 14.4%) to €203.0 million (2009: €177.5 million), representing a share of 48% of the total revenue (2009: 47%). Customer attrition remained low at less than 4%. A growing number of customers are choosing subscription licences and to have their software delivered as a service.

## International developments

At the beginning of 2010, it was feared that government spending would come under pressure, especially in the United Kingdom and North America. Although in general this was the case, it actually resulted in extra opportunities for UNIT4. Our proven strategy is to provide customers (including public institutions) with efficient standard solutions to reduce costs, improve control and enable organizations to easily cope with rapid and continuous change. Those characteristics in our products were again strong selling points in 2010. With the introduction of SaaS and subscription models (across our entire product range) we were also able to help public sector customers to streamline their IT spending in a more balanced way.

In Spain revenue declined by 6%, due primarily to a decrease in the number of consultants following the reorganization in 2009. However, licence revenue grew by 26%, with large orders in healthcare and the private sector. Germany had a very strong fourth quarter, although its annual revenue declined by 5%. This was mainly because Germany's largest deal, which was more than €5 million, was sold on a subscription basis. In the United Kingdom revenue grew by 4%. Like Spain, service revenues declined in the UK because of fewer consultants and more fixed price contracts. However, licence revenues grew significantly. Public sector business in the UK remained strong, especially in the fourth quarter.

Revenues in Norway and Sweden grew by 10% and 15% respectively, partly due to currency effects. The key success factors in Scandinavia are our strong presence in the public sector and our extensive base of satisfied customers. In

Norway growth would be even higher if the SaaS/subscription effect is taken into account, and the fact that two large government deals were postponed until January 2011. The Benelux business grew by 10% (including Consist), with the private sector improving significantly compared with 2009.

Revenue in North America grew by 11% and this region contributes 5% of UNIT4's total revenue. With two main offices on the east and west coasts and a portfolio including both Agresso Business World and Coda products, a number of substantial and important orders were won. In the rest of the world, business in France was not as strong as last year. However, performance in Asia improved significantly, with an increase of more than 100% in revenue from new licence sales. Further investment is planned in the region. Eastern Europe (Hungary and the Czech Republic) also reported significant increases in licence growth.

## Strengths

UNIT4 remains ideally positioned to provide customers with change-embracing software, which helps them run a stronger, more cost-effective business. In 2010 we again demonstrated that our products are at the cutting edge of market developments. As the trend for cloud computing is continuing to increase, we introduced Agresso and Coda products that can be delivered in a hosted model.

Our high client retention rate is evidence to the capabilities of our software, which enables customers to manage change and helps them survive in difficult market conditions. Our strong position in the public sector continues to be a key success factor; our focus on service organizations and vertical markets, our extensive maintenance portfolio, and our broad product range in the Benelux are all stable factors. UNIT4's increased geographic, product and market segment spread, as well as our growth in size and client base, has helped us demonstrate our ability to manage through the economic cycle. Acquisitions in Poland and the Netherlands in 2010 will help us expand in the growing Eastern European market and place us in an even stronger position in the Dutch financial and human resources management software market.


Brin Hagreize, aged 7, the Netherlands.

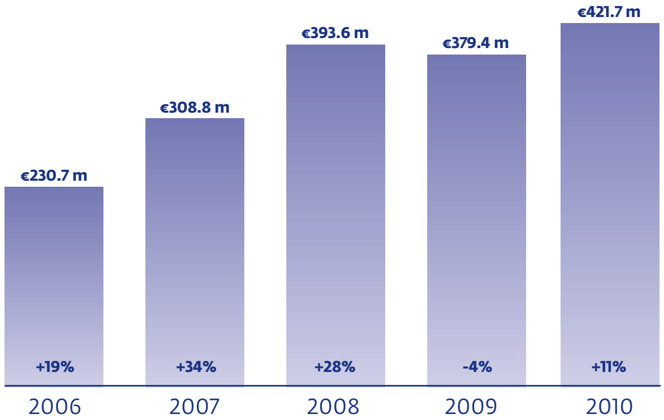
# Financial Overview

Emilia Dulak, aged 8.5, Poland.

## Revenue and gross margin

Total revenue grew by 11.1% to €421.7 million from €379.4 million in 2009. The gross margin increased by 11.0% from €347.3 million to €385.5 million. More detailed information about revenue growth can be found in 'Review of 2010' on page 25.

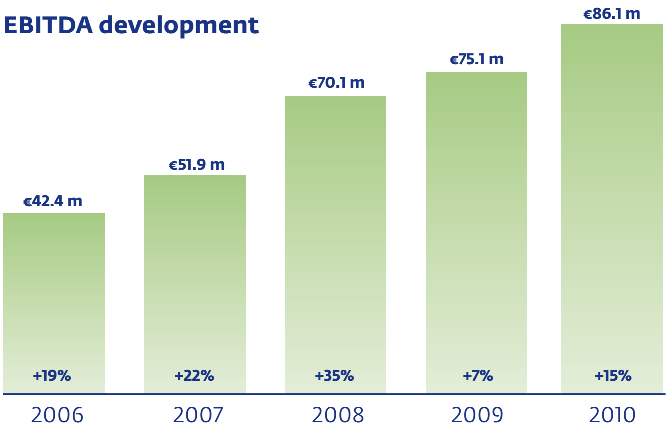
### Revenue development



## Operational costs
Total costs, excluding depreciation and amortization, increased to €299.4 million from €272.2 million. Personnel costs increased from €230.5 million to €250.3 million. The total (average) number of FTEs grew by 10.3% to 3,666 from 3,323 FTEs in 2009. Average total operational costs and personnel costs per employee (FTE) were both reduced by 1%. The organic average personnel costs (pre R&D capitalization) per employee (FTE) excluding restructuring costs without currency effects (constant currencies) increased by 1.5%, which is in line with the average wage indexation within the Group.

## Operational results

**EBITDA development**




EBITDA (earnings before deduction of interest, taxation, depreciation and amortization) rose from €75.1 million to €86.1 million (+14.6%). The size of the existing client base, which is a steady source of income from maintenance and services, is very important for continued profitability. In general it is important to maintain a healthy balance between revenues and operational costs. Over the last few years UNIT4 restructured its business operations in Spain and the United Kingdom, which resulted in higher growth in both countries in 2010.The largest contribution to EBITDA growth came from those countries where we have been active for a longer period: Spain, Benelux, the United Kingdom and Sweden. The EBITDA margin rose to 20.4%, despite an expenditure of €4.3 million on extraordinary costs, which includes restructuring, branding and transaction costs related to acquisitions (IFRS 3R). The planned management buy-out of Agresso France was completed in the first half of 2010.

## Depreciation and amortization
The depreciation and amortization (including impairments) of intangible and tangible fixed assets rose from €40.0 million to €46.0 million. The main reason for this increase is the effect from amortization on identified intangible assets included in business combinations completed in 2010. The depreciation and amortization (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 fell from €6.8 million to €6.4 million. The main reason for this drop was the decrease in interest on the outstanding syndicated loan (see Note 6.27), on which €23.0 million has been repaid, and the effect from the revaluation of the interest swaps related to this syndicated loan (see Note 6.14).

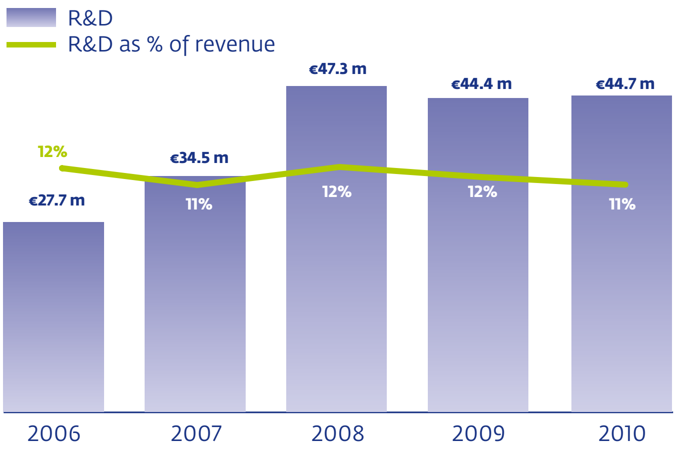
## Taxes
The total tax burden for continued operations was 23.7%, compared to 21.6% in 2009. The total tax burden including discontinued operations was 24.7% (2009: 23.3%). The main reason for the increased tax burden was the decrease of available carry forward losses (on- and off balance) and the existence of non-tax deductible items (goodwill impairment). For more details about this, see Note 6.15 'Income tax' in the Notes to the Consolidated Financial Statements.

## Net profit and earnings per share
The net profit before goodwill related items rose from €35.0 million to €43.2 million (+23.4%). Net profit (attributable to UNIT4 shareholders) rose from €19.4 million to €23.4 million (+20.6%). The (basic) earnings per share attributable to continuing operations (before goodwill related items) grew from €1.33 to €1.52 (+14.3%).

Emilia Aaraj, aged 7, Sweden.

## Investment in Research & Development

### Research & Development costs




Investments in R&D rose from €44.4 million to €44.7 million, mainly because of the effect from acquisitions. The total R&D investment equated to 10.6% of the total turnover, compared to 11.7% in 2009.

## Cash position, syndicated loan and covenants

Operating cash flow decreased by 6.5% to €64.4 million (2009: €68.9 million) due to a higher tax component, and the fact that in 2009 there was a significant improvement of working capital. In 2010 the working capital position stabilized. The net debt position decreased by €4.2 million to €127.0 million (2009: €131.2 million). The balance of the interest bearing loans (including loan issuance costs) stood at €127.9 million at the end of 2010 (2009: €145.9 million). The cash flow cover amounted to 1.47 at the end of December, compared to the agreed covenant of 1.10. The 'leverage ratio', or net debt divided by EBITDA, was 1.54 at the end of 2010, well within the financial covenants – as agreed with the banks – of 1.75. 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 €132.8 million to €215.7 million, largely because of the issuance of 2,580,000 shares and the positive effect of the currency translation on foreign non-euro based subsidiaries. Solvency, the ratio of total equity (excluding non-controlling interest) divided by total assets, was 38% at the end of 2010 (2009: 28%).


Charissa Beerensteyn, aged 9, the Netherlands.

# Review of 2010

Marie-Emilie Gombault,
aged 10, France.

## Growth & distribution of revenue

Revenue increased by 11.1% to €421.7 million (2009: €379.4 million). A more favourable economic climate resulted in a return to licence growth, and the demand for software as a service (SaaS) with subscription-type licensing continued to develop.

SaaS and subscription revenues grew by 31% to €26.6 million (2009: €20.3 million). Looking at the geographical distribution of revenue developments, in the UK total revenue grew by 4% and licence sales were strong. Spain closed some record orders, which was an achievement given the fragile state of the Spanish economy. Revenue in Norway and Sweden grew by 10% and 15% respectively, while growth of 10% was achieved in the Benelux. North America grew its revenue by 11%.

### Products

Revenue from product sales (licences) rose to €72.7 million from €58.9 million in 2009 (+23.4%). We saw good licence growth throughout the year, with typical seasonal patterns showing strong licence sales at the end of each quarter.

### Services and others

Revenue from services increased by 2.1% to €146.0 million (2009: €143.0 million), driven by organic growth and acquisitions.

### Contracts and subscriptions

Recurring contract (maintenance contracts and subscriptions) revenue rose by 14.4% to €203.0 million (2009: €177.5 million), representing a 48.1% share of total revenue (2009: 46.8%). The flexibility of our products after implementation results in high customer satisfaction and a very limited outflow of customers. Customer attrition remained low at less than 4%. A growing number of customers are choosing subscription licences and have their software delivered as a service. In 2010, total subscription revenues (included in contract revenues) grew by 31% to €26.6 million from €20.3 million in 2009.

## Important initiatives in 2010

UNIT4 undertook a number of important initiatives in 2010, which we believe strengthen our market share and will help us develop our strategic ambitions. These include strategic acquisitions in Poland, the Netherlands and Italy, the introduction of a number of new products and initiatives, and the continued development of FinancialForce.com. The most important developments of the past year are listed below.

### Acquisition of TETA

In 2010 we acquired TETA, one of Poland’s leading ERP and human resources management (HRM) software providers.

The acquisition provides us with leading positions in the Polish ERP and HRM software markets and the Hungarian HRM software market. It also provides us with an ideal platform for further expansion in Central and Eastern Europe, where the ERP market is growing at a faster pace than in Western Europe. Additionally, we will benefit from a new and highly regarded product offering in the form of TETA Constellation, Navireo and Insert. The TETA business will benefit from UNIT4's internationally recognized brand and increased critical mass, enabling the company to compete more effectively for larger deals, further invest in new products and more actively engage in market consolidation.

Rebranding the company to UNIT4 Teta is underway, and we expect to maintain TETA's market-leading position through investment in new products and active engagement in consolidation. As a division of UNIT4, the company will continue to realize its growth strategy and we will continue to support its customers and products.

## Other acquisitions

We made a number of additional strategic acquisitions during the year, including Consist in the Netherlands. Consist has over 30 years' experience in the areas of financial management and HRM software, building up a strong position in the Dutch market with products such as FIS, FMS and EMIS.

UNIT4 Consist will maintain its own unique position within our Benelux organization, with the aim of further strengthening our position in the Netherlands through the reciprocal transfer of expertise and cross selling.

In Italy we acquired the operating division of our Italian partner, which was a long-term reseller of Coda Financials. Now operating as UNIT4, skills transfer for Agresso began immediately after the acquisition, and the team played a key role in the sale and initial implementation of an international deal with major not-for-profit organization Save the Children.

## Management buyout of Agresso France

In June we finalized the management buy-out of our Agresso France subsidiary, with the shares sold to the managing director. Agresso France will continue doing business purely as an official reseller of UNIT4 products. All maintenance contracts, maintenance activities and intellectual properties will remain within the UNIT4 Group.

## Product initiatives

We announced a number of new product releases and initiatives during the year, including ABW Route 66, Vita Cloud Angel, Coda Cloud Rebel, UNIT4 Ideas and Sustain4. All have been designed to help customers as they adapt to ever-changing business circumstances.

ABW Route 66 is the name for a series of groundbreaking ABW product releases which incorporate a series of updates that will be released in the coming two years. Route 66 has been developed so that customers can 'pick and mix' which releases (or milestones) and which modules they want to take. This revolutionary approach lets them benefit from new user experiences and technologies. They will be able to choose the delivery option that suits them, when they want, rather than through the big bang, 'all or nothing' approach of traditional ERP upgrades. This will enable customers to evolve at their own pace, while protecting their investment.

Vita Cloud Angel is a low-cost, subscription-based, cloud-based deployment model, aimed at the ever-changing needs of Businesses Living IN Change (BLINC). It offers customers choice in the way they wish to deploy their business solutions, giving them independence from any one specific deployment approach and allowing them to embrace change within their business. In other words, it offers customers the best of both worlds: ERP with ongoing business agility and the benefits of the cloud.

Coda Cloud Rebel brings together our highly popular Coda Financials software suite with cost-saving cloud technologies. Coda Cloud Rebel addresses some of the common concerns that surround cloud-based solutions, such as ensuring customers have full knowledge of and control over where their business data resides, while still offering the significant cost savings of subscription-based cloud deployment.

Our Multivers accounting solution has been delivered as a service in the Benelux region for a number of years, and in 2010 we launched Ready, a multi-tenant SaaS version of the ekon ERP product in the Spanish-speaking markets.

Launched in November, UNIT4 Ideas is an initiative designed to encourage more interaction between employees and customers, so that users can freely communicate their ideas to improve the quality and experience of our products. It is a fully open forum that all of our customers can sign up to, post their ideas on, and vote and comment on other people's ideas. We hope that the initiative will forge closer relationships between our customers and us, and will drive the best ideas and innovations through to product delivery, ensuring the most satisfactory user experience and agile product development.

Sustain4 was launched in June, and is an environmental performance management solution to help organizations understand and improve their environmental and business performance. Developed in partnership with global environmental impact specialists Trucost, the system makes use of Trucost's unique database and impact model to rapidly assess and benchmark an organization's environmental impacts based on readily available financial and business data. This bypasses the months or years of research normally required for such analysis.

## FinancialForce.com

Cloud computing is a fast-growing market. FinancialForce.com aims to change the future of accounting and finance by delivering unique accounting applications in the cloud to finance professionals and CFOs. During the year we continued to invest in FinancialForce.com, we expanded our customer base, and we extended the product footprint and functionality. FinancialForce.com made its first acquisition, purchasing the PS Enterprise cloud solution from US-based cloud computing company Appirio. The new product extends FinancialForce.com's solution from accounting into professional services automation, a strategic focus area for UNIT4 globally, and brings together the leading cloud accounting system built natively on Force.com with the leading Professional Services Automation solution on the same platform. This has created the first end-to-end cloud solution for services companies on Force.com, which is the most successful enterprise cloud computing platform worldwide. In the future we intend to reposition FinancialForce.com as 'The Cloud Applications Company', and offer a wide range of both our own and our partners' solutions on Force.com.

As FinancialForce.com is a pure subscription business, we do not expect it to be profitable in its early years. The initial and growing investment in the product, market development, sales and customer success need time to be recovered through the recurring monthly fees.

## Progress against previously announced initiatives for 2010

In the 2009 Annual Report we announced the following strategic priorities for 2010:

**The rollout of the rebranding throughout the Group**

This proceeded well and is almost complete, with all operations now trading under the UNIT4 brand and a single, clearly recognizable corporate identity applied to virtually all areas of the business. As new acquisitions are made, they are moved to the new brand over a period of not more than a year. Examples include UNIT4 Consist (completed) and UNIT4 Teta (rebranding began in 2010).

The only exception to this is FinancialForce.com, which operates as an independent brand due to the minority investment of salesforce.com and the importance of its close alignment with the salesforce and Force.com brands.

**Stronger revenue growth from sales of products and services to existing customers**

We grew our revenue from services by 2.1% to €146.0 million (2009: €143.0 million).

**Continued investments in FinancialForce.com and in enhancing the user experience**

We continued to invest in FinancialForce.com, and new releases extended the product footprint, functionality and the user interface. We've seen good growth, with consistent acceleration throughout the year, and have identified a number of core markets, including business services, media, and the not-for-profit sector.

**Better use of R&D capacity through internal cooperation and improved efficiency**

This was achieved in a number of areas, and continues to be a focus point across the organization.

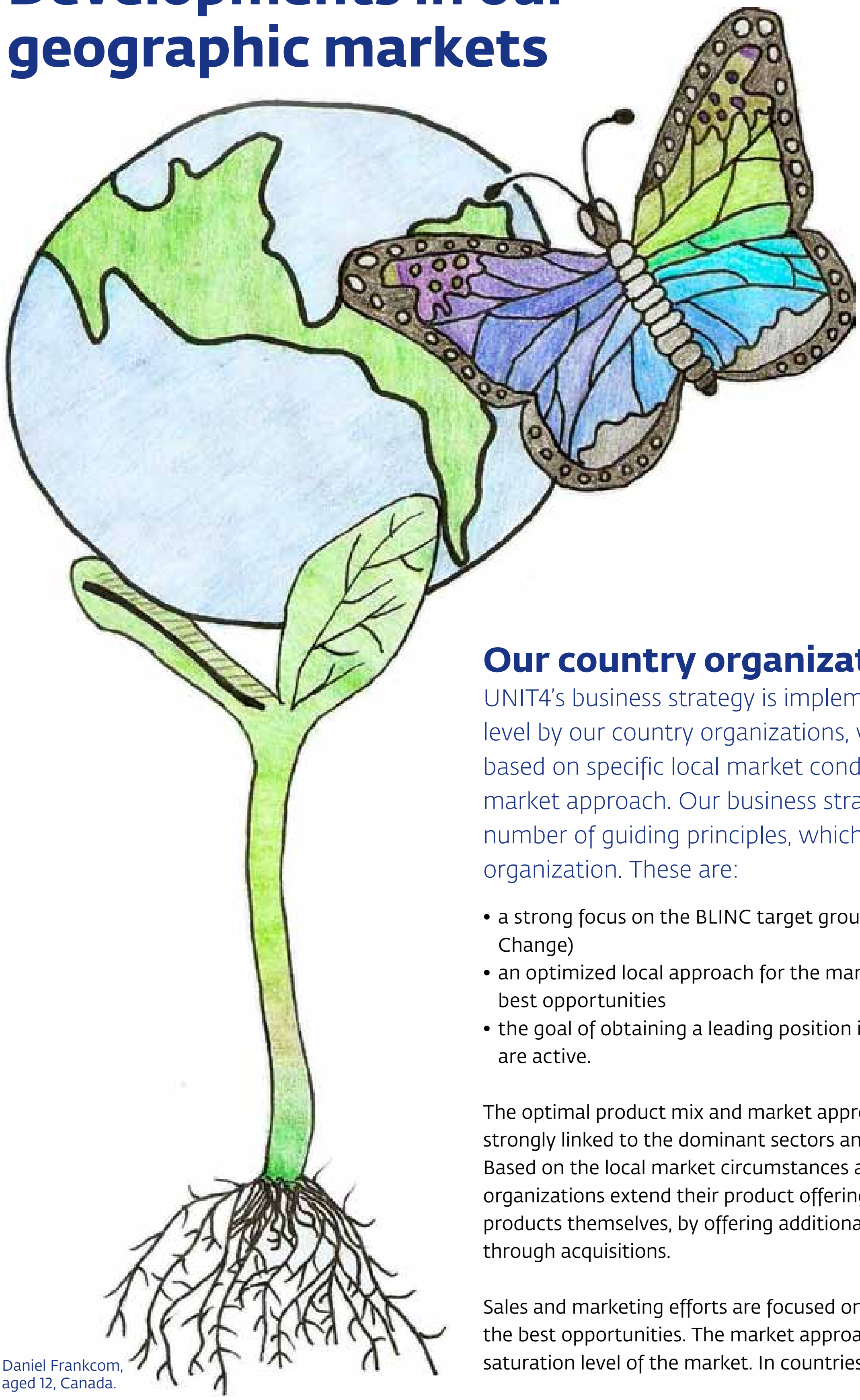
**The evolution of our on-premises and cloud solutions so that they work in harmony, providing new options for combining these technologies**

For more information on this, see our earlier 'Product initiatives' section which covers Vita Cloud Angel and Coda Cloud Rebel.

**Continued cooperation with, and integration of Coda, in particular for market position, sales and R&D**

This has been achieved. We are also exploiting former Coda operations in order to roll out Agresso into new markets, such as Italy and the Asia Pacific region.

# Developments in our geographic markets



Daniel Frankcom, aged 12, Canada.

## Our country organizations

UNIT4's business strategy is implemented on a local level by our country organizations, which offer solutions based on specific local market conditions and our market approach. Our business strategy encompasses a number of guiding principles, which are shared across the organization. These are:

- a strong focus on the BLINC target group (Businesses Living IN Change)
- an optimized local approach for 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 are strongly linked to the dominant sectors and existing market positions. Based on the 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.

Sales and marketing efforts are focused on the markets that offer the best opportunities. The market approach is also linked to the saturation level of the market. In countries where we have a large share of the market for example, the focus on additional products or modules for existing customers is higher than in countries where our market share is still limited. Local partners sell our products in countries where we have yet to establish our own sales organization. We also work with a variety of partners and specialist resellers in countries where we have our own sales organization, such as the UK, Norway, Sweden, Germany and North America.

# EUROPE

## BENELUX

The Benelux operation doesn't only market our two main products – the Agresso product line and the Coda product line – to its broad customer base. We operate eight subsidiaries across the region, all of which have their own product and market combinations. As a result, the Benelux focuses on various vertical and horizontal segments, with the objective of achieving or maintaining leadership in each of them, while creating and exploiting cross-selling opportunities.

At the beginning of the year we acquired IBS Consist, which has built up a strong position in the Dutch market in the areas of financial management and human resources management software with products such as FIS, FMS and EMIS. Customers either run these solutions on their own IBM iSeries servers or subscribe to hosted or online options. With an established client base of 600 medium-sized businesses and organizations, Consist will be a valuable addition to the Group.

### Human Resource Management and Payroll

We strengthened our HRM and payroll software offerings in 2010 through the acquisition of Consist and People Partners, both of which will operate under the UNIT4 Consist label, and provide solutions within the HRM and payroll segment. In the third quarter we relaunched our UNIT4 Emplaza product, which is now suited to larger and more complex customer situations. UNIT4 Emplaza, which is our e-HRM solution, signed ISS Facility Services as a customer during the year. ISS is the world's leading provider of facility services, and the company will use the e-HRM module to manage changes to its 20,000 employee profiles in the Netherlands. As customers are increasingly opting for subscription-based contracts however, not all of the orders placed could be recognized as revenue in 2010. We expect this trend to continue through 2011 and 2012.

Our installed base of customers currently using financial systems (FMS or FIS2000) demonstrated their willingness to invest in new modules and product enhancements during the year. Especially, our Online Approval module (scanning, recognition and filing of invoices and workflow for approval of invoices) proved a steady revenue driver, with the order intake exceeding our target by about 15%.

In addition to launching UNIT4 Emplaza, we also released MultiMatching, an independent tool for matching large amounts of data such as invoices or orders, and e-billing, which is currently only available for FIS2000 and FMS but can be adapted to suit other software.

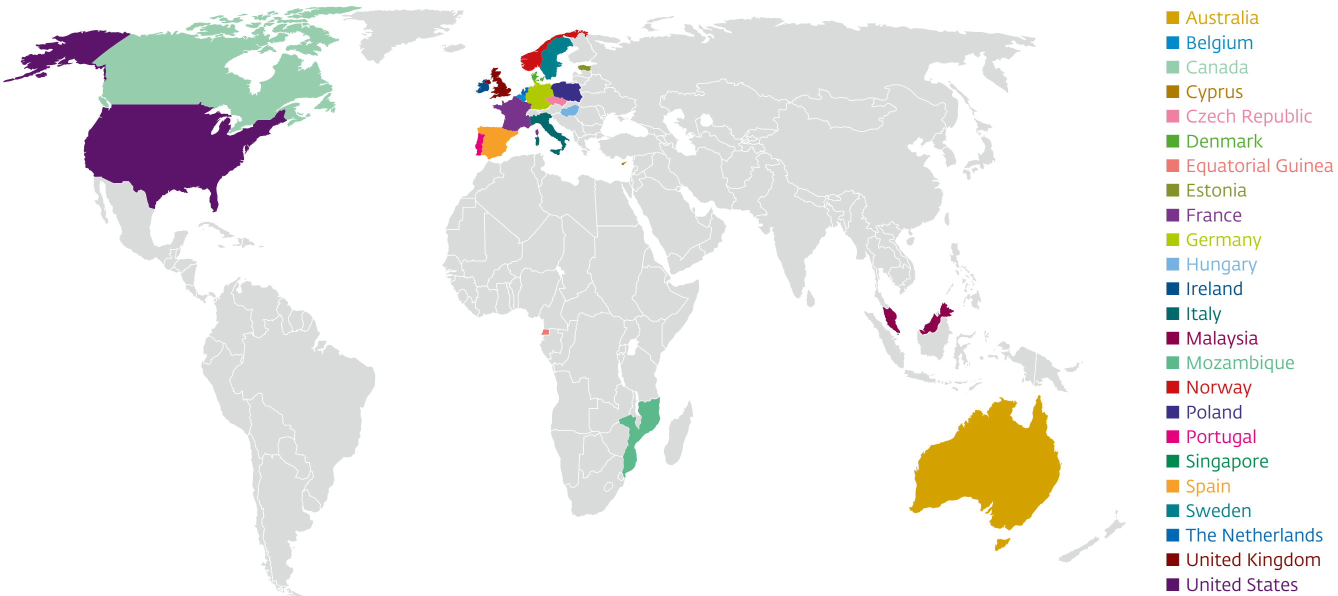
Other important deals across our product portfolio included NRC Media, Sligro Food Group, Zorgcombinatie Zwolle and Volvo Cars Netherlands.

### Wholesale, logistics and retail

UNIT4 Business Software's Agresso Wholesale solution, developed specifically for the wholesale distribution market, progressed well in 2010. We signed 17 new customer contracts and six service level agreements (SLAs). We also introduced a new concept for Wholesale: multi-year SLA contracts which are set for a standard period of three years. This will provide UNIT4 with guaranteed service earnings over the specified period. Our WebSolutions and WebServices products proved successful, and we launched U4Scan in the market. A new solution for scanning in warehouses, U4Scan was rolled out in cooperation with our partner Actemium, and a number of customers have already purchased it. Having signed our first customer in the automotive market in 2009 we continued to make solid progress in this area in 2010, signing three new contracts.

For the BLINC division of UNIT4 Business Software, 2010 was a challenging but rewarding year. We successfully integrated the Coda and Agresso sales and marketing teams resulting in a more efficient sales process and a higher win rate in new business deals. New contracts were signed in a variety of sectors with a number of products. Examples include Agresso sales to Koninklijke Rotra, one of the top logistics players in the Netherlands, and to Ecofys, one of the largest consultancy firms in sustainable energy and climate policy. In the public sector, emergency services organization Hulpverleningsdienst Fryslân purchased Coda Financials, while the Kales Group became one of our latest Ocra Consolidation customers. Armonea, a leading company in elderly care, is one of our new Belgian customers

We launched Vita Cloud Angel, a low-cost, subscription-based, cloud-based deployment option for Agresso Business




World aimed at organizations wanting the benefits of a proven ERP solution but delivered via the cloud, and Coda Cloud Angel, aimed at the ever-changing needs of Businesses Living IN Change (BLINC). ABW Route 66 was also introduced, a progressive, phased upgrade path that builds on the major advances of Agresso Business World 5.5. It enables customers to roll out updates and enhancements to ABW at the pace they choose, matching their internal resources and their business needs.

## Accountancy

With an increasing focus on governmental compliance and growth in the number of advice hours provided by the major auditing firms being major trends in 2010, UNIT4 enjoyed a strong year within the accountancy sector. We successfully introduced a number of new products, such as UNIT4 DocumentManager, which helps document-intensive organizations store and manage their digital documents, UNIT4 Prognose, which is used for forecasting, and UNIT4 SBR, which creates XBRL reports.

Our primary market is audit firms in the Netherlands, while our secondary market is represented by the end-users of products such as UNIT4 AccountAnalyser, UNIT4 Audition, UNIT4 Auditor and UNIT4 Fiscaal. More than 90% of the top 250 audit firms are UNIT4 Accountancy customers. We continued to provide new services to our existing customers, with projects in place at PwC, Flynth Adviseurs + Accountants and DRV Accountants en Belastingadviseurs. We saw a 10% growth in new business and expanded our market leadership. We also successfully introduced our hosting concept in cooperation with UNIT4 Hybrid Solutions, and began cooperating with Cygnus Atratus on audit papers. UNIT4 AccountAnalyser has already been successful for many years outside of the Netherlands, and during 2011 UNIT4 DocumentManager and UNIT4 SBR (XBRL) will also become available on the international market.

## Financial Intermediaries

This division develops and sells software for insurance agents and mortgage advisors, and has around 50% share of the Dutch market. The business model is based on flat fee per annum for use of the software and maintenance, so it generates a strong recurring revenue stream.

This is a consolidating market and in order to realize growth in the market we have started a joint venture with another supplier in the market, known as Aplaza. This is an open platform for supply chain management in financial services. Insurers, intermediaries and service providers use the platform for exchanging transactions, providing services and distributing messages and documents. After a period of establishing the concept in the market, we are now working with some major insurers and the Aplaza received the ICT Office Innovation Award 2010.

We enjoyed a good level of new business across the three main solutions that we offer. New customers for Dias, our insurance administration solution, included Herenvest, Bastian & Visser, Koekenberg, USG People and Van den Bunt. For Èfdécé, our solution for mortgage advisors, new customers included Achmea Bank, Friesland Bank and Legal

& General. Aplaza generated new customers including Meetingpoint, Allianz, Arag, Goudse and Voogd & Voogd.

### Healthcare

UNIT4 Healthcare had a successful year, securing a number of deals and taking its market share in the disabled sector to 35% and in the nursing and care sector to 20%. We launched a range of new products and services, including UNIT4 Cura Forms & Flows, a web application for front end users with workflow support. We also introduced a new Enterprise Service Bus architecture, which facilitates integration with third party applications. Additionally, we made strong progress in the care sector after building a number of clients' enhancement requests into our software.

#### Care sector

Within the care sector we signed deals to implement the Cura Suite (Financials, HRM, patient filing system) at Zorgstroom, an organization that supports quality of life by offering services in the field of healthcare, housing and welfare. At Care Combination Noorderboog, which provides hospital, nursing and home care, we rolled out Cura Health Record/Care, Cura Financial, Cura Web and Client Registration. For Foundation Epilepsy Institutes Netherlands, which provides knowledge and expertise for people with epilepsy, non-epileptic seizures and related disorders, we rolled out a broad range of Cura solutions. At Amarant, meanwhile, an organization that provides services to people with disabilities, we rolled out Cura Health Record and Client Registration.

### Small- and medium-sized enterprises

UNIT4 Multivers provides small- and medium-sized enterprises (SMEs) with a comprehensive, company-wide administration solution. A top-three player in the Netherlands, UNIT4 Multivers had a strong year, returning higher growth in both revenue and licence sales. On-premises license sales enjoyed double digit growth, while revenue from our UNIT4 Multivers online solution grew by 35% during the year.

Venice, our solution for the Belgian market in this segment, also had a strong year. The total revenue growth of our 'Venice of the North' branch in Brugges, Belgium grew by almost 10%, with the operational result achieving double digit growth.

## CZECH REPUBLIC

The Czech Republic saw a significant decrease in ERP expenditure by large companies in 2010, although a small increase is forecast for 2011. Our focus was on additional sales to, and support of, our existing international customer base. We also undertook marketing campaigns, which focused on gaining greater recognition of the Coda brand name.

### Commercial sector

In the retail market we implemented Coda Financials at Rossmann, an international retail chain. In addition to the main product, we also implemented the Assets and Workflow modules, which will provide the management team with business information and should lead to substantial financial savings. Within the financial services sector we concentrated primarily on insurance companies. We supported the current system of our insurance client Cardif, and modified and developed extensions. We upgraded Coda Financials for long-time customer Sokolovska Uhelna, a company active in the mining sector. The upgrade will enable a number of new applications to be integrated into the company's system.

## DENMARK

The financial crisis continued to impact Denmark during the first half of 2010, to the extent that the country's major IT exhibition was postponed because of insufficient participation from ERP suppliers. However, the market did gradually begin to pick up during the second half, and UNIT4 Agresso ended the year on the shortlist for a number of promising projects, which bodes well for 2011.

During the year we made a number of comprehensive investments in our ABW solution, primarily to develop a presence in the Danish marketing communications (marcom) segment. The investments were rewarded when we signed an agreement with the country's largest player within this arena, NP3 Communications Group.

In Denmark we have made a strategic choice to focus on the private sector only, which means that we can target the sub-segments that we feel will benefit the most from our software solutions. Traditionally we targeted the construction, engineering and consulting sectors, but the negative impact of the financial crisis on some of these sectors means we are giving greater attention to companies within the marcom sector. This strategy was reinforced with the acquisition of Structure, a small Danish supplier of project software to smaller companies within that sector.

## FRANCE

The economic situation in France is still challenging, although the public sector is slowly recovering. The main commercial segments have not yet returned to making major investments in software solutions and there is still no sign of a sustained recovery. Despite the crisis affecting most of the commercial segments, health insurance proved to be a dynamic market. Targeted marketing campaigns and communication actions were put into place to best develop project opportunities, and we also offered prospects a fixed price project solution where possible. To help expand our market base, we chose to partner and develop our alliances with consulting firms and companies with expertise in the field of compliance and financial reporting for insurance companies. This enables us to better market our financial suite.

In June we concluded the management buyout of our Agresso France S.A. subsidiary, with the shares being purchased by the Agresso France managing director. Agresso France will continue doing business purely as an official reseller of UNIT4 products, while all maintenance contracts, maintenance activities and intellectual properties of Agresso France will remain within the UNIT4 Group.

### Commercial sector

UNIT4 Coda France has long been a well-established player within the retail sector, with strong references among well-known companies throughout the country, such as Babolat, Lafuma, Damart, Vivarte and But. Coda has also proven to be very successful within the finance, banking and insurance sector, and is recognized for its expertise and reliability. We were very pleased that Malakoff Médéric, a major health and pension fund specialist, chose Coda Financials as its new financial software solution in 2010. Other Coda customers within the sector include BNP Paribas Assurance, Cetelem and AG2R La Mondiale. Within the media sector we continue to provide Coda solutions to Vivendi, Radio France, and Télégramme de Brest.

## GERMANY

The economic situation in Germany was relatively flat in the first half of the year, but picked up in the second half, bringing with it stronger revenue growth opportunities. Our focus is primarily on the public sector – mainly local and regional authorities – with our secondary focus on business services in the commercial sector, as well as research and the not-for-profit sector. Cloud computing was the main business trend within the IT sector.

### Public sector

We strengthened our position in local government through the migration of some customers from KIRP software to ABW, while the renewal of maintenance contracts within the KIRP customer base stabilized our foundation in the sector. We signed a large UNIT4 AccountAnalyser contract with five datacenters, organized in the VitaKO Arbeitskreis. Additionally, the datacenter in Lemgo – chosen as the best government datacenter in Germany in 2010 – will migrate the first customers from KIRP Serie 7 to ABW.

### Commercial and not-for-profit

The research vertical was the most successful segment in Germany in 2010, and offers excellent growth opportunities in 2011. We won our first migration project from our ProFiskal product to ABW, while several existing customers showed their confidence in the company by adding additional ABW modules to their product suite. Meanwhile, we strengthened our position in the Swiss market after closing a major ABW deal with the AO Foundation, an important non-profit organization.

## HUNGARY

The effects of the global financial crisis hit Hungary's economy hard, with GDP falling in 2009 and 2010. The high level of public debt has delayed economic recovery. However, despite the challenging economic conditions we increased revenue and profitability.

We concentrated on marketing and selling our Coda product line in the financial, service provider and retail sectors, while our eLog (local logistics) solution was focused on wholesale and manufacturing companies. Our CRM and BI knowledge was targeted on the telecoms sector, and we maintained our relationship with Hungarian Telecom. We delivered Coda services to five new customers, including Cardif HR, Organica and Rossmann Hungary, and we continued to provide existing customers with consultancy services.

## ITALY

UNIT4's Italian operation only came into existence in June 2010, after the Coda services and support operation was acquired from an Italian partner.

The early objectives for the team were to undergo knowledge transfer on Agresso Business World and then to develop and test the Italian localization for it.

This has been successfully completed and the team has implemented ABW and the new Italian localization at Save the Children in Rome, playing a critical early part in the global rollout for the charity.


Damian de Raad, aged 12,
the Netherlands.

In 2011 the team will focus on better understanding the market and developing opportunities for both ABW and Coda, while continuing to broaden the range of functionality specific to Italian requirements.

## NORWAY

The ERP market in Norway remained basically flat during 2010. We strengthened our position in the Payroll/HRM sector with strategic wins at the local governments of Bærum (110,000 inhabitants), Stavanger (124,000 inhabitants) and Eidsiva Energi (energy provider with 1,000 employees). Activity within Central Government and the Oil/Offshore sector was strong during the year.
UNIT4 Agresso is strongly positioned in the Norwegian market with a market share of 60% for Financials in the Central Government sector. More than 50% of Norwegian inhabitants live in a local government running ABW Financials and Payroll.

Professional Services, Oil/Offshore, Construction/Engineering, Energy/Utilities, Transport, Media and Not-for-profit organizations are the most important segments in the private sector. Norway is also responsible for the Icelandic market where customers such as Reykjavik City, Reykjavik Energy and the University of Reykjavik are on the customer list. In total UNIT4 Agresso Norway supports more than 800 customers, with more than 230 of them running HR/Payroll.

Isabelle Visser, aged 8, the Netherlands.

## POLAND

We entered the Polish market in 2010 through the acquisition of TETA, one of Poland's leading ERP and HR software providers. The deal, which was finalized in the fourth quarter, provides us with leading positions in the Polish ERP and HR software markets and the Hungarian HR software market. It also provides us with the ideal platform for further expansion in Central and Eastern Europe, where the ERP market is growing at a faster pace than in Western Europe.

Following rapid growth over the past two decades, Poland currently has the second-fastest growing economy in Europe. The country's IT market grew by around 3% in 2010, and growth within the ERP market is expected to increase in the next few years, on the back of a number of underlying drivers. These include continued healthy GDP growth, EU funding for projects designed to foster the competitiveness of SMEs, increasing competition across an array of industries, and low penetration of ERP applications in the SME segment.

TETA is one of the biggest and most experienced suppliers of business software in Poland, with 23 years of market experience. The company has a strong position in the ERP, HR, CRM and Business Intelligence markets, and its products have been implemented at over 2,000 mid-sized and large enterprises. Through TETA we are now the number one HRM software producer in Poland, an ERP market leader among medium-sized enterprises, and active in a number of sectors, including industry, FMCG, the financial sector and public administration. Current key customers include Aviva, Citibank, Group 4 Securicor, Kimberly Clark, Lafarge and LG Electronics.

In 2010, TETA focused on expanding its HR and Payroll outsourcing services into the Hungarian market, developed the innovative TETA Web Constellation product, and stepped up cooperation with its existing client base.

## SPAIN AND PORTUGAL

The economies of both Spain and Portugal continued to suffer in 2010. Most companies cut costs aggressively, with many forced into bankruptcy or to close operations. Unemployment in the region rose to around 20%, seriously affecting retail businesses. The public sector was forced to make cuts to reduce government debt and budget deficits, triggering a significant reduction in public investments, including IT procurement. Despite the negative economic climate, however, our Iberian operations managed to improve their results, mainly through their success in winning more than half of the projects for which they were shortlisted, thanks to the market's understanding of the agility and cost effectiveness of our solutions.

During the year Spain took its first orders from Latin America, a new territory. This followed the establishment of a team to specifically develop business and indirect sales in the region, by refocusing activities in high and low ends of the market through alliances and resellers.

### Commercial sector

UNIT4 Spain closed a large deal with eight of the country's main pharmaceutical wholesale suppliers, making us a leading provider for this sector. A number of parallel alliances with major consultancy firms and systems integrators, such as IECISA, KPMG and Tecnocom, were developed to address the higher end of the market more effectively. Meanwhile, over 120 resellers were recruited to address the lower end of the market.

### Healthcare

Spain recorded some strong activity in the healthcare sector, closing important deals with Hermanas Hospitalarias, Corachan and CMBD. The deals were successful primarily because of the depth of UNIT4's HIS (Hospital Information System) solution based on ekon technology.

## SWEDEN

The economic downturn impacted the Swedish market in 2009, but the ERP sector recovered somewhat in 2010, although it has yet to return to pre-recession levels. During the year we grew faster than the Swedish IT market, and won more than 30 new ABW customers, 20 new Ocra customers and 20 new MAP customers. The key market drivers remain cost control and the need to achieve the benefits and return on investment of ERP software. Our focus in Sweden continues to be both the public sector and the commercial sector. To both sectors we offer our modern ABW and HRM solutions to midrange and large companies. Within the public sector we focus on both central and local government. In the commercial sector we deliver to a number of vertical markets including project-orientated organizations, business services, real estate and construction companies, paper processing industries, forestry and media services.

Our Ocra organization focuses on delivering Group Reporting and Business Intelligence solutions, including consolidation and cash planning, while our MAP organization focuses on project and calculation solutions for the construction sector. We deliver both standalone solutions within the customer environment, but in recent years have also delivered more of our own hosted solutions and related business services (support & technical services including payroll services).

### Commercial sector

The commercial sector had a very strong year, with revenues up 15% on 2009. This was driven primarily by a substantial increase in licence sales and higher billing rates for the consulting business. The industries with the greatest uptake were property management, cellulose and the service sector. New deals included an implementation of ABW and Ocra for Bonnier, a multi-channel media company that operates 175 companies across 16 countries. The deal highlights our ability to compete against the major players in the market for group financial management and reporting. The Svenska kyrkan (Swedish Church) chose ABW Finance, while property management companies KF Fastigheter & Gyllenforsen selected ABW and the property management system, FastNet. We won deals among construction companies including Skanska, NCC and Arcona with our MAP product combined with ABW.

One of the most significant ongoing customer projects is the Saab Group rollout. In 2008 Saab signed a framework agreement with UNIT4 to refine its infrastructure worldwide. The agreement involves Saab switching over to one common ERP solution – ABW for finance, reporting and project management across the entire corporate group – thereby replacing ERP solutions from all the major global vendors. In 2010 Saab continued to roll out ABW and they now have more than 8,000 ABW users around the globe. They also use our HRM solution.

### Public sector

We had 5% growth, gained market share and strengthened our position in the public sector. This growth came through a number of new deals, including the National Defence College, the National Courts Administration, Stockholm Water and Uppsala County Council. We also had good success with our e-procurement solution, and in the energy (utilities) sector we won Jämtkraft AB where Agresso Field Force was key to our success. In the government sector we also signed a number of new deals related to Agresso HRM, including the Swedish Financial Supervisory Authority and Systembolaget, the Swedish Alcohol Retail Monopoly, which won a national HRM prize for good personnel management. This success now positions us as a major player in the strategic HRM market.

## UNITED KINGDOM

Our operations in the UK focus on both public and commercial sector customers, with a strong presence in a number of key vertical markets including local government, healthcare, education, professional services, retail, financial services and media & publishing.

Although economic conditions in the UK continued to be unsettled and overall trading conditions remained challenging in 2010, total revenues were steady and licence sales were strong. We continued to win new customers while closely managing costs. During the year our operations in the UK underwent significant business transformation. Having started the year as a group of five mainly separate organizations (Agresso, Coda, MCA Distinction, Business Collaborator and Agresso Travel), all coupled together around common aims, by the year end we are a more aligned company under the new UNIT4 Business Software branding with a single purpose and vision. Our published sector-based platform sales strategy provided clarity around our products, key partners, technology and delivery options enabling customers to better determine ROI investment opportunities. The UK business also initiated a number of innovations which have subsequently been adopted by UNIT4 – these include Sustain4 (environmental performance management), Linked4 (open and linked data initiative), File4 (iXBRL filing) as well as a number of service based improvements such as our new Fast Start implementation approach and 360° operational reviews.

### Commercial sector

Whilst the UK commercial sector has been slow to pick up after the impact of the worldwide recession, we realized a number of notable new business sales and major systems upgrades from existing customers looking to drive operational efficiency improvements. Throughout 2010, our commercial pipeline displayed steady growth and we started 2011 with a number of advanced sales prospects.

We benefit from having a solution portfolio that caters for the diverse system requirements of our expanding commercial sector user base. Organizations looking for more traditional enterprise resource planning (ERP) solutions select Agresso, while those looking for best-of-class financial solutions that integrate with other line of business applications select Coda Financials or Dream. Those looking for SaaS offerings, where the burden associated with on-premises applications is removed entirely, can select FinancialForce Accounting.

We undertook a number of significant upgrades throughout the year, including the first live implementation of the latest


Maja Franceschini, aged 10, Sweden.

Agresso: Route 66 version, at Halcrow Group Ltd, just four weeks after the product was released from R&D. Halcrow is a global, project-based, infrastructure engineering company employing 6,000 professional and engineering staff entering timesheets on a weekly basis. The upgrade provided Halcrow with numerous efficiency benefits, including a significant increase in the speed with which completed timesheets are analyzed, processed and posted to the ledgers.

In 2010 we won 29 new commercial contracts, with clients including Allied Carpets Retail, BenRiach Distillery Company, Clifford Thames Group, Home Delivery Network, Home Flooring Solutions and Rank Group.

### Central and local government organizations

In a year that was marked by uncertainty for the public sector, which faced a change in government and huge spending cuts to address the UK budget deficit, our public sector sales team nevertheless managed to exceed its yearly sales target. We signed a number of contracts with new customers, including a ground breaking agreement between Herefordshire County Council, the local primary care trust and Hereford Hospital Trust, based on Agresso Business World. The partnership will bring together various corporate services and develop a shared service strategy, helping to improve payroll, HR and finance functions, which will be connected across the three organizations. Another notable success was the new contract with Cotswold Council, Forest of Dean Council, West Oxfordshire Council and Cheltenham Council to provide a shared service arrangement in Gloucestershire. These new customers take us to 96 UK local authorities on Agresso, placing us in the number one position with a 22% market share.

### Higher education

We are the UK's leading provider of post-16 Education finance systems with over 350 Education establishments using our solutions. Our new Agresso Education Campus Platform proved a powerful differentiator, enabling us to have more strategic conversations with a number of leading institutions and bodies resulting in a number of notable wins, including the University of Sussex, Shrewsbury College, Staffordshire University and the University of Leeds.

The acquired software product pFACT (Full Economic Costing) towards the end of the year also added 21 new higher education names to our customer base and will strengthen our Campus Platform offering.

### Emergency Services

Police, Fire and Ambulance emergency services organizations all benefit from Agresso's integrated solutions. A number of sales were made which will provide the foundation for regional shared service operations that will deliver significant efficiency savings.

### Not-for-profit

Charities and other non-profit organizations are an important market for UNIT4, where Agresso's project-focused solutions provide immediate and tangible benefits. Key UK wins in 2010 included a worldwide implementation for Save the Children, which purchased finance, project costing, billing and procurement technology that will be used across its 29 national organizations. The system will reduce administration costs, improve budgeting, prepare the charity for on-going regulatory change and improve accountability to its donors.

## NORTH AMERICA

The economies in both the USA and Canada continued to struggle in 2010, with the predicted cautious recovery getting off to a couple of false starts but never really developing until the tail-end of the year, when some economic indicators showed signs of growth. The overriding business trend was to stockpile resources, exercise extreme caution and adopt a 'wait and see' attitude. Although there was some activity in systems replacement, this tended to be only when unavoidable.

Despite the weakening economy, Agresso-related business in North America continued to experience growth, with a strong increase in licence revenue and an increase in services. This translated into a very satisfactory overall increase in total revenue. Diversity in our market focus has helped us to weather the economic slowdown. We continued to focus our sales and marketing efforts on the sale of ABW to BLINC within our core vertical markets, which include the public sector (local and state government), the commercial sector (travel management and service-focused companies), not-for-profit and higher education.

The highlight for Coda in North America was the increase in market awareness due to a major investment in our online presence and re-focusing on specific market sectors. The aim was to redefine and restate Coda's 'Best-of-Class' message in as simple and unambiguous a way as possible.

## Commercial sector

Consolidation and mergers within the travel industry continued to create new opportunities for the 'Sabre CentralCommand with Agresso' product. As the only fully integrated travel and ERP solution available for travel management companies, CentralCommand offers a value proposition unique to this market. A large number of market leaders currently use our solution, with 28% of CentralCommand customers on Travel Weekly's 2010 Power List, including Hogg Robinson Group, Travel Leaders Group (Tzell), Travizon and Ovation Travel Group. Other significant highlights within the travel sector included new contract wins with Christopherson Travel and MTS/Raptim Travel. Meanwhile, BCD Travel purchased additional licences to support their operations and added BCD Costa Rica, which is notable as Latin America is an emerging market for BCD. Current customers Omega World Travel, Travel and Transport and Shorts Travel also provided significant revenue in 2010. Within the service organizations sector we did significant business with existing customers, including the International Civil Aviation Organization, Opinion Research Corporation International and Alvarez & Marsal.

The financial services sector proved to be a buoyant area for Coda, with companies looking to upgrade their financial packages. This was driven by an increasing requirement for better reporting, more transparency and the possibility of additional regulatory scrutiny. Coda already has a large number of niche banks, venture capitalists and hedge funds as customers, and we enjoy an extremely strong reputation among this group. New customers in 2010 included another division of TPG, as well as GSO, a division of Blackstone. In the transport & logistics sector, a traditionally strong area for Coda in the past, we added Superior Bulk to our customer list. The company specifically requested a financial product that runs on IBM, and we were selected over our competitors due to the demonstrated superiority of our solution for their requirements.

## Government and local authorities

The recession created a reduced tax income base for many local authorities, causing a drop in public sector spending and, as a result, a reduction in the number of deals available. Although we continue to market ourselves and gain increased awareness, we expect to see continued delays in decisions or investments in new ERP systems until the economy recovers. Consequently, our activity in the local government market was with existing customers. We had significant service deals with the City of Langley, the City of Kelowna, the City of Ventura and the City of St. Albert. We also saw successful go-lives with the City of Ventura and the Township of Langley. Following our first sale at the state government level in 2009, we sold significant additional services to the Louisiana Supreme Court this year. We also supported our Australian partners in winning a major contract with the Queensland Government's Department of Education and Training.

## Higher education

A lack of next generation products for the higher education market has resulted in an increased opportunity in this sector, as universities and colleges delay purchasing decisions because of the economic situation and dearth of products that can meet their needs. This has renewed our focus on this sector in North America. The recession continued to impact the level of activity in the sector in 2010 however. Despite this, we signed a significant follow-up deal with Harvard Law School to provide them with extra services. We also signed a number of smaller service deals with existing customers, the largest being with Northwestern Health Sciences University. We saw successful go-lives at Bow Valley College, Illinois State University Foundation and Southern Illinois University Edwardsville Foundation. Additionally, we engaged and invested in several industry consultants to assist us with both a market study and product requirements as part of our investigation into an expanded focus on the higher education sector.

## Not-for-profit

We built upon our 2009 win with IAVI (International AIDS Vaccine Initiative), using their references to build our reputation within the market during the year. This springboard helped us turn the sector into a growth area and we signed a range of new customers, including International Partnership for Microbiocides, the Canadian Institute for Health Information, The Reinvestment Fund, Save The Children Alliance, ACDI/VOCA and TRIUMF. We also saw successful go-lives at Bethany Care Society, CRISTA Ministries and Houston Zoo.

# ASIA

UNIT4 provides solutions for customers in a number of countries in the Asia region, all managed out of our Malaysia and Singapore offices. Both the Malaysian and Singapore economies grew strongly in 2010, as did the Indonesian economy. Our focus was on developing demand for Coda solutions and introducing Agresso in the Singapore and Malaysia markets. We successfully introduced ABW to Singapore and Malaysia, and signed deals with two companies, Prima Media and POSH. Both deals were helped by a number of factors, including the strength of ABW's project module and the increased demand for quality ERP solutions following the delay in investments during 2009. Coda continued its forward momentum in the region, with new clients during the year including Labuan Reinsurance, Toyota Capital Malaysia, Yoke Hotel and MISC Agencies Group.


Elise Ainge,
aged 12, UK.

## AUSTRALIA

The Australian economy continued to recover well from the effects of the financial crisis, and managed to leverage growth from the Asian market. Most Australian companies viewed 2010 as a year of consolidation, with investment projects either consolidated or placed on hold in favour of those projects that demonstrated strong value returns to business operations.

We are renaming our Australian operation to UNIT4 Australia Pty Ltd. in 2011, which includes the support operation for our Coda user base in the region. Agresso Pty, one of our two Australian distributors for ABW, focused its activities on targeting its product message to government organizations at all levels, through advertising and marketing campaigns. It was successful in this approach and became the preferred supplier to a large Commonwealth Government Agency with national operations. This statutory office has links to the security and law enforcement market, which is one of Agresso Pty's strategic targets.

In 2010 we signed a contract with a second distributor, Connexxion, based in Canberra.

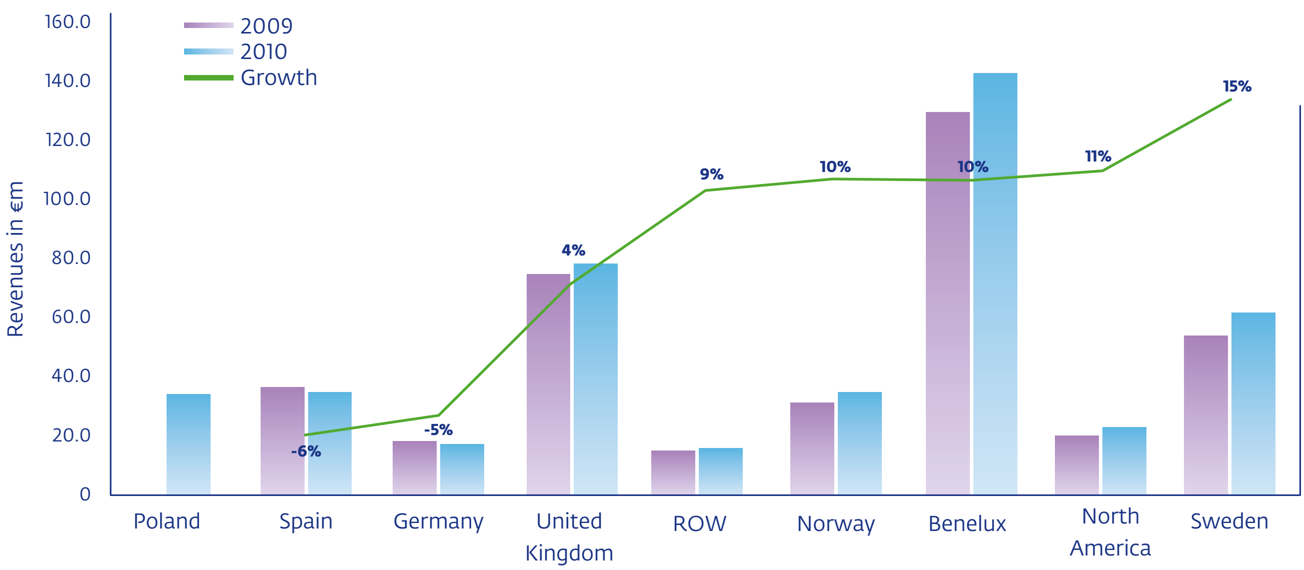
### Public sector

Agresso Pty signed a landmark deal with the Queensland Government's Department of Education and Training. The software/services contract sees ABW being used as the finance technology solution for Queensland's transformational 'SmartClassroom' education initiative. As part of a programme of change, the OneSchool application is being built on the department's enterprise platform, and supports its core business of learning and teaching. OneSchool is a school-driven project focused on improving relationships among teachers, students and parents, with the aim of enhancing the learning of all students.

### Commercial sector

In the commercial sector, Agresso Pty signed a deal with Kinetic IT, a Western Australia-based ICT managed services provider. The company purchased ABW, which will provide solutions across a number of key areas, including financial management, planning, budgeting and forecasting, procurement management and HRM and payroll.

**Revenue per country**



# Outlook for 2011


Sophie Augustsson, aged 10, Sweden.

## Our outlook for 2011 is positive, although we recognize that economic uncertainty remains in many of the markets in which we are active, particularly across Europe and North America.

We expect to see an increase in licence revenue again in 2011. Organic revenue growth for the mid- to long-term is estimated at between 5% and 10%, although this growth will require future investment, both in FinancialForce.com and across the company as a whole, especially in sales, marketing and consultancy.

Our focus remains on building the UNIT4 brand globally, developing shared services, and helping our customers who are Businesses Living IN Change (BLINC) better manage their operations. Growth through acquisitions remains a target.

### Business software market

Our public sector business has been growing strongly in recent years, encompassing all areas from local, regional and central government to higher and further education, health and emergency services, and not-for-profit organizations. This broad spread, across many regions, limits our risk of exposure to cuts in government spending resulting from austerity measures, principally affecting UK and North America. Indeed, with the growing need for automation and efficiency in public organizations we expect our public sector business to continue to grow. Our solutions' low initial costs and ability to support change, innovation and shared services make them highly attractive compared to other ERP solutions, and we are already seeing signs of strong performance.

Within the commercial sector we are witnessing increased demand, as many sectors resume technology spending after some years of low investment. Our sales pipeline is particularly encouraging, with areas such as retail, transport and financial services investing more than in recent years.

## Cloud-based solutions

The demand for cloud-based (or SaaS, Software as a Service) solutions has grown strongly in recent years, driven largely by economic considerations. In 2010 we moved quickly to position ourselves relative to these markets, with strong, hosted SaaS options for Agresso and Coda. Vita Cloud Angel and Coda Cloud Rebel both use low-cost, cloud-based deployment models and are ideally suited to the needs of Businesses Living IN Change. Providing Agresso and Coda in hosted environments with additional set up and deployment enhancements, these solutions deliver the key benefits that most organizations seek from SaaS (no hardware, accessible via the internet, paid for on a subscription basis) while addressing the concerns that many larger and public sector organizations have with regard to cloud computing (around security, data location, and application sharing).

Meanwhile our FinancialForce division offers 'pure cloud' solutions built on the salesforce.com enterprise cloud computing platform Force.com. It delivers the key benefits that organizations seek from cloud-based, SaaS solutions: no hardware, accessible via the internet, paid for on a subscription basis, fast to deploy, easy to extend and integrate. We remain confident about the strategic value of FinancialForce.com and will take the sales operation to the next level in 2011. Because of the very nature of its subscription-based business model, however, increasing costs such as marketing and sales are not immediately covered by the recognition of contract revenues. Consequently, we estimate losses of between €7 million and €8 million at FinancialForce.com in 2011.

We see a strong trend for hybrid computing models – mixing cloud and on-premises solutions – especially among medium-sized and large organizations. We anticipated this with the launch in late 2009 of our UNIT4 IT Solutions, delivering the UNIT4 Hybrid Computing platform in the Benelux region, and this team is now working with a growing number of customers and cooperating across the Group to meet the increasing demand for such services.

We expect the demand for cloud-based solutions to grow in 2011 and are confident that SaaS and subscription revenues will also continue to rise across the Group. The trend towards SaaS and subscription-based models means the expression of revenues, results and forecasts will change. Subscription revenues give a higher return in the medium to long term, while at the beginning of the period they have a negative impact on EBITDA. With no immediate recognition of licence sales, revenues are spread out across the contract period. This ensures future predictability and stable, recurring revenues, but also means a different interpretation of EBITDA is required.

## Cost cutting and flexibility

Reducing costs and increasing flexibility in terms of deployment (on-demand, on-site or hybrid), while ensuring fast returns on investment, are powerful drivers in today's market place. There is growing recognition among companies of the huge costs involved in making changes to big ERP systems, for example when restructuring, changing processes, or following an acquisition. Embracing change is our core philosophy, and we are pioneers in this area. Everything we develop or acquire is driven by the need to ensure ease of change, and we seek to empower customers to make as many changes as possible to their systems themselves, without the need for external consultants or developers.

We believe our focus on these elements has positioned us strongly, and we will continue to develop solutions that offer customers software systems that promote business agility and the benefits of the cloud. For example, the new Agresso development and release strategy, Route 66, is revolutionary in that it allows customers to pick and mix the modules that they wish to take from releases, rather than being forced into 'one size fits all' upgrades at the demand of the vendor. Early customer feedback on the strategy is very positive and we expect to replicate this approach in other products, including Coda. Again, we are leading the market in this area.

## Transparency and openness

There is growing pressure on the public sector to be more open about their spending and to make their spending data available to the public. This is now law in the UK, and other countries across Europe, including Germany and in Scandinavia, are either already in the process of introducing legislation in this area or are considering its introduction. UNIT4 is once again leading the way with the capabilities of its ABW solution, which supports the easy and timely publication of meaningful spend data. In October 2010, UNIT4 customer the Royal Borough of Windsor and Maidenhead became the first local authority in the UK to publish open and linked data, making use of a unique Agresso utility. This data format is considered by experts, such as World Wide Web inventor Tim Berners-Lee, as the most effective means of achieving the UK government's aim of holding public bodies to account and delivering better value for money in public spending.

Nicole van Leeuwen, aged 8, the Netherlands.

By providing our customers with the ability to publish data in a linked and open format, while offering expert advice on the extraction, exclusion and redaction of sensitive data, we believe we'll be able to provide both our customers and the public they serve with a valuable service.

## Web and mobile applications

We are addressing the demand for users to have greater access options through the release of mobile applications. We have released iPhone and iPad apps for FinancialForce Accounting and ABW which we launched in December 2010. These apps enable close to two million ABW users to access and query any information they have clearance to, providing them with full control of their organization's data and processes at all times. FinancialForce Accounting already includes interfaces for the iPhone, Blackberry, iPad, and other mobile devices. In 2011 we will increase our focus on delivering flexible web interfaces for our software solutions.

## R&D strategy

In 2008 we established an R&D centre in Granada, Spain, which has helped reduce costs and increase employee availability. In 2011 we intend to move more R&D activities from the countries to this centre. Around 50 R&D jobs will relocate to Granada, with restructuring costs calculated at between €3 million to €4 million. The change will have a positive financial effect from 2012 onwards.

## Strategic priorities

Our focus is on optimizing our market position and creating a unified, globally positioned brand. To help achieve this, our key strategic targets will be:

- to complete the integration of TETA and exploit our growing presence in Eastern Europe
- to continue to invest in FinancialForce.com and ensure it establishes itself as one of the leading cloud application companies in the world
- to continue to look for small acquisitions of products or companies that fit our organization and help drive success in our strategic markets
- to continue to build on our presence in the Asia Pacific region, in particular to establish Agresso Business World
- to continue to rationalise our R&D resources to support the ongoing development of all strategic solutions whilst ensuring a manageable and competitive cost base.

## Profit expectations

Excluding the results of FinancialForce.com and restructuring/exceptional costs, UNIT4 expects to grow its EBITDA in 2011 to between €100 million and €105 million.

# Personnel & Organization


Linda Scherpenisse,
aged 7, the Netherlands.

UNIT4 is a people business. The success of UNIT4's products and services is driven by the creativity, innovation, professionalism and commitment of our employees. Our ability to attract, serve and retain clients is similarly dependent on the service delivery excellence, the positive attitudes and the strong relationships of our staff across the organization.

We recognize therefore the importance of recruiting, retaining and developing the very best talent in the industry. We seek to provide a business environment and the opportunities that enable them to perform at their best and achieve their potential.

In 2010, the average number of employees, based on full-time equivalents (FTEs), was 3,666, a 10.3% increase on the previous year.

UNIT4 operates across a wide number of geographic and business markets so that each business operation can vary considerably in size, maturity and mode of operating. So, we have established a number of centrally formulated principles for personnel and organization, described below, but 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.

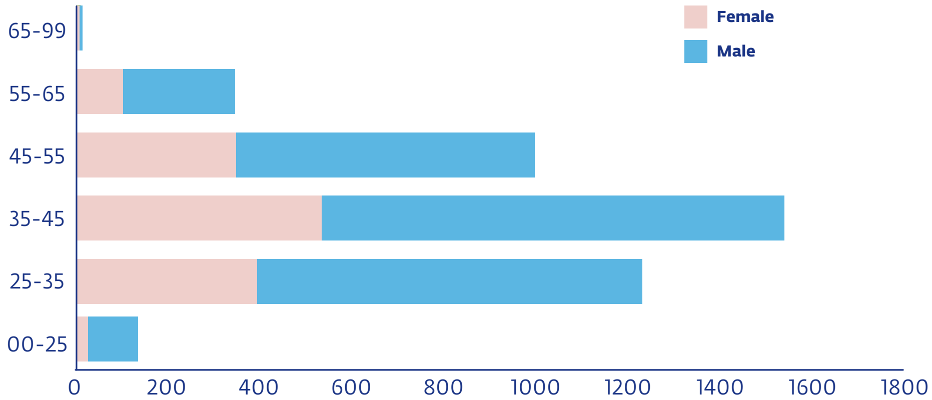
## Number of employees

For changes in employee numbers and FTEs allocated by department, see the Financial Statements, Note 6.8.

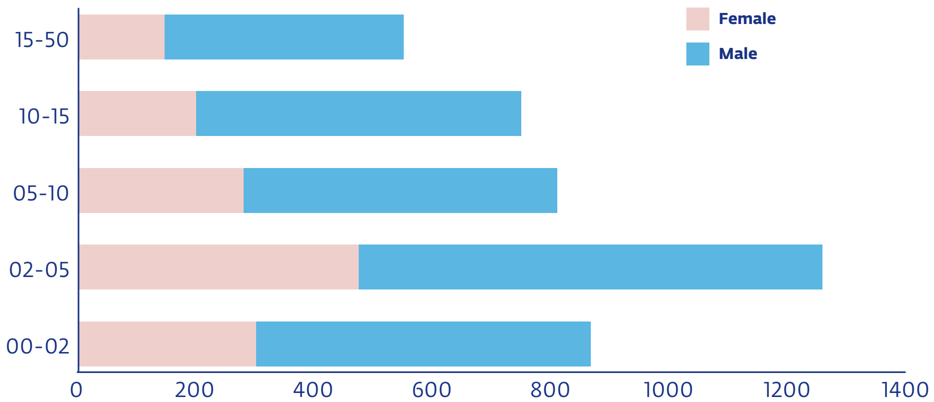
| Number employees | 2010 | 2009 | Variance |
|---|---|---|---|
| Average number FTEs | 3,666 | 3,323 | + 343 |
| Number FTEs end of year | 4,040 | 3,270 | + 770 |
| Total number employees with current employment contract | 4,202 | 3,456 | +746 |

In 2010, the number of FTEs within UNIT4 grew by 770 from 3,270 to 4,040. The average employee age was 40.5, while 33% of the employees were female. UNIT4 continues to work on increasing the number of females employed in management and senior management roles within the organization.

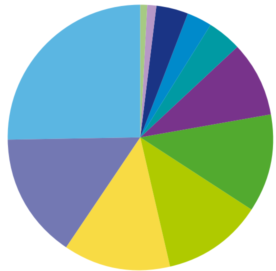
### Age of employees and gender




### Seniority by years of service and gender

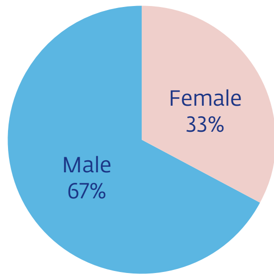



### Headcount and FTE per country



| | |
|---|---|
| The Netherlands | 25% |
| United Kingdom | 15% |
| Spain | 13% |
| Poland | 12% |
| Sweden | 12% |
| Norway | 9% |
| Hungary | 4% |
| North America | 4% |
| Germany | 3% |
| Belgium | 1% |
| France | 1% |
| Others | 1% |

### Male/female % split




## Employer of choice

We operate in a competitive market and in a sector where employment options can be wide and varied even during an economic downturn. We therefore try to be an employer of choice, offering attractive employment conditions and benefits, on-going training and opportunities for professional and personal growth. Our open, informal company culture attracts many young professionals and we seek to inspire, develop and retain the best staff in all areas. We try to deliver clearly communicated objectives, with flat management structures and opportunities to shape personal development and career paths.

## Recruitment

We increased our headcount quite significantly during 2010, driven mainly by our acquisitions of TETA, one of Poland's leading ERP and HR software providers, and Consist, which produces financial management and HR software in the Netherlands.

In the Netherlands, the country with the largest number of UNIT4 employees, 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 at UNIT4. Visitors can learn about recent graduates' projects and information on work experience placements. UNIT4 targets three candidate groups: graduates in the final stage of their studies, starters with one to three years' experience and 'mid-career' candidates. We regularly present at recruitment fairs and cooperation with schools is a key component of our recruitment policy. We not only demonstrate that UNIT4 is a great employer with plenty of opportunities for professional and personal growth, but we also take the opportunity to learn about the ambitions of young graduates and how we can meet their wishes. We offer an incentive programme to current employees who introduce qualified candidates to current vacancies.

In other countries we offer careers and vacancy information on local websites as well as using social media sites where appropriate to attract professional staff.

## Training and career development

The training plan for every employee is defined locally, with the annual appraisal used as a starting point. Central support for the required knowledge of our software is provided for certain functions, including project managers, implementation consultants and support consultants. Our training programmes make considerable use of practical examples and are focused on disseminating best practice. The objective for participants is to understand our programming structure and the development of their ability to translate the knowledge they acquire into practical solutions for our customers.

We have run a High Performance Organization programme in the Benelux for some years, focusing on continued organizational improvement. The programme provides evaluation of managers and promotes a results-orientated approach amongst all employees, and all managers make clear agreements with their staff about objectives and results. Our training courses are explicitly adjusted to the principles of a High Performance Organization. The objectives of our education and training policy are to enable the company to reach its objectives with well-trained and educated employees, to give employees the opportunity to develop professionally and personally, and to shape their careers in a targeted way. In the context of the High Performance Organization programme, for a few days each year our software developers carry out research in an area outside their core tasks. Innovation is the main theme and the boundary conditions are defined to give plenty of space for creativity. An element of this programme is a Developer's Day on the high tech campus of TU Eindhoven. In 2010 some 250 employees, software developers and colleagues met and collaborated in plenary and parallel sessions.

Judith Ruiz Crespi, aged 3.5, Spain.

In Oslo, Norway, we operate the UNIT4 Academy, which acts as a training center for our consultants and facilitates knowledge sharing across the organization. The Academy is responsible for the internal transfer of knowledge within the UNIT4 family on ABW products and related topics. Located in the same building as the company's Research & Development activities, the Academy delivers courses, workshops, and e-learning to all international ABW selling entities. In 2010, 150 courses and workshops were given to business units worldwide. This training portfolio also contains more than 100 e-learning lessons, which were produced on ABW Route 66 and Topaz. The Academy contributed to the development of the UNIT4 Knowledge Portal, and will continue to be active in its future growth. To achieve optimal cooperation between the training and knowledge sharing processes, since the beginning of 2011 the Academy has been managed by Corporate Services management. Plans for 2011 include launching training courses for Route 66, basic certification for ABW and workshops to support ABW Services.

## 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 the HR Manager and the UNIT4 Benelux Director.

UNIT4 International Golf Trophy, Marbella 2010

## R&R

At UNIT4 we believe in rewarding hard work and dedication. In 2010, as in previous years, we organized a number of events to help staff relax and unwind. In May we held a three-day, company-wide international golfing tournament in Spain, which gave employees the opportunity to relax while socializing with colleagues from around the world. Golfing novices picked up the basics of the game during a series of golfing clinics, while more experienced players took part in organized, four-ball matches. Later in the year we were able to offer customers and a number of employees the opportunity to attend a slightly better known sporting event. Thanks to our sponsorship of the Dutch Football Association (KNVB), a number of UNIT4 employees were given the opportunity to visit South Africa to follow the progress of the Dutch team at the 2010 World Cup – all the way to the final, in fact.

We also offer an incentive-based reward programme for sales employees, recognizing their dedication and hard work throughout the year. The Top Performer Event (TPE) is held annually at locations around the globe, and in 2010 participants were flown to the Caribbean island of Aruba. Attended by sales staff that exceed their targets and achieve excellence, the event is also an opportunity for employees from across the company to get together and discuss business in an informal setting.

## Sharing knowledge

Given the size and nature of UNIT4's business, it's unsurprising that information is developed in one part of the organization that would benefit colleagues in another. One of the challenges UNIT4 has faced is how best to share this knowledge in an effective and efficient manner. In 2010 we took the first step towards solving this issue, when we released the UNIT4 Knowledge Portal. Designed to be used during the implementation of ABW, the portal makes existing local and international information easily accessible to consultants and project leaders who have to carry out work on-site. Currently in the pilot phase, initial feedback has been extremely positive. Over 200 consultants are already working with the portal and have started to share their success by rating the quality of documents.

So how does it work? During an ABW implementation consultants often have to search for practical and useful information covering a broad range of subjects. In the past these searches could take hours, but the new system has reduced searches to only a few seconds. Every user can access the portal from their (mobile) workplace, providing a gateway to all practical documents about ABW. These include: release notes, training material, business cases, help files, implementation reports, the e-learning study material about new functionalities in Route 66, and so on. As the portal is refined, we intend to roll it out across the organization.

# Corporate Social Responsibility

We work hard to be a responsible corporate citizen wherever we operate. We strive to act with integrity towards all the company's stakeholders, including our shareholders, clients, employees, suppliers and business partners, communities in which we operate, industry, society and the environment. In undertaking to achieve our business objectives, we focus not only on the direct economic value of our products and services, but also on the short- and long-term effects our activities have on each and every one of our stakeholders. To fully realize our corporate social responsibility (CSR) ambitions and objectives across the whole company, we have developed a series of CSR objectives for each stakeholder group. In this section we first provide a brief overview of our stakeholders and the CSR principles that guide us when dealing with them. We then outline our specific CSR objectives per stakeholder group, and compare those against our performance in 2010.


Marta Guerreiro, aged 15, Portugal.

## CSR and our stakeholders

We believe our actions need to be justifiable to a broad range of stakeholders. To provide a clear overview of the nature and extent of the effects of our activities on our stakeholders, we have divided them into seven groups. These are:

- our shareholders
- our clients
- our employees
- our suppliers
- local communities and society
- our industry
- the environment.

To ensure we remain focused on our CSR goal, we have developed a programme that sets out corporate social responsibility (CSR) ambitions and objectives for the whole company. Our CSR vision is:

- UNIT4 wishes to create sustainable value for all our stakeholders by using the best possible working methods in all the areas in which we are active, by remaining competitive and by being respected for the way we operate.

On the following pages we provide an overview of the high-level and specific CSR objectives we've laid down for each stakeholder group, as well as a scorecard that outlines the progress we've made during 2010.

## Stakeholders – Our CSR Objectives

| Stakeholder | Primary CSR objectives |
|---|---|
| **Shareholders**<br>UNIT4 runs its business operations in accordance with the highest accepted standards of corporate governance. We work diligently to achieve a satisfactory return on equity, with the intention of maintaining a sustainable dividend payment to shareholders, while at the same time retaining sufficient funds to generate profitable growth. We value deeply the relationship we have with our shareholders and the financial markets, and we ensure we provide timely, regular and reliable information on our activities, structure, financial position and performance. We believe the only way to develop substantial and lasting value through our business activities for our shareholders is if our activities are reported transparently and are based on sound CSR principles. | • Achieve solid, sustainable financial results<br>• Maintain sound corporate governance<br>• Publish a transparent and accessible annual report that provides a true and fair view of our activities and our economic, social and environmental performance<br>• Ensure that our business decisions and actions are governed by our Business Principles, Code of Ethics and Business Conduct and associated policies. |
| **Clients**<br>We believe that good business is based on providing clients with the best products and service available on the market. We work continuously to improve the quality of our business processes, and our goal remains to deliver software products and services to our clients that meet their specific operational needs – regardless of industry or market sector. We seek to maintain an ongoing dialogue with our clients, and always deal with them fairly and honestly. | • Supply products and services of high quality that provide long-term benefits to our clients<br>• Develop and maintain excellent customer relationships by responding quickly and effectively to their requests, and optimal performance in customer service, customer satisfaction and customer retention<br>• Consider buying products and services from our clients if they are competitive in price and quality. |
| **Employees**<br>Employees are the lifeblood of UNIT4, and our aim is to be an employer of choice. We value and encourage good employee communication, involvement and personal responsibility. We support and nurture each employee's personal development and the optimum use of his or her talents. We recognize and respect the freedom of employees to choose whether or not to establish, or to associate with, any organization. UNIT4 respects – within the framework of (local) law, regulations and prevailing labour relations and employment practices – the right of its employees to be represented by labour unions and other employee organizations. Every existing and prospective employee has equal opportunities and will be treated equally in employment and occupation, regardless of personal background, race, gender, nationality, age, sexual preference, disability or religious belief. We strive to offer equal pay for equal work performed at equal levels at similar locations. No form of harassment or discrimination will be tolerated. | • Provide clarity and honesty regarding working conditions and our remuneration policy<br>• Promote the enthusiasm and commitment of employees, and encourage them to give their justified opinion about any of our activities<br>• Improve the performance of all employees through training and development programmes<br>• Avoid discrimination in recruitment, training and development opportunities and promotion<br>• Ensure the best possible health and safety conditions and performance for our employees and others. |
| **Local communities and society**<br>One of our goals is to contribute to a better living and working environment in the local communities where we operate and are represented, thereby contributing to the development of society in general. To do this we attempt to play an active role in a diverse range of activities, by investing in sports, arts and cultural projects. | • Involve ourselves, as a company and through voluntary employee participation, in the activities of local communities in order to make a positive contribution to each community's interests and values<br>• Develop and maintain a framework that encourages local management and employees to support good causes and projects to the mutual benefit of UNIT4 and the local community |
| **Our industry**<br>By acting as a good and responsible member of our industry, we can make a positive contribution at all times. Our Business Principles and Code of Ethics and Business Conduct govern both our activities in our industry, as well as within our own organization. | • Set a good example in the IT sector for corporate social responsibility<br>• Develop products and services that help other organizations to improve their corporate governance and promote responsible management<br>• Strictly follow a policy to prevent conflicts of interests, bribery and corruption<br>• Ensure that our advertising and marketing campaigns are neither untrue nor misleading. |
| **Environment**<br>We do all that is reasonable and practicable to minimize any adverse effects of our activities on the environment. We also aim to influence others to ensure that the indirect environmental impact of our activities decreases. As well as respecting relevant environmental legislation, UNIT4 wishes to positively contribute to a better environment where possible, and strives to continually improve its environmental performance. UNIT4 regularly communicates regarding environmental issues with all our stakeholders. Our Environmental and Energy Policy is published on the corporate website. | • Undertake responsible real estate and fleet management (including controlling emissions, waste and energy use)<br>• Promote recycling initiatives<br>• Investigate travel reduction schemes (including home-to-work travel). |

## 2010 – Our Performance Scorecard

| Specific CSR objectives | Achievements in 2010 |
|---|---|
| **Shareholders** | |
| To fully and accurately report on revenue and profit growth compared to previous years | We published our results quarterly and in a timely manner throughout the year |
| To ensure the requirements of effective corporate governance and risk management are met | A detailed description of how we comply with the Dutch Corporate Governance Code ('Frijns Code') and how we manage risks effectively are published in this annual report |
| To report on our social and environmental performance as well as our economic performance | Our annual report provides a complete overview of our CSR objectives and aims.<br>An initial review of our Corporate Social Responsibility policy in the UK by CAESER (Corporate Assessment of Environmental, Social and Economic Responsibility), an organization that provides an overview of how well embedded CSR is within a company, stated that "an excellent start has been made in addressing the key areas of CSR". |
| To publish all relevant documents related to our corporate governance, Business Principles, Code of Ethics and Business Conduct (including our whistleblower policy), remuneration and other policies on our corporate website. | All relevant documents have been updated and published on our website.<br>In the UK, we follow and aim to conform to ISO 26000:2010, which provides organizations with guidance concerning social responsibility. |
| To ensure that resources are used wisely and to provide our shareholders with good value | We deliver value to our shareholders by maintaining a sensible cost base and reviewing our key suppliers regularly to ensure best value is sustained |
| **Clients** | |
| To continually monitor and improve the process for product innovation and improvement | We have continued to supply our customers with high quality products and services that provide long-term benefits |
| Ensure that our clients' feedback, ideas and wishes are fully incorporated and that they receive feedback about their suggestions and input | 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** | |
| To improve formal and informal communication between managers, employees and departments | In 2010 in the Benelux region, individual discussions were held 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 |
| To communicate the opportunities available for employees to voice their opinions or to contribute outside their direct tasks | 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 |
| To develop and promote an employee diversity policy in the company | We have assiduously avoided, and continue to avoid, discrimination in recruitment, training, and development opportunities |
| To strive for employee forums that act as a 'voice' for the employees and the promotion of open feedback from all employees | 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. For example, the company's InTouch website was developed for all employees in the UK. |

## 2010 – Our Performance Scorecard

| Specific CSR objectives | Achievements in 2010 |
|---|---|
| **Suppliers** | |
| To ensure we deal with suppliers in a fair and honest manner at all times | Our finance team ensures that our suppliers receive reasonable payment terms |
| Whenever possible, to purchase Fair Trade products for the organization | In addition to conducting business electronically, we procure products and solutions that meet our environmental ambitions, including recycled materials and Fair Trade products |
| To keep suppliers informed about our CSR initiatives | 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 |
| **Local communities and society** | |
| To develop a framework that stimulates management and employees to become involved in local good causes | Examples of activities undertaken across UNIT4:<br>• A number of subsidiaries in the Benelux participate in Rotary activities.<br>• We are a founding sponsor of the KidsRights organization. This includes both providing a direct donation and matching employees' donations.<br>• We are involved, as a founder, in awarding the Kids Peace Prize in the Netherlands. |
| To undertake sponsorship activities and become actively involved in the local community | 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. In 2010, designations included a sports team, charitable initiatives and community clubs and associations. |
| We are committed to supporting local as well as global charities and have developed a culture that encourages staff to get involved in good causes. Each office also works with local educational institutions and supports work placement initiatives. In addition the Group tries, wherever possible, to source products and services from local suppliers | 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. |



## 2010 – Our Performance Scorecard

| Specific CSR objectives | Achievements in 2010 |
|---|---|
| **Industry** | |
| To publish current good work practices, for example for employee forums, employee and customer satisfaction surveys and energy saving | We provide our clients with a range of solutions to help them meet their corporate governance obligations and promote responsible management processes |
| To enhance the reputation of our products and services that help improve corporate governance and simplify CSR reporting | 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 |
| To participate in consultations in the IT sector in order to develop, exchange and adopt the best possible working practices that benefit our clients and the sector as a whole | All business processes throughout the organization are subject to continuous review and improvement |
| **Environment** | |
| To reduce CO2 emissions by preventing unnecessary travel (where possible), and by using videoconferences and interactive e-learning | Examples of initiatives undertaken across UNIT4:<br>• In 2010 we introduced a new car lease policy in the Benelux, which enables employees to select a more environmentally friendly car, such as a hybrid or lower-emission vehicle.<br>• Our office in Sweden has been ISO 14001 certified, and works to integrate sustainable development and a better environment into its daily business activities.<br>• We have rolled out video conferencing across our offices worldwide and encourage its use in favour of face-to-face meetings. |
| To switch to 'green' energy at our sites where viable, and to manage our sites in a more environmentally-friendly way | We communicate with suppliers electronically whenever possible. |
| To be economical with company resources and, where appropriate, to buy environmentally-friendly products | We procure products and solutions which meet our environmental ambitions: recycled materials, Fair Trade products, local sourcing, and so on. |
| To look into more environmentally-friendly travel, such as cycling and car-sharing, and working, such as home working | 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.<br>In Sweden, we've cut our travel on domestic flights by 47% and our electricity consumption per employee has fallen by 43% since 2006.<br>Train travel now accounts for 31% of our total business travel. |
| To standardize and adopt recycling procedures and communicate recycling initiatives more effectively | In the United States we have an active recycling program in both our Victoria and Dallas offices. The offices practice paper conservation (green conferences, support digital versus paper distribution, and so on) and have replaced older PC and laptops with higher-efficiency models. Additionally, we aim to reduce travel by increasing teleconferencing and on-line meetings, where appropriate.<br>In Spain we have replaced old technology light bulbs with LED-based halogen lights or low consumption light bulbs throughout our offices. We're currently carrying out an environmentally friendly renewal of our Spanish headquarters, which is due to be completed in 2011. We've replaced our old CRT displays with flat displays. Our offices implement local recycling initiatives wherever possible. |

# Risks and risk management


Jono Sutton, aged 12, UK.

UNIT4 considers risk management, and the clear reporting of the risks we face and how we manage them, as an essential element of our corporate governance. Identifying and recognizing the principal business risks, and controlling and mitigating them systematically, greatly contributes to the realization of our strategic and financial long-term objectives.

At UNIT4, we encourage entrepreneurship throughout the organization, which means identifying and seizing opportunities. The risks inherent in entrepreneurship must be assessed and controlled, however, and UNIT4's risk appetite is based on a thorough quantitative and qualitative analysis of combinations of potential risks and opportunities. UNIT4 aims to realize its corporate objectives by consciously taking entrepreneurial risks while obtaining a certain level of certainty that it can meet its obligations to its shareholders, customers, employees and other stakeholders in the short and long term. UNIT4 strives to develop and maintain a deep and current knowledge of the market and a high level of transparency in the organization so that it can define when risks are justified, and when they should be avoided or mitigated.

The principal general business risks that could threaten the profitability and growth of a medium-sized internationally active producer and supplier of business software, especially with growth ambitions such as those of UNIT4, are:

| Principal business risk areas | Control measurements and/or mitigating factors | Residual risk |
|---|---|---|
| **Market demand** Macro economic conditions that lead to decreasing investments & increased attrition of the customer base | High proportion of recurring revenues (maintenance & SaaS contracts)<br>Customers within the public and private sectors, both of which show different market trends<br>Spreading income over licences, services, maintenance/support and subscriptions<br>Broad product portfolio that is sold within many countries and market segments | **Moderate** Growth projections for the software industry are amongst the highest in class |
| **Technology** Unsuccessful and inefficient Research & Development | Central management & coordination<br>Roadmap for the short-, mid- and long term driven by our sales companies (business cases), customers/users (UNIT4 Ideas) and market requirements (analyst research)<br>Gradual transition to low cost countries (inshoring)<br>Use of latest development technologies and highly qualified resources | **Low** UNIT4 has a balanced process to see what requirements it has to fulfil with an integrated link to the R&D centers |
| **Human capital** Availability of qualified staff and continuity of key personnel | International HR manager<br>Succession planning within each country<br>Performance management & management development programmes<br>Central UNIT4 Academy (professional and customer services training center) | **Low** Based on recent experience, UNIT4 has low turnover rates and, according to recent surveys, is rated as a 'good employer' |

## Risk appetite

The appetite for the different types of risks is to a considerable extent defined by UNIT4's business objectives. UNIT4 ensures effective monitoring and governance of its risk appetite by incorporating a balanced mix of both quantitative and qualitative measures, which primarily results in financial targets. Those measures are part of day-to-day operations. Nevertheless, UNIT4 strives to maximize shareholder return, which logically leads to some risk taking. The most important risks are discussed at least once a year with the Supervisory Board.

The appetite levels for the principal structural types of risks are included in each section that discusses the specific risk type.

## Principal general company risk types

UNIT4 considers the principal types of company risk to be strategic risks, technological risks, operational risks, financial & tax risks and compliance risks. We describe these key risks, which have been discussed with the Supervisory Board and its Audit Committee, below.

### Strategic risks

UNIT4 considers the principal market risks to be inherent to its chosen strategy. These market risks are therefore incorporated in the strategic risks listed below.

| Strategic risks | Description | Control measurements and/ or mitigating factors | Residual risk |
|---|---|---|---|
| **Sensitivity to economic and seasonal fluctuations**<br>(risk appetite: moderate) | UNIT4 recognizes three income streams from the development, distribution and support of business software. These are: income from licence sales, income from support contracts, maintenance contracts and subscriptions, and income from professional and other services.<br>• Income from licence sales is particularly sensitive to external events, and depends on the investment climate in the market. Seasonal influences represent a specific risk to this income flow. June and December are historically important months, occurring just before the time of year when many organizations start using new business software.<br>• Income from support contracts, maintenance contracts and subscriptions is to a limited extent sensitive to economic conditions. This income is mainly generated from existing clients, and it is recurring in nature. The growth of this income flow is directly dependent on the economy and the demand for new or additional licences and subscriptions.<br>• Income from professional and other services consists mainly of implementation, migration, business consultancy, support and other (ICT) services. The demand for these services is also quite sensitive to the economic climate. By outsourcing part of the implementation work, and depending on the economic outlook and availability of resources, UNIT4 can use its own resources efficiently without a high risk of (expensive) overcapacity. | Revenue distribution over countries and various vertical market segments limits the negative consequences of local and sector-linked economic downturns. | **Moderate**<br>UNIT4 cannot predict the market but it uses all available tools and resources to quickly adapt to changing market circumstances |
| **Acquisitions**<br>(risk appetite: high) | In order to realize its long-term strategic objectives, UNIT4 requires continuous growth of the business, for example through acquisitions. Acquiring businesses, companies, assets or business operations involves inherent risk, as the (micro) environment is typically an area where UNIT4 has less experience than it does with its existing business operations. Such issues are mainly market and country related. However, acquisitions do occur in areas where we have existing business operations and thus more in depth knowledge of the market.<br><br>Other issues that UNIT4 might enter into when performing acquisitions are principally related to product, personnel, finance and legal. Product and personnel-related issues are as far as possible investigated by employees from UNIT4 during the pre-acquisition phase. Financial and legal issues are analyzed during the pre-acquisition (due diligence) phase by the Corporate Finance and Legal department with assistance from external advisors.<br><br>The risk appetite for growth through acquisitions is relatively high, as UNIT4 looks for growth in expanding economies, such as Eastern and Southern Europe, South America, and Asia Pacific. | Acquisitions should contribute to the earnings per share and fit with the business strategy. The management, for which UNIT4 encourages the continued involvement, and culture of the acquired company should fit with UNIT4 Group to enable integration and mutual cooperation within the Group. | **Moderate**<br>The Management Board of UNIT4 looks for a healthy balance between the purchase price and the expected risks linked to the acquisition candidate |

| Strategic risks | Description | Control measurements and/ or mitigating factors | Residual risk |
|---|---|---|---|
| **Solvency** (risk appetite: low) | UNIT4 acquired the Coda Group in 2008 and entered into a 5-year (syndicated) loan facility agreement. The remaining debt as of December 31, 2010, for this loan is: €127.9 million<br><br>In general, large investments such as acquisitions that are (partly) financed by one or more financing arrangements can result in relatively high amounts being required to service the debt. The extent to which UNIT4 is able to meet its debt service obligations in relation to these financing arrangements depends on a number of factors. The related risks are:<br>• The financial covenants and securities that have been agreed upon.<br>• Changes in interest rates and relevant currency rates.<br>• The financial results and cash flows that UNIT4 can generate during the period in which it has to service the debt. For further information on the outstanding loans, see Note 6.27 of the Financial Statements. | Within UNIT4's control process the following control measurements are applicable:<br>• monthly forecasting of the operational, investment and financing cash flow<br>• the use of derivates (interest swaps) to hedge against (uncertain) market interest rate developments. | **Low**<br>As of December 31, 2010, UNIT4 had a healthy balance sheet with a solvency ratio of 38% and an EBITDA leverage of 1.54 (covenant: 1.75) |
| **Economies of scale** (risk appetite: moderate) | UNIT4 is a medium-sized player in the international business software market. UNIT4's size in relation to larger strategic competitors is a competitive disadvantage. Generally speaking, larger companies are able to invest more in Research & Development, new activities and products, and are better equipped to recover from a financial setback. UNIT4's size represents a risk with respect to large investments and important acquisitions. The impact on the results from the success or failure of major initiatives is relatively high. | UNIT4 reduces the risk of unsuccessful initiatives, and related losses, by ensuring that they are based on unique strengths in technology, market knowledge and marketing. By centralizing R&D for its core products, UNIT4 maximizes the availability of financial resources for (new) investments. | **Moderate**<br>UNIT4 has in depth knowledge of the (vertical) markets in which it operates the business through its subsidiaries |

## Technological risks

### Research & Development

Research & Development (R&D) is one of the critical success factors for UNIT4. It can take up to seven years to develop new products and technologies. Such a long development time requires significant amounts of investment and allows minimal tolerance for unsuccessful or late new product introductions. UNIT4 allocates approximately 11% of its revenue to R&D. In absolute figures this is a substantially lower amount than some competitors use for this purpose. UNIT4 therefore needs to specialize and grow the business by developing the client base, forming alliances with distributors or other software vendors and entering into acquisitions. The importance of continuous innovation, and therefore the appetite for technological risks, is high. The damage resulting from failures, errors or late introductions, both in financial terms and to UNIT4's reputation, could be substantial. The Board of Directors continuously analyzes and evaluates these risks and discusses product related issues on a regular basis within the committees that are in place.

## Operational risks

There is the risk that products designed or adapted by UNIT4 meet neither our own expectations nor those of our clients. This risk is limited through the application of standardized customer contracts (terms and conditions) and standardized proven procedures for the development and the (intermediate) testing of new products and product versions. The risk appetite for operational risks is moderate. These risks are controlled through the business processes and reporting lines employed.

There is the risk that the billable capacity of resources is not fully utilized. To control this there is a continuous focus on the planning (existing and expected orders) and realized billability ratio's, which are reported monthly and discussed.

## Financial & tax risks

UNIT4 considers the following financial & tax risks:

| Financial & tax risks | Description | Control measurements and/or mitigating factors | Residual risk |
|---|---|---|---|
| **Currency**<br>(risk appetite: low) | 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 regions in which the Group's operating companies are active. A substantial proportion of the results of UNIT4 is generated in non-euro countries, including the United Kingdom, Sweden, Norway, 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 foreign currencies, see Note 6.37.4 of the Financial Statements. | If deemed necessary, UNIT4 uses currency derivatives, such as options and forward contracts, to secure its results as much as possible. | **Low**<br>From the subsidiary perspective, UNIT4's business in foreign currencies is limited |
| **Interest**<br>(risk appetite: moderate) | UNIT4 is only exposed to interest rate 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 Note 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 rates, because in an economic downturn interest rates normally trend downwards. | **Low**<br>In addition to our long-term loans, UNIT4 aims to have a positive (average) cash position |
| **Credit**<br>(risk appetite: moderate) | 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 further information on credit risk, see Note 6.37.3 of the Financial Statements. | UNIT4 assesses the credit status of new customers using a standardized procedure. This procedure can also be used to assess existing customers, if deemed necessary, and advice can be obtained from external credit reference agencies. | **Moderate**<br>Although the financial impact on Group financial statements is limited, the risk of insolvency of some of UNIT4's customers is beyond our control |
| **Liquidity**<br>(risk appetite: low) | Liquidity risk exists in exceptional circumstances. A combination of negative factors, such as high (credit) charges, high interest rates, 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. | UNIT4 has a daily cash management process in place which monitors the daily cash flow of the main cash inflow and outflow. UNIT4 also uses a planning and control process, which includes the analysis of liquidity budgets up to 6-months ahead. | **Low**<br>In ongoing business situations, UNIT4 has access to a wide network of channels providing direct access to the money markets |
| **Tax**<br>(risk appetite: low) | UNIT4 has an excellent track record when it comes to tax compliance. Compliance with tax laws and regulations is a general risk, especially when a multinational such as UNIT4 is doing business through its subsidiaries in multiple countries. With the exception of the Netherlands, all our subsidiaries deal with their own tax compliance issues. 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 Financial Department. This monitoring includes the analysis, documentation and maintenance of a central 'Transfer Pricing master file', which includes all relevant transactions between subsidiaries. | UNIT4 aims to fully comply with tax legislation in its day-to-day business operations. If there is uncertainty about the interpretation of relevant tax laws and regulations, the company takes external specialist advice. | **Low**<br>Although UNIT4 does all it can to comply with tax legislation, situations can arise whereby (local) tax authorities take a different view |

## 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 to finance the acquisition of Coda in 2008, UNIT4 is subject to a compliance risk, which is controlled by careful monitoring of the obligations to be met, and via liquidity management. Changing laws and regulations regularly lead to new rules for businesses, regarding transparency and duty of care. Financial Supervision Act – with additional General Management measures and all other regulations introduced in the Netherlands on 1 January 2007 – is of particular importance to UNIT4. 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: company and professional liability insurance policies, fire insurance policies, and policies that insure against company and transport damage.

# Framework for risk management and control

UNIT4 operates in a challenging control environment, being a listed company with a decentralized structure, with numerous entities operating worldwide, having a low to moderate leveraged financial position, and operating in a highly technological and competitive market.

The importance of internal controls to the business is understood, and both the UNIT4 Code of Ethics and Business Conduct and the Management regulations are communicated transparently and published on our intranet.

In the last quarter of the year, operating companies draft their strategic business plans, including the financial budget for the coming year. These plans are discussed with the Management Board and used for the Group's strategic plan. This Group's strategic plan is discussed with and approved by the Supervisory Board.

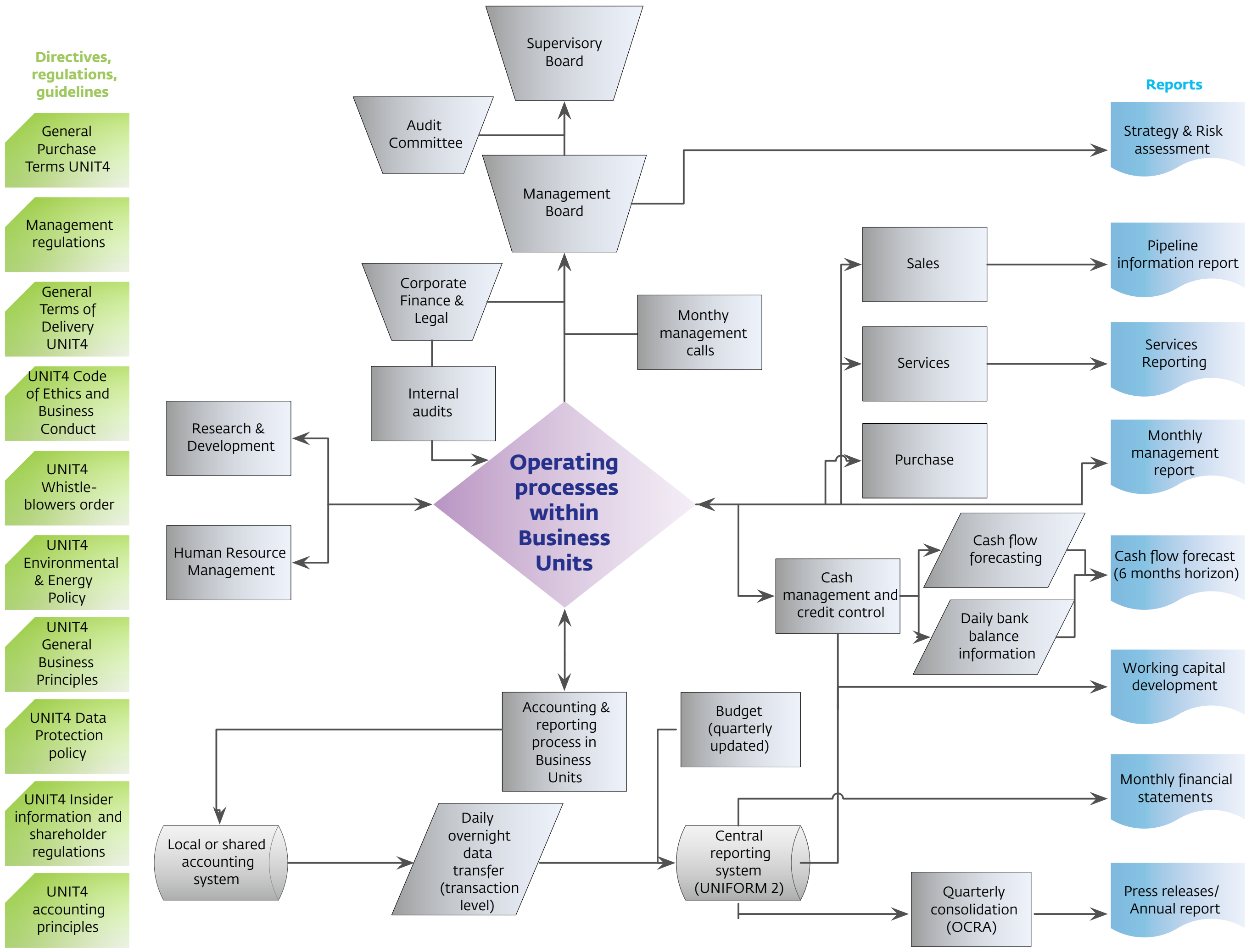
A business planning and reporting cycle is in place to measure how well and consistently UNIT4 executes its strategy and delivers the objectives. For reporting and analysis, UNIT4 uses company-wide planning and control systems based on software UNIT4 has developed. The effective functioning of this planning and control system is systematically monitored. Shareholder value is maximized when management sets strategic goals and objectives to strike an optimal balance between growth and return on goals and related risks, and efficiently and effectively deploys resources in pursuit of UNIT4's objectives.

The Management Board (incl. Board of Directors) evaluates the management of business units and specialized departments together and uses the COSO-ERM (Committee of Sponsoring Organizations of the Treadway Commission-Enterprise Risk Management) model as a frame of reference.

This ERM framework is geared to achieving UNIT4's objectives, set forth in four categories:
- strategic – high-level goals, aligned with and supporting its mission
- operations – effective and efficient use of its resources
- reporting – reliability of reporting
- compliance – compliance with applicable laws and regulations.

The UNIT4 integrated framework encompasses:
- aligning risk appetite and strategy – during the yearly budget the UNIT4 Management Board considers the Business Plan from each operating company within the Group and its risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks
- seizing opportunities – UNIT4 and its worldwide network of business operations is positioned to identify and proactively realize opportunities that involve multiple locations and knowledge on multiple disciplines
- reducing operational surprises and losses – UNIT4 uses various information lines to identify potential events and establish responses, reducing surprises and associated costs or losses
- improving deployment of capital – UNIT4 focuses on the optimal use of its resources.

The following overview shows the various departments, processes, sub processes, reports and the relations within this framework and a more detailed description of the various elements is set out below the flowchart:




## Compliance: directives, regulations, guidelines and consultation structures

The following directives, regulations, guidelines and consultation structures also act as tools for risk management:

- A manual with guidelines on financial reporting based on IFRS (adopted by the European Union).
- A corporate governance structure as defined in the Articles of Association and internal regulations.
- A treasury policy plan, with objectives and rules for cash and currency management and financing.
- Guidelines on budgets and annual business plans.
- Consultation between the Board of Directors and the Supervisory Board at least once per year, in which the most important risks and mitigating control measures are discussed extensively.
- Management rules that define specific rules of contact and authorization for all operating company directors
- Regulations and definitions for transfer pricing (inter-company pricing for products and services within the Group).
- Supervisory Board Rules (including Rules governing the Supervisory Board's Audit and Remuneration Committee).
- Management Board Rules.

## Reporting: planning and control

The periodic reporting of the operating companies is focused on providing timely, effective and efficient insight into the extent to which strategic and financial objectives are being achieved. The reporting of financial and management information takes place for all operating companies according to the guidelines of the central reporting system and follows a uniform procedure.

The main reports are:
- annual budget including business plan
- extensive financial information every quarter about expected financial performance against the original budget and revised quarterly budget estimates
- quarterly status report about the financial covenants
- detailed monthly information about financial results against budget, revised budgets and previous years
- detailed qualitative monthly information, in particular regarding prospect and customer development, consultant utilization rates, order workbook, planned utilization of consultants, working capital development and R&D projects
- detailed monthly cash flow expectations for the next six months, from which information is also derived relating to the financial covenants as at the end of this six-month period
- standardized qualitative monthly reports from local management about the main events of the preceding period and actions planned for the next period, with subjects such as ongoing projects and proposals, debtors and personnel matters, possible claims, market expectations, competitive position, analysis of monthly results and other risks
- daily reporting about the status of liquidity (cash pool).

In addition to the reports above, thorough analysis and consolidation of the financial management information is also an essential success factor. Performance is checked with historic comparative reporting periods, detailed budgets, revised budget estimates and other financial information, such as signed and expected orders (pipeline). Group financial reporting and analysis is carried out by the Corporate Finance Department, which reports directly to the Chief Financial Officer.

### Communication structure

To support the framework for internal control and risk management the following is in place or scheduled:
- bi-weekly meetings between members of the 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 local (Professional & Customer) Services management
- periodic telephone calls or meetings with operating companies that require working capital improvement
- bi-monthly meetings between members of the Executive Committee, which consists of the Management Board and managers of key business operations within the Group
- at least six meetings per year between the Management Board and the Supervisory Board
- at least two meetings per year between the Audit Committee, the Chief Financial Officer, Director Corporate Control and the Legal Director
- half-yearly meetings between the Management Board and country managers of all operations within the Group
- annual individual budget meetings between the Management Board and country managers of all operations within the Group.

### Internal audit visits and consultation

UNIT4 consists of many operating companies that are all responsible for their own local internal control, financial reporting and risk management. Structured consultation governs reporting between local financial management and the head office. In addition, the Corporate Finance Department conducts regular on-site control visits and desktop reviews to ensure that all reporting is being conducted accurately and on time, and that risk management and control measures are being adequately executed. The Corporate Finance Department advises on changes in accounting principles (new IFRS guidelines), further optimization of the internal control system and assesses the effectiveness of local working capital management.

## Improvements in 2010 and plans for 2011

In 2010, UNIT4 achieved more insight into the performance of its billable resources and by improving the reporting accordingly it increased the control level on the periodic performance of those billable resources.

During 2010, the reporting system used by the Corporate Financial Department, named Uniform 2, was further improved and extended with a new portal, which will be released early 2011. This portal will give the Management Board direct access to the performance of UNIT4 and its subsidiaries. During 2011, corporate financial reporting will be extended with insight into the profitability of various departments and product lines within UNIT4 and its subsidiaries.

In 2011, UNIT4 plans to implement an improved software application for documenting its internal financial and operational audits, which will be developed in-house by UNIT4 Accountancy B.V.

## Control does not offer certainty

No matter how effective our framework for risk management and control is, it can never give absolute certainty that our objectives regarding strategy, 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.

Chris Ouwinga & Edwin van Leeuwen

## 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 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 financial statements. Based on the 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 2010 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 2010, 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 per December 31, 2010, 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,
15 March 2011

Board of Directors

Chris Ouwinga
Edwin van Leeuwen

# Supervisory Board


**Left to right:** Frank Rövekamp, Johan A. Vunderink, Rob A. Ruijter, Theo J. van der Raadt

### Frank Rövekamp

(1955) Member of the Remuneration Committee (as of 14 October 2010)
Appointed in 2010. Current other positions: member of the Supervisory Board of Vodafone Germany and board 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.

### Johan A. Vunderink

(1947) Member of the Audit Committee
Appointed in 2002. Current other positions: Supervisory Director of Siennax International B.V., and Interim Management Director of Practis Holding 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.

### Rob A. Ruijter

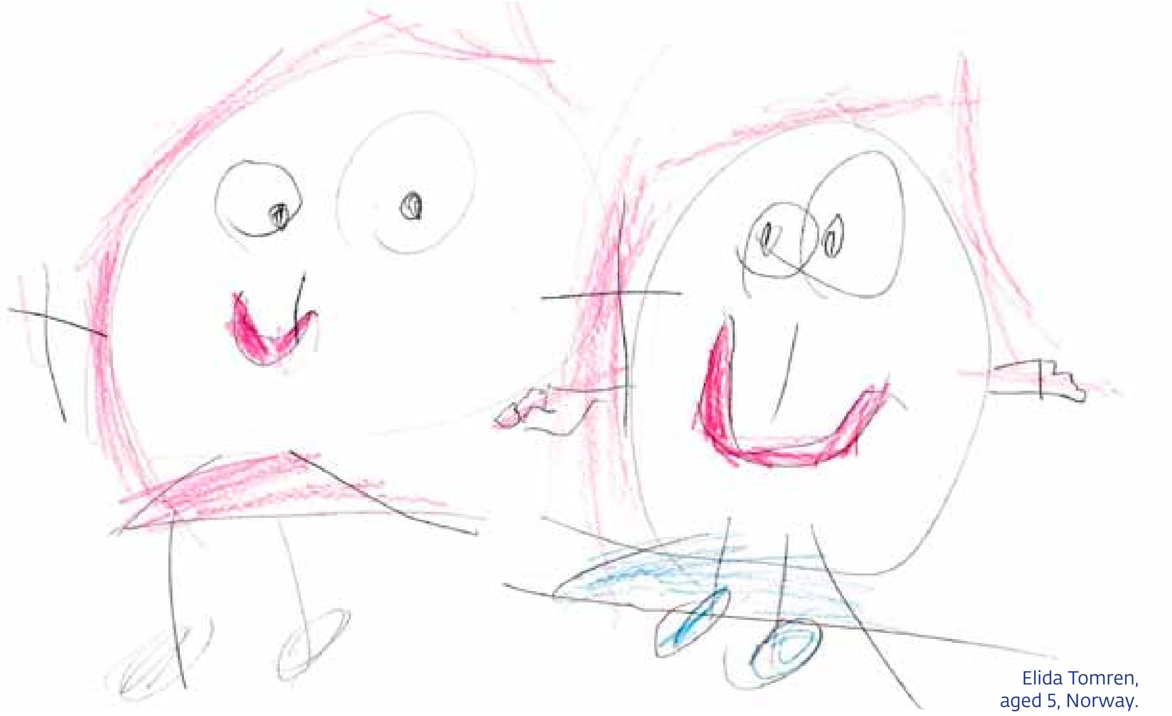
(1951) Chairman of the Audit Committee
Appointed in 2009. Current other positions: member of the Supervisory Board of Wavin N.V., member of the Advisory Board of Verdonck, Klooster & Associates, member of the continuity foundation of Delta Lloyd N.V., and member of the Board of Terre des Hommes Netherlands. Until 1 September 2010, Mr Ruijter was interim CFO of ASM International. Mr Ruijter is a chartered accountant and financial expert and has held several senior financial positions at, amongst others, KLM and VNU/Nielsen.

### Theo J. van der Raadt

(1953) Chairman of the Supervisory Board, Chairman of the Remuneration Committee
Appointed in 1997. Current other positions: Chief Executive Officer of NDC|VBK Houdstermaatschappij B.V., Chairman of the Supervisory Board of Desso Group B.V., and Chairman of the Supervisory Board of Maandag B.V. Mr Van der Raadt has extensive general management experience and specific knowledge in the area of financial corporate governance.

All Supervisory Board members are Dutch nationals and were appointed with due regards to legal, statutory and regulatory stipulations for a term of four years with the exception that Mr van der Raadt was reappointed in 2009 for 2 more years with the approval of the GMS.

# Report of the Supervisory Board



Elida Tomren,
aged 5, Norway.

We advise the General Meeting of Shareholders (GMS) to approve the 2010 Annual Report. We further propose to discharge the Board of Directors from liability for their management in 2010 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 regularly and in depth. There were nine Supervisory Board meetings. The Audit Committee (AC) had four meetings and the Remuneration Committee (RC) had two meetings.

Supervisory Board meeting overview:

| Meeting date | With/without management Board (MB) AC / RC | Most important subjects |
|---|---|---|
| 27 January 2010 | With and without MB<br>Remuneration Committee | Approval budget 2010 |
| 22 February 2010 | With and without MB<br>AC with auditor | 2009 financials, meeting with auditor |
| 25 April 2010 | With MB | Accelerated bookbuilding<br>Acquisition of TETA |
| 3 May 2010 | With MB | Acquisition of TETA |
| 12 May 2010 | With MB<br>AC without auditor | Preparation GMS |
| 30 June 2010 | With MB | Long term strategy<br>Risk Management |
| 25 August 2010 | With and without MB<br>AC with auditor | H1 2010 financials<br>SB vacancy 2011 |
| 14 October 2010 | With and without MB<br>Remuneration Committee | Appointment of Mr Rövekamp as member of the RC<br>Remuneration of the MB<br>SB vacancy 2011 |
| 16 December 2010 | With and without MB<br>AC without auditor | Performance evaluation SB and MB<br>Remuneration<br>Preliminary budget |

On 15 July 2010, the regular consultation took place between members of the Supervisory Board, the Dutch Works Council (OR) and the Management Board, during which the 2009 results and main developments in 2010 were discussed.

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 financial crisis and the effects on UNIT4
- market developments and the competitive position of UNIT4
- the development of the Group results and the financing of the company
- the financing and acquisition of TETA
- the Dutch corporate governance code ('Code Frijns')
- risks and risk management
- the activities of the Audit Committee and the Remuneration Committee
- the activities and development of FinancialForce.com, Inc.

## Developments 2010

For 2010, the Supervisory Board would like to mention the following major highlights. On 1 February 2010, Unit 4 Agresso changed its brand name to UNIT4 across all companies in the Group. The rebranding represents the beginning of the next stage of growth for the company. UNIT4 followed its strategy in 2010 with the acquisitions of Consist in the Netherlands and the TETA Group in Poland and Hungary. The acquisition of TETA was preceded by a successful accelerated bookbuilding process through which UNIT4 raised an amount of approximately €51 million. In September 2010, UNIT4, which has been publicly listed on the NYSE Euronext Amsterdam since 1998, was added to the Amsterdam Midcap Index from the Smallcap Index.

Despite the ongoing uncertainties in the global economy, the Supervisory Board believes that UNIT4 is sufficiently strong (both in its current strategy and also through the content of its range of activities) to cope with possible risks that might arise from market developments. The Supervisory Board closely follows market developments in cloud technology as well as the impact these developments may have on UNIT4 and its businesses, and especially on the business of FinancialForce.com.

## Functioning and composition of the Management Board and Supervisory Board during 2010

There were no changes to the composition of the Management Board during the reporting year. The Supervisory Board has evaluated the performance by 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 in particular is deemed to be of great importance to a consistent strategic and operational management. The Supervisory Board is grateful that the objectives of meeting high standards and maintaining continuity by the Management Board have been achieved.

The evaluation of Management Board performance was furthermore based on the achievement of set objectives, both operational and financial, on the effective cooperation within the Management Board, as well as the ability to combine short-term management effectively with adherence to and successful execution of the long-term strategy.

At the General Meeting of Shareholders of 2010, the composition of the Supervisory Board changed following the resignation of Mr Paul Smits, who had been a member since 2003. The Supervisory Board is grateful to Mr Smits for his significant contribution to the Supervisory Board and to the development of UNIT4 during his term. The vacancy was filled by the appointment of Mr Frank Rövekamp, who has brought valuable experience to the Supervisory Board. Mr Rövekamp became a member of the Remuneration Committee, effective October 2010.

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.

The Audit Committee had four meetings in 2010, during which the financial results were discussed, as were accounting procedures and internal controls. Particular attention was paid to tax planning, pensions and revenue recognition. Discussions were held with the financial management of the company and the external auditor. Furthermore it was concluded that currently there is no need for an internal audit department.

The Remuneration Committee had two meetings in 2010, during which the individual remuneration packages and incentive schemes for all members of the Management Board (statutory and non-statutory) were discussed.

In its December 2010 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. At the 2011 General Meeting of Shareholders Mr Van der Raadt will resign as chairman of the Supervisory Board, after 14 years with UNIT4. Mr Ph.P.F.C. Houben will be proposed as a new member of the Supervisory Board (see below).

## Remuneration of the Board of Directors

The Remuneration Committee evaluated the various factors relating to remuneration of the members of the Board of Directors, and has made recommendations to the Supervisory Board, which reports as follows.

The remuneration of the Board of Directors is based on the Remuneration Policy as approved by the General Meeting of Shareholders and is composed of a number of elements, which together must ensure the correct balance between interests in the short and long term. The Remuneration Policy provides a fixed remuneration together with a variable annual compensation. This variable component depends on achieving profit and growth objectives for the shorter term. A long-term incentive is provided through a share option or alternative share incentive scheme, which aims to align the long-term interests of the company with those of its directors. Taking into account the new Dutch Corporate Governance Code ('Frijns Code'), the Remuneration Policy was again reviewed by the Remuneration Committee. This review resulted in a number of amendments, which will be proposed to the General Meeting of Shareholders on 25 May 2011 for their approval. Once approved, these amendments will take effect as of 1 January 2011.

The possible outcomes of the variable remuneration is maximized at 100% of the fixed remuneration; 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 variable remuneration.

With regard to other remuneration elements, no changes have taken place. The members of the Board of Directors 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 agreements will be respected and arrangements in conformance with the market will be made when the occasion arises.

During 2010, no share options in UNIT4 N.V. were granted to members of the Board of Directors.

Before drawing up the Remuneration Policy and determining the remuneration of individual members of the Board of Directors, the Supervisory Board made the analysis as described in best practice provision II.2.1 of the Frijns Code.

## Corporate governance considerations

The Supervisory Board is closely monitoring the developments regarding corporate governance in the Netherlands, as reflected in the Frijns Code of December 2009. A later section of this Annual Report is devoted to a detailed explanation of the views taken. In general it can be stated that UNIT4 will align with the Code in principle, while in a very small number of cases a difference in position will be explained. As indicated above, a revised Remuneration Policy, reflecting a number of adjustments, will be proposed to the General Meeting of Shareholders on 25 May 2011.

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, whereby the qualitative elements of the strategy and operations are best served. The Supervisory Board therefore decided to maintain the current criteria of EPS and EBITDA as the basis for the 2011 bonus scheme.

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)

| | C. Ouwinga | | E.T.S. van Leeuwen | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Salary | 488 | 477 | 371 | 365 |
| Bonus | 488 | 477 | 371 | 365 |
| Pension (including disability insurance) | 108 | 106 | 76 | 42 |
| Value of granted option rights | 69 | 117 | 69 | 117 |
| **Total** | **1,153** | **1,177** | **887** | **889** |

**Share options granted to the Board of Directors**

| Director | Year | Outstanding at 1 January 2010 | Awarded in 2010 | Exercised in 2010 | Expired in 2010 | Outstanding at 31 December 2010 | Exercise price (€) | Price on exercise date (€) | Expiration date |
|---|---|---|---|---|---|---|---|---|---|
| C. Ouwinga | 2005 | 50,000 | 0 | 50,000 | 0 | 0 | 13.02 | 18.80 | April 2010 |
| | 2008 | 75,000 | 0 | 0 | 0 | 75,000 | 16.70 | - | March 2013 |
| | 2009 | 50,000 | 0 | 0 | 0 | 50,000 | 13.42 | - | Sept 2014 |
| **Total** | | **175,000** | **0** | **50,000** | **0** | **125,000** | | | |
| E.T.S. van Leeuwen | 2008 | 75,000 | 0 | 0 | 0 | 75,000 | 16.70 | - | March 2013 |
| | 2009 | 50,000 | 0 | 0 | 0 | 50,000 | 13.42 | - | Sept 2014 |
| **Total** | | **125,000** | **0** | **0** | **0** | **125,000** | | | |
| **Total** | | **300,000** | **0** | **50,000** | **0** | **250,000** | | | |

The revised Remuneration Policy will contain a claw-back clause that enables the adjustment or recovery of variable remuneration paid, if knowledge becomes available that it was granted on the basis of incorrect (financial) information.

With regard to arrangements for the possible occurrence of involuntary leave or change of control, it was decided after extensive consideration to make agreements in advance, in line with the Code, in case of the appointment of new members of the Board of Directors. For the current board members, arrangements that conform with the market will be made in case this is required.

The terms of future share option schemes were reconsidered with a view to their optimal long-term effect on alignment and commitment. It will be proposed to set the lock-up period at four years in a phased manner: 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. In order to avoid undesirable exercise pressure, the exercise period for the option rights will be extended from five years to seven years.

It was considered that, instead of a share option scheme, an alternative share incentive scheme might be appropriate as a long-term incentive.

## Supervisory Board re-appointments / provisions for vacancies

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

- Mr Van der Raadt: re-appointed on 14 May 2009 until 2011
- 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.

At the 2011 General Meeting of Shareholders, Mr van der Raadt will resign as chairman of the Supervisory Board and he will not be eligible for a new term.

At the 2011 General Meeting of Shareholders, the Supervisory Board will propose to appoint Mr Ph. P.F.C. Houben (60) as a member of the Supervisory Board. Over the past 10 years Mr Houben has been CEO of Wavin N.V., which is publicly listed on the NYSE Euronext Amsterdam, and is currently a Supervisory Board member of TKH Group and 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 strategy, mergers & acquisitions, investor relations and management development. It is believed that the composition of the Supervisory Board will remain well balanced as a result of his appointment.

The 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.


Carmel Rossen, aged 10, the Netherlands.

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.

## 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 2010, the members of the Supervisory Board owned no shares or option rights on UNIT4 shares.

## Appreciation

In 2010, UNIT4 again demonstrated its ability, in line with its proven successful strategy, to grow and at the same time develop its organization as a whole. Despite uncertain market conditions, UNIT4 successfully succeeded in realizing its financial targets.

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 willingness and ambition to provide an outstanding performance.

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

Sliedrecht, 15 March 2011
The Supervisory Board of UNIT4 N.V.

Theo van der Raadt, Chairman
Johan Vunderink
Rob Ruijter
Frank Rövekamp

# Corporate governance


Hannes Rack,
aged 5, Germany.

## Developments in Corporate Governance

The Corporate Governance Code Monitoring Committee ('Frijns Committee) 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 Frijns Committee are still with the Upper Chamber of Dutch Parliament for consideration and approval.

UNIT4 has taken note of the report of the Corporate Governance Code Monitoring Committee ('Streppel Committee') on compliance with the new Dutch Corporate Governance Code as presented on December 14, 2010, to the Minister of Finance and the Minister of Security and Justice.

New legislation did, amongst other things, introduce an extension of the notice period for a shareholders meeting to at least 42 days and a fixed record date of at least 28 days.

## Reporting year 2010

The 2009 Dutch Corporate Governance Code ('the Code') applies to the 2010 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 Dutch Civil Code and the Decree of 20 March, 2009 for further directives about the content of the annual report, the following is a list detailing the extent to which the Principles and Best Practice Provisions of the Code are followed by UNIT4. The documents to which this overview refers in some places can be found on the corporate website www.unit4.com/investors.

### Best practice definitions of the Code

The vocabulary used by the Code is followed in this section. For this reason, 'Management Board' as it is used here refers to the statutory directors of the UNIT4 Management Board, known within UNIT4 as 'the Board of Directors'.

**I Compliance with and enforcement of the Code**
**I.1 Explain the broad outline of the Corporate Governance structure in the annual report.**
In this chapter, UNIT4 provides a broad outline of its Corporate Governance structure by reference to the Code.
**I.2 Submit any substantial change in the corporate governance structure to the General Meeting of Shareholders as a separate agenda item.**
UNIT4 complies with this provision.

**II Management Board**
**II.1 Role and procedure.**
**II.1.1 A Management Board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.**
UNIT4 does not apply this provision. In principle, members of the Management Board act from a strategic long-term perspective, and restrictions on their appointment do not comply with this. In addition, UNIT4 does not subscribe to the principle that progression to a position within the Management Board results in a change in the terms of employment from a permanent to a non-permanent appointment. For future members of the Management Board, the length of appointment will be defined on a case-by-case basis.
**II.1.2 The Management Board shall submit the objectives, strategy and relevant CSR issues to the Supervisory Board for approval. The main elements shall be mentioned in the annual report.**
UNIT4 complies with this provision. In line with the regulations of the Supervisory Board, the objectives, strategy and issues relating to corporate social responsibility, amongst other matters, are submitted to the Supervisory Board for approval. Regarding the publication of objectives and strategy in the annual report, there is one restriction. UNIT4 operates in a market that is sensitive to cyclical, seasonal and market fluctuations, and the company's results are often affected by these. The expression of possible expectations needs to be justified in a responsible manner. In view of uncertain external circumstances, UNIT4 ensures it does not express objectives that have doubtful feasibility. UNIT4 will communicate its financial objectives where possible, but reserves the right not to make any statements if the uncertainties are too great.
**II.1.3 The company shall have a suitable internal risk management and control system.**
UNIT4 complies with this provision, and uses internally developed software to support the internal risk management and control system. Risk analysis and control is also a permanent item on the Supervisory Board's agenda.
**II.1.4 In the annual report, the Management Board shall describe the main risks related to the strategy, the design and effectiveness of the internal risk management and control systems, and any major failings, changes and improvements relating to those systems.**
UNIT4 complies with this provision. There was a continuous focus during 2010 on the further elaboration and application of the company's internal risk management and control systems. The strategic and operational risks were inventoried, providing insight into the risks that are significant and specific to the company. These systems and risks are described in the 'Risk and Risk Management' chapter, on pages 53 to 61 of this annual report. The operation of the systems is systematically monitored. The Management Board carries out evaluations together with the management of divisions, business units and specialized departments, and uses the COSO-ERM model as a frame of reference. All the activities related to the internal risk management and control systems are regularly discussed by the Management Board with the Supervisory Board and its Audit Committee.
**II.1.5 The Management Board states in the annual report that the internal risk management and control systems provide reasonable assurance.**
UNIT4 complies with this provision and elaborates on this in the 'Risk and Risk Management' chapter on page 53.
**II.1.6 In the annual report the Management Board shall describe the sensitivity of the results to external factors and variables.**
UNIT4 complies with this provision and elaborates on this in the 'Risks and Risk Management' chapter on page 53.
**II.1.7 Reporting irregularities and whistleblower procedure.**
All employees are able to report any irregularities without jeopardizing their legal position, and the UNIT4 whistleblower procedure is published on the website.
**II.1.8 A Management Board member may not be a member of the Supervisory Board of more than two listed companies. Nor may a Management Board member be the chairman of the Supervisory Board of a listed company.**
UNIT4 currently complies with this provision.
**II.1.9 The response time within the meaning of best practice IV.4.4 may not exceed 180 days.**
UNIT4 will comply with this provision.
**II.1.10 The Management Board shall closely involve the Supervisory Board in the process should a takeover bid be prepared.**
UNIT4 will comply with this provision.
**II.1.11 The Management Board shall discuss a request from a competitive bidder to inspect the records with**

**the Supervisory Board without delay.**
UNIT4 will comply with this provision.

**II.2 Remuneration**
**II.2.1 The Supervisory Board shall analyze the possible outcomes of the variable remuneration components before drawing up the remuneration policy and determining the remuneration of Management Board members.**
UNIT4 complies with this provision. See the Remuneration Report in the chapter Report of the Supervisory Board.
**II.2.2 The Supervisory Board shall determine the level and structure of the remuneration by reference to the scenario analyses and with due regard for the pay differentials within the enterprise.**
UNIT4 complies with this provision. See the Remuneration Report in the chapter Report of the Supervisory Board.
**II.2.3 The Supervisory Board shall take into account the results, the share price performance and non-financial indicators, with due regard for the risks.**
UNIT4 complies with this provision.
**II.2.4 Options shall not be exercised within three years and shall be dependent on challenging targets.**
Options cannot be exercised within 2 years of being granted and after that 1/3 of the options can be exercised from the 2nd, 3rd and 4th anniversary of the grant. Furthermore, UNIT4 complies with this provision.
**II.2.5 Shares granted to Management Board members without financial consideration shall be retained for at least five years. The number of shares shall be dependent on the achievement of targets.**
This provision is not applicable, as no shares have been granted to members of the Management Board.
**II.2.6 The option exercise price is bound to rules.**
UNIT4 complies with this provision.
**II.2.7 Neither the exercise price nor the other conditions may be modified during the term of the options.**
UNIT4 complies with this provision.
**II.2.8 The maximum remuneration in the event of non-voluntary dismissal is one year's salary or, if this would be unreasonable, a maximum of twice the annual salary.**
UNIT4 subscribes to the principle that no unreasonably high severance payments should be made to members of the Management Board in relation to the functioning and the working relationship of the Management Board. UNIT4 does not have any non-permanent appointments nor does it have any advance agreements with regard to severance payments for members of the Management Board. At dismissal, action will be taken in consideration of the circumstances and within reason.

**II.2.9 The company may not grant its Management Board members any personal loans or guarantees.**
UNIT4 will comply with this provision.

## Determination and disclosure of remuneration

**II.2.10 The Supervisory Board has the power to adjust the value of conditionally awarded remuneration.**
UNIT4 complies with this provision and has adjusted the remuneration policy accordingly. The new remuneration policy will be put on the agenda of the next General Meeting of Shareholders (GMS) to receive shareholders' consent.
**II.2.11 The Supervisory Board may recover variable remuneration awarded on the basis of incorrect data.**
UNIT4 complies with this provision and has adjusted the remuneration policy accordingly. The new remuneration policy will be put on the agenda of the next GMS to receive shareholders' consent.
**II.2.12 Overview of what shall be contained in the remuneration report.**
In November 2009, the Supervisory Board installed a remuneration committee. The remuneration report is included in the Report of the Supervisory Board, on page 64. It contains an overview of the remuneration policy and a report on the way the remuneration policy was applied in the year under review and how it will be applied in the future. The new remuneration policy will be submitted to the next General Meeting of Shareholders for approval and published on the website.
**II.2.13 Detailed information to be included in the remuneration report.**
The Report of the Supervisory Board contains the information according to this provision, on page 66.
**II.2.14 The main elements of the contract of a Management Board member shall be made public.**
UNIT4 will comply with this provision.
**II.2.15 Special remuneration paid to a Management Board member is to be included and explained in the remuneration report.**
A car and a mobile phone are supplied to the (statutory) members of the Management Board. They also receive a small monthly payment to cover expenses.
The remuneration of the (statutory) members of the Management Board is defined annually by the Supervisory Board, which is advised by the remuneration committee. The maximum variable remuneration is equal to 100% of the fixed remuneration. The criterion for the allocation of the variable remuneration in 2010 is, as in previous years, 50% on achievement of an EBITDA target and 50% on achievement of an earnings per share target. A graduated calculation with a linear increase is applicable for the

variable remuneration. Special income and expenditure are not considered. Both targets were fully met in 2010. See Note 6.40.2 of the Financial Statements.

**II.3 Conflicts of interests**

**II.3.1 A Management Board member shall not enter into competition with the company, demand or accept (substantial) gifts, provide unjustified advantages, or take advantage of business opportunities to which the company is entitled.**
UNIT4 complies with this provision, as addressed in the Management Board and Supervisory Board regulations, which have been published on the website.

**II.3.2 A Management Board member shall immediately report any (potential) conflict of interest to the chairman of the Supervisory Board and to the other members of the Management Board. The Supervisory Board shall decide whether there is a conflict of interest.**
UNIT4 complies with this provision, as addressed in the Management Board and Supervisory Board regulations, which have been published on the website.

**II.3.3 A Management Board member may not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest.**
UNIT4 complies with this provision, as addressed in the Management Board and Supervisory Board regulations, which have been published on the website.

**II.3.4 All transactions in which there are conflicts of interest with Management Board members require the approval of the Supervisory Board and shall be published in the annual report.**
UNIT4 complies with this provision, as addressed in the Management Board and Supervisory Board regulations, which have been published on the website.

**III Supervisory Board**

**III.1 Role and procedure**

**III.1.1 The division of duties and the procedure within the Supervisory Board shall be laid down in terms of reference. These shall include a description of Supervisory Board's relationship with the Management Board, the general meeting of shareholders and, where relevant, the works council. The regulations shall be posted on the website.**
UNIT4 complies with this provision, as addressed in its Articles of Association.

**III.1.2 The annual report shall include a report of the Supervisory Board with regard to its activities.**
UNIT4 complies with this provision.

**III.1.3 Gender, age, profession, principal position, nationality, other positions, date of initial appointment and current term of office of Supervisory Board members shall be included in the report.**
UNIT4 complies with this provision.

**III.1.4 A Supervisory Board member shall retire early in the event of inadequate performance.**
UNIT4 complies with this provision.

**III.1.5 Supervisory Board members who are frequently absent from Supervisory Board meetings shall be called to account for this.**
UNIT4 complies with this provision.

**III.1.6 List of items that shall be included in the supervision of the Management Board by the Supervisory Board.**
UNIT4 complies with this provision.

**III.1.7 The Supervisory Board shall discuss, without the Management Board being present, both its own functioning and that of its individual members, its committees, and the functioning of the Management Board and its individual members. Reference to these evaluations shall be made in the Report of the Supervisory Board.**
UNIT4 complies with this provision.

**III.1.8 The Supervisory Board shall discuss the strategy, main risks, and internal risk management and control systems. Reference to these discussions shall be made in the Report of the Supervisory Board.**
UNIT4 complies with this provision and dedicates a separate meeting to this annually.

**III.1.9 The Supervisory Board and its individual members each have their own responsibility for obtaining all information from the Management Board and the external auditor, officers and external advisers. The company shall make the necessary information available.**
UNIT4 complies with this provision. The gathering of information is carried out in the first instance by the Management Board, which informs the Supervisory Board as a primary responsibility. Informing the Supervisory Board in a correct and timely manner is also addressed in the Supervisory Board regulations, signed by both the Supervisory Board and Management Board and published on the website.

**III.2 Independence**

**III.2.1 All Supervisory Board members, with the exception of no more than one, shall be independent.**
UNIT4 complies with this provision.

**III.2.2 Independence criteria applicable to Supervisory Board members.**
UNIT4 complies with this provision.

**III.2.3 The report of the Supervisory Board shall confirm the independence of its members.**
UNIT4 complies with this provision (see article 10 of the regulations of the Supervisory Board on the website).

**III.3 Expertise and composition**
**III.3.1 The Supervisory Board shall prepare a profile of its size and composition, considering diversity. The profile shall be posted on the website.**
UNIT4 complies with this provision (see the Report of the Supervisory Board and article 3 and Annex A of the regulations of the Supervisory Board on the website).
**III.3.2 At least one member of the Supervisory Board shall be a financial expert.**
UNIT4 complies with this provision (see article 3 of the regulations of the Supervisory Board on the website).
**III.3.3 After their appointment, all Supervisory Board members shall follow an introduction program. The Supervisory Board shall assess which of its members require further training or education.**
UNIT4 complies with this provision (see article 7 of the regulations of the Supervisory Board on the website).
**III.3.4 Limitation of the number of Supervisory Boards on which a Supervisory Board member may sit, in order to assure a proper performance of his duties.**
UNIT4 complies with this provision (see article 3 of the regulations of the Supervisory Board on the website).
**III.3.5 A person may be appointed to the Supervisory Board for a maximum of three 4-year terms.**
UNIT4 complies with this provision (see article 3 of the regulations of the Supervisory Board on the website). As a necessary exception, Mr Van der Raadt was reappointed in 2009 for two more years with the approval of the GMS.
**III.3.6 The Supervisory Board shall draw up a retirement schedule for its members. This schedule shall be posted on the website.**
UNIT4 complies with this provision (see Annex B of the regulations of the Supervisory Board on the website).

**III.4 Role of the chairman of the Supervisory Board and the company secretary**
**III.4.1 The chairman of the Supervisory Board shall ensure that the Supervisory Board members follow their introduction program, receive all necessary information in good time, that there is sufficient time for making decisions, that the Supervisory Board committees function properly, that the performance of Management and Supervisory Board members is assessed at least once a year, that the Supervisory Board elects a vice-chairman, and that the Supervisory Board has proper contact with the Management Board and the works council.**
UNIT4 complies with this provision (see article 4 of the regulations of the Supervisory Board on the website).
**III.4.2 The chairman of the Supervisory Board may not be a former member of the Management Board of the company.**
UNIT4 complies with this provision (see article 3 of the regulations of the Supervisory Board on the website).
**III.4.3 The chairman of the Supervisory Board shall be assisted by the company secretary.**
UNIT4 complies with this provision (see article 4 of the regulations of the Supervisory Board on the website).
**III.4.4 The vice-chairman shall deputize for the chairman.**
UNIT4 will appoint a deputy for the chairman for the occasion(s) when necessary.

**III.5 Composition and role of three key Supervisory Board committees**
In 2009, the Supervisory Board installed an audit committee and a remuneration committee. The regulations of these committees are published on the website. In view of the relatively limited size of the organization and the Supervisory Board (four members), UNIT4 currently has no separate selection and appointment committee. The Supervisory Board as a whole therefore addresses selection and appointment matters.
**III.5.1 The Supervisory Board shall draw up a set of regulations for each of its committees. The regulations and the composition of the committees shall be posted on the company's website.**
UNIT4 complies with this provision (see Annexes D and E of the Supervisory Board regulations).
**III.5.2 The report of the Supervisory Board shall state the composition of the individual committees, the number of committee meetings and the main items discussed.**
UNIT4 complies with this provision.
**III.5.3 The Supervisory Board shall receive from each of the committees a report of its deliberations and findings.**
UNIT4 complies with this provision.

## Audit committee

**III.5.4 The audit committee shall focus on supervising the activities of the Management Board with respect to internal risk management and control systems, the provision of financial information, compliance with recommendations of internal and external auditors,**

**role and functioning of the internal audit department, the company policy on tax planning, relationships with the external auditor, financing of the company and the application of information and communication technology.**
UNIT4 complies with this provision. An audit committee was installed in 2009. The audit committee regulations were added as Annex D to the Supervisory Board regulations.
**III.5.5 The audit committee shall act as the principal contact for the external auditor in the event of irregularities in the financial reports.**
UNIT4 complies with this provision.
**III.5.6 The audit committee may not be chaired by the chairman of the Supervisory Board, or by a former member of the Management Board.**
UNIT4 complies with this provision.
**III.5.7 At least one member of the audit committee shall be a financial expert.**
UNIT4 complies with this provision.
**III.5.8 The audit committee shall decide whether and when the CEO, the CFO, the external auditor and the internal auditor should attend its meetings.**
UNIT4 complies with this provision.
**III.5.9 The audit committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without Management Board members being present.**
UNIT4 complies with this provision.

## Remuneration committee

**III.5.10 The remuneration committee shall propose the remuneration policy to be pursued and the remuneration of individual Management Board members to the Supervisory Board. They shall prepare the remuneration report.**
UNIT4 complies with this provision. A remuneration committee was installed in 2009. The remuneration committee regulations were added to the Supervisory Board regulations as Annex E.
**III.5.11 The remuneration committee may not be chaired by the chairman of the Supervisory Board, or by a former member of the Management Board, or by a Supervisory Board member who is a member of the Management Board of another listed company.**
As this is considered the optimum for UNIT4, given the size and composition of the Supervisory Board and its committees, the remuneration committee is chaired by the chairman of the Supervisory Board. The chairmanship will be periodically reconsidered.
**III.5.12 No more than one member of the remuneration committee shall be a member of the Management Board of another Dutch listed company.**
UNIT4 complies with this provision.
**III.5.13 A remuneration consultant advising the remuneration committee may not advise the Management Board members.**
UNIT4 complies with this provision.

## Selection and appointment committee

**III.5.14 The items on which the selection and appointment committee shall focus.**
UNIT4 complies with this provision, in that the Supervisory Board as a whole addresses these activities, as allowed for by the Code.

**III.6 Conflicts of interests**
**III.6.1 Provision requiring Supervisory Board members to report any (potential) conflict of interest to the Supervisory Board chairman.**
UNIT4 complies with this provision (see article 10 of the regulations of the Supervisory Board on the website).
**III.6.2 A Supervisory Board member may not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the company.**
UNIT4 complies with this provision (see article 10 of the regulations of the Supervisory Board on the website).
**III.6.3 Provision requiring decisions to enter into transactions in which there are conflicts of interest with Supervisory Board members require the approval of the Supervisory Board. Such transactions shall be published in the annual report.**
UNIT4 complies with this provision (see article 10 of the regulations of the Supervisory Board on the website). No such transactions have occurred during the accounting year.
**III.6.4 Transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company, require the approval of the Supervisory Board. Such transactions shall be published in the annual report.**
UNIT4 complies with this provision (see article 10 of the regulations of the Supervisory Board on the website). No such transactions have occurred during the accounting year.
**III.6.5 The regulations of the Supervisory Board shall contain rules on dealing with conflicts of interest between Management Board members, Supervisory Board members and the external auditor. The company shall draw up regulations governing ownership and transactions in securities of other companies.**
UNIT4 complies with this provision (see article 10 of the

regulations of the Supervisory Board on the website).
**III.6.6 Provision relating to delegated Supervisory Board members.**
UNIT4 does not have a delegated Supervisory Board member.
**III.6.7 A Supervisory Board member who temporarily takes on the management of the company, where the Management Board members are absent or unable to fulfil their duties, shall resign from the Supervisory Board in order to take on the Management Board task.**
UNIT4 complies with this provision (see article 5 of the regulations of the Supervisory Board on the website).

**III.7 Remuneration**
**III.7.1 A Supervisory Board member may not be granted any shares or rights to shares.**
UNIT4 complies with this provision (see article 6 and Annex C of the regulations of the Supervisory Board on the website).
**III.7.2 Any shares held by a Supervisory Board member are long-term investments.**
UNIT4 complies with this provision (see article 6 and Annex C of the regulations of the Supervisory Board on the website).
**III.7.3 The company may not grant its Supervisory Board members any personal loans, guarantees or the like unless in the normal course of business and after the approval of the Supervisory Board. No remission of loans shall be granted.**
UNIT4 complies with this provision (see article 6 and Annex C of the regulations of the Supervisory Board on the website).

**III.8 Principle relating to a one-tier management structure**
This principle and its related provisions do not apply to UNIT4, as the company has a two-tier management structure, in accordance with Dutch company law.
**III.8.1 The chairman of the Management Board may not also be or have been an executive director.**
Not applicable; see above.
**III.8.2 The chairman of the Management Board shall check the proper composition and functioning of the Management Board.**
Not applicable; see above.
**III.8.3 The committees referred to in chapter III.5 shall consist only of non-executive Management Board members.**
Not applicable; see above.
**III.8.4 The majority of the members of the Management Board shall be non-executive directors and are independent within the meaning of article III.2.2.**
Not applicable; see above.

**IV The shareholders and general meeting of shareholders**
**IV.1 Powers**
**IV.1.1 The general meeting of shareholders may pass a resolution to cancel a binding nomination by a majority vote and a quorum of a maximum of 1/3. If the quorum is not reached then a new meeting may be called without the quorum requirement.**
UNIT4 complies with this provision (see article 16.4 of the Articles of Association on the website).
**IV.1.2 The voting right attaching to financing preference shares shall be based on the fair value of the capital contribution.**
Not applicable, as UNIT4 has no (issued) preference shares.
**IV.1.3 In the event of a serious bid for a business unit or participating interest above a certain value as named in Article 2:107a of the Dutch Civil Code, the Management Board shall, at its earliest convenience, make its position public.**
UNIT4 complies with this provision (see article 18.1.c of the Articles of Association on the website).
**IV.1.4 The policy on reserves and dividends shall be dealt with and explained as a separate agenda item at the general meeting of shareholders.**
UNIT4 complies with this provision (see article 30.2 of the Articles of Association on the website).
**IV.1.5 The resolution to pay a dividend shall be dealt with as a separate agenda item at the general meeting of shareholders.**
UNIT4 complies with this provision (see article 30.2 of the Articles of Association on the website).
**IV.1.6 Resolutions regarding discharge of Management Board members from liability for execution of the policy, and discharge of Supervisory Board members from liability for the supervision exercised, shall be voted on separately in the general meeting of shareholders. Compliance with the Code shall be accounted for in the annual report.**
UNIT4 complies with this provision (see article 30.2 of the Articles of Association on the website and this section of the annual report).
**IV.1.7 Determination of registration date for the exercise of voting rights and the rights relating to meetings.**
UNIT4 complies with this provision and the possibility of a registration date exists (see article 32.7 of the Articles of Association on the website).
**IV.1.8 The chairman of the general meeting is responsible for proper conduct of business and a worthwhile discussion at the meeting.**
UNIT4 complies with this provision.

**IV.2 Depository receipts for shares**
This principle and its related provisions do not apply to UNIT4 as the company has no depository receipts for shares, only shares with voting rights.
**IV.2.1 The management of the trust office shall enjoy the confidence of depository receipt holders and operate independently. These matters shall be discussed explicitly during a meeting of depository receipt holders.**
Not applicable; see above.
**IV.2.2 The managers of the trust office shall be appointed by the management of the trust office. No (former) Management Board members or (former) Supervisory Board members, employees or permanent advisers shall be part of the management of the trust office.**
Not applicable; see above.
**IV.2.3 A person may be appointed to the management of the trust office for a maximum of three 4-year terms.**
Not applicable; see above.
**IV.2.4 The management of the trust office shall be present at the general meeting of shareholders.**
Not applicable; see above.
**IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of the depository receipt holders.**
Not applicable; see above.
**IV.2.6 The trust office shall report at least once per year on its activities. The report shall be posted on the website.**
Not applicable; see above.
**IV.2.7 Requirements to be met by the report named in IV.2.6.**
Not applicable; see above.
**IV.2.8 Issue of proxies to depository receipt holders.**
Not applicable; see above.

**IV.3 Provision of information to and logistics of the general meeting**
**IV.3.1 Presentations to analysts, (institutional) investors and press conferences shall be announced on the website and by means of press releases. Shareholders should be able to follow these meetings by means of web casting, telephone, etc. Presentations shall be posted on the website.**
UNIT4 complies with this provision.
**IV.3.2 Analysts' reports and valuations may not be assessed, commented upon or corrected, other than factually, by the company in advance.**
UNIT4 complies with this provision.
**IV.3.3 No fees may be paid for research, production or publication of analysts' reports.**
UNIT4 complies with this provision.
**IV.3.4 Meetings with analysts and investors may not take place shortly before the publication of the regular financial information.**
UNIT4 complies with this provision.
**IV.3.5 The Management Board and Supervisory Board shall provide the general meeting with all requested information, unless this would be contrary to an overriding interest of the company.**
UNIT4 complies with this provision.
**IV.3.6 Information shall be placed on a separate, non-commercial part of the website.**
UNIT4 complies with this provision, providing information on a separate investor webpage.
**IV.3.7 The agenda of the general meeting shall list which items are for discussion and which are to be voted on.**
UNIT4 complies with this provision.
**IV.3.8 A resolution for approval or authorization shall be explained in writing and posted on the company's website.**
UNIT4 complies with this provision.
**IV.3.9 Material amendments to the Articles of Association or resolutions for appointment of Management and Supervisory Board members shall be submitted separately to the general meeting.**
UNIT4 complies with this provision.
**IV.3.10 The report of the general meeting shall be made available no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report within the following three months.**
At UNIT4, the chairman and company secretary finalize the minutes in accordance with the law and regulations and the provisions of the Articles of Association. The minutes will also be posted on the website within a three-month period.
**IV.3.11 The Management Board shall provide a survey of all existing or potential anti-takeover measures in the annual report.**
UNIT4 complies with this provision and explains these measures in its annual report.
**IV.3.12 The company shall give shareholders the possibility of issuing voting proxies or instructions to an independent third party.**
UNIT4 complies with this provision. A valid proxy is required.
**IV.3.13 The company shall formulate an outline policy on bilateral contacts with shareholders and publish this policy on its website.**
UNIT4 complies with this provision. This policy is published on the website.

**IV.4 Responsibility of shareholders**
This principle and its related provisions do not apply to UNIT4, as they refer to the responsibilities of shareholders.

## Responsibility of institutional investors

**IV.4.1 Institutional investors shall annually publish on their website their policy on the exercise of the voting rights for shares they hold in listed companies.**
Not applicable; see above.
**IV.4.2 Institutional investors shall annually report on their website and/or in their annual report, on how they have implemented their policy on the exercise of voting rights in the year under review.**
Not applicable; see above.
**IV.4.3 Institutional investors shall report on their website at least once a quarter, on whether and how they have voted as shareholders in the general meeting of shareholders.**
Not applicable; see above.

## Responsibility of shareholders

**IV.4.4 Exercise of the right to put an item on the agenda by shareholders.**
Not applicable; see above.
**IV.4.5 A shareholder shall vote as he sees fit.**
Not applicable; see above.
**IV.4.6 A shareholder shall explain the item he has put on the agenda at the meeting.**
Not applicable; see above.

**V The audit of the financial reporting and the positions of the internal audit function and the external auditor**
**V.1 Financial reporting**
**V.1.1 Careful procedures, whereby the Supervisory Board supervises the compliance with these procedures.**
UNIT4 complies with this provision, both for the preparation and publication of quarterly, half-yearly and yearly figures and financial information and for the monitoring role of the Supervisory Board in this area.
**V.1.2 The audit committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts.**
Within UNIT4, the Management Board is the first point of contact for the external auditor, in open consultation with the audit committee. As from 2004, UNIT4 has complied with the principle that the external auditor is involved in the publication of financial reports other than the financial statements. All of this is in line with responding to best practice provision III.5.5.
**V.1.3 The Management Board is responsible for quality and completeness of published financial reports. The Supervisory Board shall ensure that the Management Board fulfils this responsibility.**
UNIT4 complies with this provision. Apart from the applicable standard procedures and the use of unambiguous systems within UNIT4 for financial reporting and management information (amongst others), there is monthly reporting to the Supervisory Board about financial progress and other relevant information.

**V.2 Role, appointment, remuneration and assessment of the functioning of the external auditor**
**V.2.1 The external auditor shall attend the general meeting of shareholders and may be questioned in relation to the fairness of the financial statements.**
UNIT4 complies with this provision.
**V.2.2 The Management Board and the audit committee shall report to the Supervisory Board with regard to the independence of the external auditor. The Supervisory Board shall submit its nomination for appointment of the external auditor to the general meeting of shareholders.**
Until the audit committee was installed in 2009, this was addressed jointly by the Management Board and the full Supervisory Board. Since the installation of the audit committee, UNIT4 has complied fully with this provision.
**V.2.3 Assessment of the external auditor every four years and announcement of the most important conclusions in the general meeting of shareholders for assessment of the nomination for appointment.**
Until the audit committee was installed in 2009, the Management Board and the full Supervisory Board addressed this jointly. As from that point, the Supervisory Board and audit committee have complied with this provision.

**V.3 Internal audit function**
**V.3.1 Involvement of the external auditor and the audit committee in the drawing up of the work schedule of the internal auditor.**
UNIT4 subscribes to the principle that the assessment and checking of the internal risk management and control systems takes place under the responsibility of the Management Board. In view of the relatively limited scope and complexity involved, UNIT4 does not yet have a formal internal audit department. This principle is fulfilled by the Corporate Finance Department, which reports directly to the CFO. Since its installation in 2009, the audit committee is also involved in the monitoring of internal risk management and control systems.

**V.3.2. The internal auditor shall have access to the external auditor and to the chairman of the audit committee.**
Considering that the internal auditor function is fulfilled by the Corporate Finance Department, UNIT4 complies with this provision.
**V.3.3 If there is no internal audit function, the need for an internal auditor function shall be reviewed by the audit committee annually and a recommendation shall be made and reported on by the Supervisory Board.**
UNIT4 complies with this provision.

**V.4 Relationship and communication of the external auditor with the organs of the company**
**V.4.1 The external auditor shall attend the meeting of the Supervisory Board at which the financial statements are to be approved or adopted.**
UNIT4 complies with this provision.
**V.4.2 The external auditor may request the chairman of the audit committee to be present at the meeting of the audit committee.**
UNIT4 complies with this provision (see the regulations of the audit committee, added as Annex D to the Supervisory Board regulations, which are published on the website).
**V.4.3 The external auditor shall report his findings to the Management Board and the Supervisory Board in relation to his audit of the financial statements.**
UNIT4 complies with this provision.

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

In view of the decree of 5 April 2006 (which came into force on December 31, 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 29,217,316 issued ordinary shares, as at 1 January 2011. 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. The existing put option of the company has expired in the meantime.

**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 2011 (NB: the percentages are given based on the outstanding number of shares of UNIT4 N.V. as per 1 January 2011 mentioned above):
- Ameriprise Financial Inc.: 7.88%
- Aviva plc: 6.64%
- Chris Ouwinga: 5.6%
- Navitas B.V.: 5.38%
- Sageview Capital MGP, LLC: 5%
- 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 Management 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 Management Board at any time. The Supervisory Board may suspend a member of the Management 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 Management Board, containing the full regulations, are published on the website.

**i) The powers of the Management 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 Management Board, if so authorized by the GMS. Such authorization was granted (most recently) on 12 May 2010 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 Management 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 12 May 2010, the Management 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.

Pablo Coria Martinez, aged 9, Spain.

# Information for shareholders


Jono Sutton, aged 12, UK.

## Financial agenda

| | |
|---|---|
| 22 February 2011 | Publication of annual figures for 2010 in Amsterdam, the Netherlands; press conference and analysts' meeting with audio-webcast |
| 25 May 2011 | General Meeting of Shareholders at Stationspark 1000, Sliedrecht, the Netherlands |
| 18 August 2011 | Publication of half-year figures for 2011 |
| 19 August 2011 | Press conference and analysts' meeting with audio-webcast |
| 21 February 2012 | Publication of annual figures for 2011 |
| 22 February 2012 | Press conference and analysts' meeting with audio-webcast |

The dates and locations above are to be confirmed.

## 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 2010, the market capitalization was approximately €708 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 26,366,808 shares at the end of 2009 to 29,217,316 at the end of 2010.

| In € | 2010 | 2009 |
|---|---|---|
| Basic earnings per share | 0.82 | 0.74 |
| Basic earnings per share before goodwill related items | 1.52 | 1.33 |
| Diluted earnings per share | 0.82 | 0.74 |
| Diluted earnings per share before goodwill related items | 1.51 | 1.33 |
| (Proposed) dividend for the financial year | 0.25 | 0.19 |

For detailed information regarding equity, please see Note 6.17 to the consolidated financial statements, on page 122. 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 €0.25 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 2010 earnings (after deduction of the recommended dividend described above) and added them to the accumulated deficit as part of the equity.

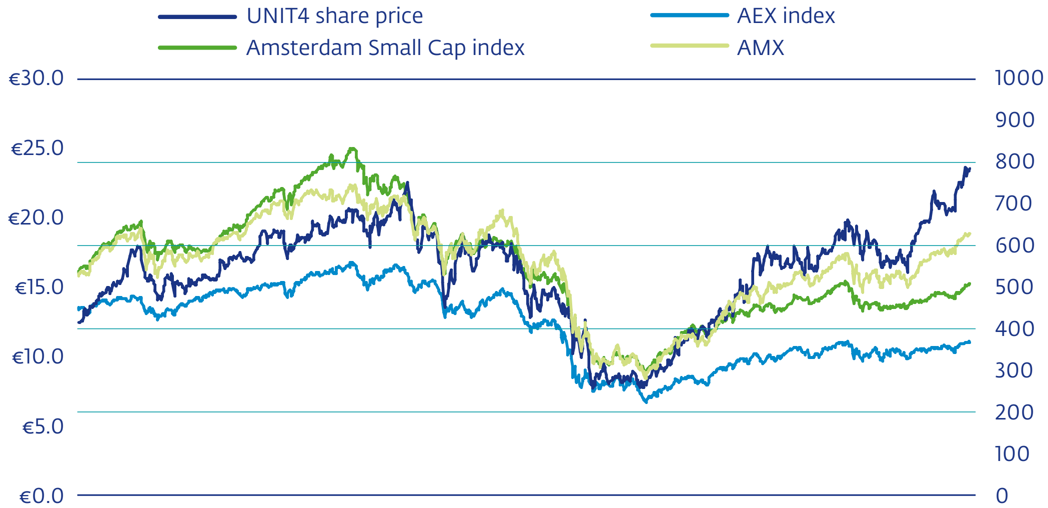
## Share price development

**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 1 January 2011 (NB: the percentages are given based on the outstanding number of shares of UNIT4 N.V. as per 1 January 2011 mentioned above):

- Ameriprise Financial Inc.: 7.88%
- Aviva plc: 6.64%
- Chris Ouwinga: 5.6%
- Navitas B.V.: 5.38%
- Sageview Capital MGP, LLC: 5%
- Stichting Continuiteit UNIT4: option on 100% of the then issued capital.

**UNIT4 share price - 5 year history**




## Options

UNIT4 has an option scheme for management. Within the framework of this option scheme 586,808 options were outstanding at the end of 2010 (2009: 857,316). For more information, please see Note 6.9 to the consolidated financial statements, on page 118.

## 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/investors. 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.

# Artwork

Our thanks to all the children of UNIT4 employees around the world who submitted work. Here are all those used in this Annual Report.

Brin Hagreize, aged 7, the Netherlands.

Charissa Beerensteyn, aged 9, the Netherlands.

Dahlia Egeberg, aged 11, Norway.

Emilia Aaraj, aged 7, Sweden.

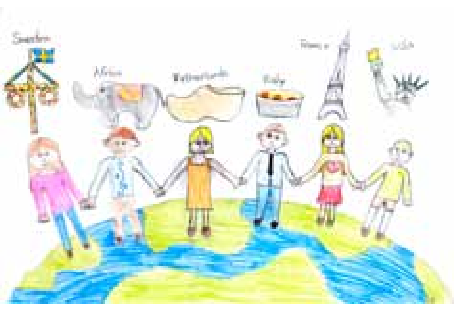
Emilia Dulak, aged 8.5, Poland.


Isabelle Visser, aged 8, the Netherlands.

Jono Sutton, aged 12, UK.


Jono Sutton, aged 12, UK.

Linda Scherpenisse, aged 7, the Netherlands.



Maja Franceschini, aged 10, Sweden.

Sophie Augustsson, aged 10, Sweden.

Urszula Dulak, aged 6, from Poland.

Elida Tomren, aged 5, Norway.

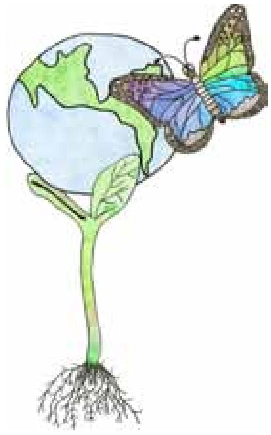
James Martin, aged 6, UK.

Louise Heide Akerman, aged 14, Norway.

Aina Harma, aged 8, Sweden.

Carmel Rossen, aged 10, the Netherlands.

Damian de Raad, aged 12, the Netherlands.


Daniel Frankcom, aged 12, Canada.

Elise Ainge, aged 12, UK.


Emily Frankcom, aged 10, Canada.


Emma Laureys, aged 6, Belgium.


Hannes Rack, aged 5, Germany.


Judith Ruiz Crespi, aged 3.5, Spain.

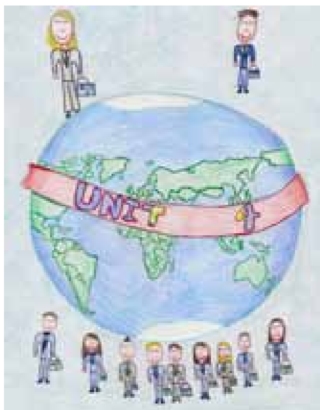
Laurel Chwelos, aged 13, Canada.


Lise Verherstraeten, aged 5, Belgium.

Marie-Emilie Gombault, aged 10, France.


Marta Guerreiro, aged 15, Portugal.

Pablo Coria Martinez, aged 9, Spain.



Tess van Gelderen, aged 11, the Netherlands.


Nicole van Leeuwen, aged 8, the Netherlands.

UNIT4 BUSINESS SOFTWARE

# Financial Statements 2010

# Contents

## Financial Statements 2010

# 1 CONSOLIDATED INCOME STATEMENT

**For the year ended 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| **Continuing operations** | | | |
| Products | | 72,687 | 58,859 |
| Services and other | | 146,027 | 143,024 |
| Contracts and subscriptions | | 203,024 | 177,567 |
| **Revenue** | | **421,738** | **379,450** |
| Cost of sales | 6.10 | 36,212 | 32,191 |
| **Gross profit** | | **385,526** | **347,259** |
| Employee costs | 6.8 | 250,352 | 230,481 |
| Other operating expenses | 6.12 | 49,090 | 41,696 |
| **Operating result before interest, tax, depreciation and amortization (EBITDA)** | | **86,084** | **75,082** |
| Depreciation of property, plant and equipment and amortization of intangible assets | 6.11 | 46,023 | 39,958 |
| **Operating result before interest and tax (EBIT)** | | **40,061** | **35,124** |
| Finance costs | 6.13 | 10,424 | 13,565 |
| Finance income | 6.14 | 3,995 | 6,712 |
| Share of profit of an associate | 6.6 | 4 | -17 |
| **Profit before tax** | | **33,636** | **28,254** |
| Income tax | 6.15 | 7,938 | 6,057 |
| **Profit for the year from continuing operations** | | **25,698** | **22,197** |
| **Discontinued operations** | | | |
| Result for the year from discontinued operations | 6.16 | -1,634 | -2,464 |
| **Profit for the year** | | **24,064** | **19,733** |
| *Attributable to:* | | | |
| Shareholders of UNIT4 | | 23,406 | 19,425 |
| Non-controlling interests | | 658 | 308 |
| | | **24,064** | **19,733** |
| **Earnings per share in € (attributable to shareholders of UNIT4)** | 6.18 | | |
| - Basic earnings per share | | 0.82 | 0.74 |
| - Basic earnings per share attributable to continuing operations | | 0.88 | 0.83 |
| - Diluted earnings per share | | 0.82 | 0.74 |
| - Diluted earnings per share attributable to continuing operations | | 0.88 | 0.83 |

| | 2010 | 2009 |
|---|---|---|
| **Profit after tax before goodwill related items and impairments**[1] | **43,223** | **35,016** |
| **Earning per share in € (attributable to shareholders of UNIT4)** | | |
| Basic earnings per share (before goodwill related items)[1] | 1.52 | 1.33 |
| Diluted earnings per share (before goodwill related items)[1] | 1.51 | 1.33 |

[1] including amortization of customer contracts, acquired software development costs and trademarks

# 2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| **Profit after tax** | | **24,064** | **19,733** |
| Currency translation differences on translation of foreign operations[1] | | 15,199 | 16,163 |
| Currency translation differences on hedge of net investment[1] | | -1,875 | -2,037 |
| Result on sale of non-controlling interest[1] | | 0 | 887 |
| Actuarial gains and losses on defined benefit plans | 6.28 | -2,060 | -1,016 |
| Income tax effect on actuarial gains and losses on defined benefit plans | | 515 | 254 |
| **Other comprehensive income for the year after taxes** | | **11,779** | **14,251** |
| **Total comprehensive income for the year after taxes** | | **35,843** | **33,984** |
| *Attributable to:* | | | |
| Shareholders of UNIT4 | | 34,984 | 33,676 |
| Non-controlling interests | | 859 | 308 |
| | | **35,843** | **33,984** |

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

# 3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| **Assets** | | | |
| ***Non-current assets*** | | | |
| Intangible assets | 6.19 | 366,456 | 292,728 |
| Property, plant and equipment | 6.21 | 35,456 | 31,491 |
| Investment in associates and joint ventures | 6.6 | 90 | 79 |
| Other financial assets | 6.22 | 2,269 | 987 |
| Deferred tax asset | 6.23 | 15,428 | 13,266 |
| | | **419,699** | **338,551** |
| ***Current assets*** | | | |
| Inventories | 6.24 | 3,319 | 402 |
| Trade and other receivables | 6.25 | 107,121 | 85,574 |
| Income tax asset | | 1,691 | 1,193 |
| Other taxes | 6.25.3 | 1,066 | 722 |
| Cash and cash equivalents | 6.26 | 36,007 | 44,011 |
| | | **149,204** | **131,902** |
| Assets held for sale | | 0 | 3,944 |
| **Total assets** | | **568,903** | **474,397** |
| **Equity and liabilities** | | | |
| Issued capital | 6.17.1 | 1,461 | 1,318 |
| Share premium | 6.17.2 | 310,313 | 257,274 |
| Currency translation differences reserve | 6.17.3 | -20,651 | -33,774 |
| Accumulated deficit | | -75,404 | -92,074 |
| Equity attributable to UNIT4 | | 215,719 | 132,744 |
| Non-controlling interests | | 11,252 | 1,349 |
| **Total equity** | | **226,971** | **134,093** |
| ***Non-current liabilities*** | | | |
| Interest-bearing loans and borrowings | 6.27 | 106,473 | 127,909 |
| Pension obligations | 6.28 | 2,553 | 1,581 |
| Deferred tax liability | 6.29 | 39,535 | 37,370 |
| Provisions | 6.30 | 2,903 | 3,602 |
| | | **151,464** | **170,462** |
| ***Current liabilities*** | | | |
| Provisions | 6.30 | 2,065 | 2,569 |
| Trade and other payables | 6.31 | 17,844 | 13,694 |
| Interest-bearing loans and borrowings | 6.32 | 57,847 | 51,802 |
| Income tax payable | | 12,169 | 9,879 |
| Other taxes | 6.33 | 21,250 | 17,515 |
| Other liabilities, accruals and deferred income | 6.34 | 79,293 | 70,169 |
| | | **190,468** | **165,628** |
| Liabilities concerning assets held for sale | | 0 | 4,214 |
| **Total equity and liabilities** | | **568,903** | **474,397** |

# 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2010**

(€000)

| | Attributable to shareholders of UNIT4 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Currency translation differences reserve** | **Accumulated deficit** | **TOTAL** | **Non-controlling interests** | **TOTAL EQUITY** |
| **1 January 2010** | **1,318** | **257,274** | **-33,774** | **-92,074** | **132,744** | **1,349** | **134,093** |
| Profit reporting period (after tax) | 0 | 0 | 0 | 23,406 | 23,406 | 658 | 24,064 |
| Other comprehensive income for the year (after tax) | 0 | 0 | 13,123 | -1,545 | 11,578 | 201 | 11,779 |
| **Total comprehensive income for the year (after tax)** | **0** | **0** | **13,123** | **21,861** | **34,984** | **859** | **35,843** |
| Acquisition of non-controlling interests | 0 | 0 | 0 | 0 | 0 | 9,344 | 9,344 |
| Issue of share capital | 129 | 50,826 | 0 | 0 | 50,955 | 0 | 50,955 |
| Transaction costs[1] | | -1,668 | 0 | 0 | -1,668 | 0 | -1,668 |
| Exercise of options | 14 | 3,881 | 0 | 0 | 3,895 | 0 | 3,895 |
| Dividend 2009 | 0 | 0 | 0 | -5,534 | -5,534 | -300 | -5,834 |
| Share-based payment[2] | 0 | 0 | 0 | 343 | 343 | 0 | 343 |
| **31 December 2010** | **1,461** | **310,313** | **-20,651** | **-75,404** | **215,719** | **11,252** | **226,971** |

**For the year ended 31 December 2009 (restated[3])**

(€000)

| | Attributable to shareholders of UNIT4 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Currency translation differences reserve** | **Accumulated deficit** | **TOTAL** | **Non-controlling interests** | **TOTAL EQUITY** |
| **1 January 2009** | **1,313** | **255,866** | **-47,900** | **-111,759** | **97,520** | **220** | **97,740** |
| Change in accounting policy (Note 6.2.3.2)[3] | | | | -62 | -62 | | -62 |
| **1 January 2009 (restated)** | **1,313** | **255,866** | **-47,900** | **-111,821** | **97,458** | **220** | **97,678** |
| Profit reporting period (after tax) | 0 | 0 | 0 | 19,425 | 19,425 | 308 | 19,733 |
| Other comprehensive income for the year (after tax) | 0 | 0 | 14,126 | 125 | 14,251 | 0 | 14,251 |
| **Total comprehensive income for the year (after tax)** | **0** | **0** | **14,126** | **19,550** | **33,676** | **308** | **33,984** |
| Acquisition of non-controlling interests | 0 | 0 | 0 | 0 | 0 | 1,159 | 1,159 |
| Exercise of options | 5 | 1,408 | 0 | 0 | 1,413 | 0 | 1,413 |
| Dividend | 0 | 0 | 0 | 0 | 0 | -338 | -338 |
| Share-based payment[2] | 0 | 0 | 0 | 197 | 197 | 0 | 197 |
| **31 December 2009** | **1,318** | **257,274** | **-33,774** | **-92,074** | **132,744** | **1,349** | **134,093** |

[1] IAS 32.35 requires transaction costs of an equity transaction to be accounted for as a deduction from equity, but does not specify where in equity this should be recognized. The Group has chosen to recognize the charge as a reduction of share premium.

[2] 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.

[3] Certain amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made as described in Note 6.2.3.2

# 5 CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating result (EBIT) from continued operations | | 40,061 | 35,124 |
| Operating result (EBIT) from discontinued operations | | -2,372 | -2,512 |
| **Operating result (EBIT)** | | **37,689** | **32,612** |
| **Adjustments for:** | | | |
| Depreciation and impairment | | 46,044 | 40,021 |
| Share-based payments | | 343 | 197 |
| Changes in provisions | | -538 | -138 |
| Changes in operating capital | | 622 | 8,397 |
| **Cash flows from operations** | | **84,160** | **81,089** |
| Interest paid | | -7,950 | -6,469 |
| Interest received | | 3,696 | 5,234 |
| Income tax paid | | -15,524 | -10,949 |
| **Cash flows from operating activities** | | **64,382** | **68,905** |
| **Cash flows from investing activities** | | | |
| Investments in intangible assets | | -21,142 | -17,021 |
| Acquisition and divestment of subsidiaries, net of cash and cash equivalents (incl. earn out payments) | | -69,875 | -800 |
| Investment in derivatives | | -1,345 | 0 |
| Investments in other financial assets | | -1,031 | 0 |
| Repayment of other financial assets | | 121 | 132 |
| Dividend from securities | | 135 | 0 |
| Investments in property, plant and equipment | | -5,744 | -3,819 |
| Divestments of property, plant and equipment | | 0 | 144 |
| **Cash flows from investing activities** | | **-98,881** | **-21,364** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 53,181 | 1,413 |
| Proceeds from non-controlling interest | | | 1,753 |
| Payments of borrowings | | -23,232 | -23,153 |
| Dividends paid | | -5,447 | -75 |
| Interest paid | | -5,975 | -7,384 |
| Proceeds from borrowings | | 728 | 0 |
| **Cash flows from financing activities** | | **19,255** | **-27,446** |
| Net cash flows | | -15,244 | 20,095 |
| Currency translation differences | | 1,695 | 3,284 |
| Cash and cash equivalents at 1 January | | 14,709 | -8,670 |
| **Cash and cash equivalents at 31 December** | | **1,160** | **14,709** |
| **Reconciliation with items on the statement of financial position:** | | | |
| Cash and cash equivalents | 6.26 | 36,007 | 44,163 |
| Interest bearing loans and borrowings (repayment term long term loan not included) | 6.32 | -34,847 | -29,454 |
| **Cash and cash equivalents at 31 December** | | **1,160** | **14,709** |

# 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6.1 CORPORATE INFORMATION

The consolidated financial statements for 2010 of UNIT4 N.V. were authorized for issue in accordance with the resolution of the Board of Directors and the Supervisory Board on 15 March 2011. UNIT4 N.V. is a limited 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 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

***Basis of consolidation from 1 January 2010***

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

A subsidiary is an entity over which UNIT4 has control. Control is the power to direct the financial and operational policy of the entity in order to achieve advantages from its activities. The financial figures of subsidiaries are recognized for 100% in the consolidation. Non-controlling interests in the equity and the net profit will be mentioned separately. Subsidiaries are consolidated as of the acquisition date, being the date when control in the acquired company was obtained, and deconsolidated as of the time when the control ceases to exist. Acquisitions are recognized in accordance with the 'purchase accounting method' (acquisition method). This method attributes the cost price of a business combination to the fair value of the assets acquired and liabilities assumed as at the acquisition date. 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.

Losses within a subsidiary are 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 translation differences, 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.

***Basis of consolidation prior to 1 January 2010***

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- non-controlling interests resulting from business combinations, prior to 1 January 2010, were accounted for at their proportionate interest in the net identifiable assets of the acquiree
- losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. As per 1 January 2010 none of the non-controlling interests was reduced to nil or lower
- upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

***Overview of consolidated group companies***

As at 31 December 2010, the following companies are recognized in the consolidation of the Group:

| 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. | Houten, the Netherlands | 100% |
| UNIT4 Accountancy B.V. | Veenendaal, the Netherlands | 100% |
| UNIT4 Oost Nederland B.V. | Hengelo, 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. | Zoetermeer, the Netherlands | 100% |
| UNIT4 C-Logic N.V. | Brugge, Belgium | 100% |
| UNIT4 Consist B.V. | Nieuwegein, the Netherlands | 100% |
| I-Signaal B.V. | Rijssen, the Netherlands | 33.33% |
| **TETA SA** | **Wrocław, Poland** | **100%** |
| TETA HR Center Spzoo | Wrocław, Poland | 100% |
| InsERT SA | Wrocław, Poland | 35% |
| Pyton Management Spzoo | Wrocław, Poland | 100% |
| TETA BI Center Spzoo | Wrocław, Poland | 80.73% |
| VT-SOFT Software KFT | Budapest, Hungary | 86% |
| VT-HR Szolgáltato KFT | Budapest, Hungary | 86% |
| **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 Agresso AS | Lyngby, Denmark | 100% |
| UNIT4 Current Software AS | Oslo, Norway | 100% |
| UNIT4 Agresso AB | Stockholm, Sweden | 100% |
| UNIT4 Eesti OU | Tallinn, Estonia | 100% |
| UNIT4 Ocra AB | Kista, Sweden | 100% |
| UNIT4 MAP AB | Sundsvall, Sweden | 100% |
| MAP Skandinaviska Norge AS | Nydalen, Norway | 100% |
| UNIT4 Business Software Ltd. | Bristol, United Kingdom | 100% |
| MicroComputer Associates Ltd. | Swansea, United Kingdom | 100% |
| Distinction Systems Ltd. | Swansea, United Kingdom | 100% |
| CODA Ltd. | Chippenham, United Kingdom | 100% |
| CODA Group International Ltd. | Chippenham, United Kingdom | 100% |
| UNIT4 Coda France SA | La Défense, France | 100% |
| Adalys SAS | La Défense, France | 100% |
| CODA Financial Systems Ltd. | Dublin, Ireland | 100% |
| CODA Systems Pty Ltd. | Southport, Australia | 100% |
| UNIT4 Malaysia Sdn Bhd | Petaling Jaya, Malaysia | 100% |
| UNIT4 Asia Pacific Pte Ltd. | Singapore, Singapore | 100% |
| UNIT4 Coda Hungary Kft | Budapest, Hungary | 100% |
| UNIT4 Coda Czech s.r.o | Praha, Czech Republic | 100% |
| CODA GB Ltd. | Chippenham, United Kingdom | 100% |
| UNIT4 Collaboration Software Ltd. | Chippenham, United Kingdom | 100% |
| GWG Holdings Ltd. | Limassol, Cyprus | 100% |
| UNIT4 Business Software Spain S.L. | Granada, Spain | 100% |
| UNIT4 Business Software Ibérica S.A. | Barcelona, Spain | 100% |
| UNIT4 Agresso Guinea E. S.L. | Malabo, Equatorial-Guinea | 65% |
| UNIT4 Portugal LDA | Oeiras, Portugal | 100% |
| UNIT4 Business Software Srl | Milan, Italy | 100% |
| UNIT4 Agresso GmbH | Munich, Germany | 100% |
| UNIT4 Mocambique Ltda. | Maputo, Mozambique | 100% |
| Agresso France Maintenance & Services SA | Bourg la Reine, France | 100% |
| Agresso Travel Industry Solutions Ltd. | Bristol, United Kingdom | 100% |
| **UNIT4 Business Software Inc.** | **Victoria (BC), Canada** | **100%** |
| UNIT4 Business Software Corp. | Alberta, Canada | 100% |
| UNIT4 Agressso Americas Corp. | Massachusetts, United States | 100% |
| Agresso Travel Inc. | Texas, United States | 100% |
| UNIT4 Coda Inc. | Manchester, United States | 100% |
| **FinancialForce.com Inc.** | **San Mateo, United States** | **83.67%** |
| **Foundation ICT Group B.V.** | **Utrecht, the Netherlands** | **100%** |
| Foundation ICT Solutions B.V. | Utrecht, the Netherlands | 100% |

### 6.2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### 6.2.3.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:
- IFRS 1 First-Time Adoption of IFRS (Revised), effective 1 January 2010
- IFRS 1 First-Time Adoption of IFRS – Additional Exemptions for First-time Adopters, effective 1 January 2010
- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements, effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009
- IFRIC 12 Service Concession Arrangements, effective 1 April 2009
- IFRIC 15 Agreements for the Construction of Real Estate, effective 1 January 2010
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 July 2009
- IFRIC 17 Distributions on Non-cash Assets to Owners, effective 1 November 2009
- IFRIC 18 Transfers of Assets from Customers, effective 1 November 2009
- Improvements to IFRSs (Issued May 2008), effective 1 January 2010
- Improvements to IFRSs (Issued April 2009), effective 1 January 2010.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the performance of the Group, its impact is described below:

**IFRS 1 First-time adoption of IFRS (Revised)**
Certain changes to the structure of the standard have been made. The substance of the standard has not been changed. As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

**IFRS 1 First-time adoption of IFRS – Additional Exemptions for First-time Adopters**
As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

**IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements**
The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment has no impact on the financial position or the performance of the Group.

**IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**
IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively and has a material impact on earnings per share.

**IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items**
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment has no impact on the financial position or the performance of the Group, as the Group has not entered into any such hedges.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation**
IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation has no impact on the financial position or the performance of the Group.

**IFRIC 17 Distributions on Non-cash Assets to Owners**
The Interpretation provides guidance on how to account for non-cash distributions to owners. It clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

The adoption of this interpretation has no impact on the financial position or the performance of the Group as the Group has not made non-cash distributions to shareholders.

**IFRIC 18 Transfers of Assets from Customers**
IFRIC 18 applies to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such items. These assets are then used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The interpretation provides guidance on when and how an entity should recognize such assets.

The Group has concluded that the amendment has no impact on the financial position or the performance of the Group.

**Improvements to IFRSs (Issued May 2008)**
In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for UNIT4 N.V. as at 31 December 2010 and resulted in small changes to accounting policies but did not have any impact on the financial position or performance of the Group.

**Improvements to IFRSs (Issued April 2009)**
In April 2009, the IASB issued a second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in minor changes to accounting policies and did not have any impact on the financial position or performance of the Group.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group reviewed its disclosures in Note 6.16 Discontinued operations.
- IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets, the Group has continued to disclose this information in Note 6.7.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not impact the presentation in the statement of cash flows as there was no contingent consideration on the business combination completed in 2010 upon cash settlement.
- IAS 18 Revenue: The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
    - has primary responsibility for providing the goods or service
    - has inventory risk
    - has discretion in establishing prices
    - bears the credit risk.

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.
- IAS 36 Impairment of Assets: Furthermore, the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. This amendment has no impact on the Group as the annual impairment test is performed before aggregation.

**Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or the performance of the Group:**
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate.

#### 6.2.3.2 IAS 19 EMPLOYEE BENEFITS
The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its defined benefit plans. The Group previously recognized only the net cumulative unrecognized actuarial gains and losses of the previous period, which exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.92 and 19.93. As a consequence, the Group carried unrecognized gains and losses outside its statement of financial position.

During 2010, the Group determined that it would change its accounting policy to recognize actuarial gains and losses in the period in which they occur in other comprehensive income (see Note 6.2.4.9), as it believes this policy improves the quality of the information and the insight to the Group's financial position. Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information.

As a result of this voluntary (IAS 19.93A) accounting policy change, the following adjustments (full amounts) were made to the financial statements:

<u>As of 1 January 2009:</u>
- increase in employee benefit liability: €82,000
- decrease in deferred tax liability: €20,000
- net decrease in opening accumulated deficit: €62,000.

<u>As of and for the year ended 31 December 2009:</u>
- increase in employee benefit liability: €1,016,000
- net decrease in deferred tax liability: €254,000
- net expense recognized in other comprehensive income: €762,000.

<u>As of and for the year ended 31 December 2010:</u>
- increase in employee benefit liability: €2,060,000
- pension costs reclassified to other comprehensive income: €79,000
- net effect on the employee benefit liability: €1,981,000
- net decrease in deferred tax liability: €495,000
- net expense recognized in other comprehensive income: €1,565,000
- net increase in tax expense: €20,000
- net increase in profit after tax: €59,000.

The effect on earnings per share related to the restatement in 2009 and impact on 2010 was less than €0.01.

### 6.2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 6.2.4.1 BUSINESS COMBINATIONS AND GOODWILL
<u>Business combinations from 1 January 2010</u>
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 acquirer 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. 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, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled 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.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract. Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

### 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. 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. Unrealised 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) is reported separately in the statement of comprehensive income.

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 are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. 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.

**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 € | 2010 | 2009 |
|---|---|---|
| Australian dollar (AUD) | 1.3150 | 1.6025 |
| Canadian dollar (CAD) | 1.3330 | 1.5025 |
| Czech krone (CZK) | 25.0600 | 26.4500 |
| Danish krone (DKK) | 7.4530 | 7.4410 |
| Estonian krone (EEK) | 15.6400 | 15.6350 |
| Hungarian forint (HUF) | 277.5000 | 272.0000 |
| Malaysian ringgit (MYR) | 4.1267 | 4.9181 |
| Norwegian krone (NOK) | 7.8050 | 8.3200 |
| Polish zloty (PLN) | 3.9570 | n/a |
| Pound Sterling (GBP) | 0.8616 | 0.9030 |
| Singapore Dollar (SGD) | 1.7130 | 2.0100 |
| Swedish krone (SEK) | 8.9700 | 10.2950 |
| US dollar (USD) | 1.3375 | 1.4325 |

The average exchange rates used are:

| foreign currency compared to 1 € | 2010 | 2009 |
|---|---|---|
| Australian dollar (AUD) | 1.4449 | 1.7785 |
| Canadian dollar (CAD) | 1.3672 | 1.5867 |
| Czech krone (CZK) | 25.2722 | 26.4925 |
| Danish krone (DKK) | 7.4465 | 7.4461 |
| Estonian krone (EEK) | 15.6381 | 15.5614 |
| Hungarian forint (HUF) | 275.1528 | 280.6597 |
| Malaysian ringgit (MYR) | 4.2786 | 4.9414 |
| Norwegian krone (NOK) | 8.0074 | 8.7538 |
| Polish zloty (PLN) | 3.9956 | n/a |
| Pound Sterling (GBP) | 0.8578 | 0.8914 |
| Singapore Dollar (SGD) | 1.8065 | 2.0210 |
| Swedish krone (SEK) | 9.5370 | 10.6218 |
| US dollar (USD) | 1.3264 | 1.3927 |

## 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 our software arrangements include support services and many also include professional services and other elements.

Products revenue is the sum of own 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, and 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.

**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 directly in equity is recognized in equity 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 pension insurer. The plans at other entities, when available, qualify as contribution plans. With the exception of the pension plan in France, all plans are placed with local insurers. 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. The 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 (employee share options), if they realize a certain performance. This concerns 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.

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).

### 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:

<u>Financial assets at fair value through profit or loss</u>

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 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 2010 and 2009.

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:

Financial liabilities at fair value through profit or loss

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.

Loans and borrowings

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.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 2010 (and 2009) 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. 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. 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.

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 to 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 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 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 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.
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, 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 and cash equivalents present in these interests (net of cash). 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.

**Judgments**

*Discontinued operations*

In the last quarter of 2007 it was decided to sell the sales and implementation activities of Agresso France SA. The company was split into two, a part that will remain and a part that will be sold. As at 31 December 2009 this process was still ongoing. The Board considered the operation still to be classified as discontinued operations for the following reasons:

- the activities to be sold are identified and an independent valuation have been made
- relevant internal parties have approved
- the Board is in final negotiations with a potential buyer
- the Board expects negotiations to be finalized and the sale to be completed by the end of the second quarter of 2010.

As per 15 June 2010 the sale was completed.

For more details on the discontinued operation, please see Note 6.16.

**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 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 is generated. The estimates and assumptions used by the management determine if an impairment is 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 “Impairment test of goodwill”.

*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 6.5 “Business combinations”.

*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:
- IFRS 1 First-time adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters, effective 1 July 2010
- IFRS 1 First-time adoption of IFRS – Removal of fixed dates for First-Time Adopters, effective 1 July 2011
- IFRS 1 First-time adoption of IFRS – Guidance on first time adoption of IFRSs after period of severe hyperinflation, effective 1 July 2011
- IFRS 9 Financial Instruments, effective 1 January 2013 (not yet endorsed by the EU as per 31 December 2010)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (Amended), effective 1 January 2012
- IAS 24 Related Party Disclosures (Revised), effective 1 January 2011
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010
- IFRIC 14 – Prepayments of a Minimum Funding Requirement, effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010
- improvements to IFRSs (Issued May 2010), effective 1 January 2011 (not yet endorsed by the EU as per 31 December 2010).

**IFRS 1 First-time adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters**
IFRS 1 has been amended to provide a limited exemption from full retrospective application of IFRS 7 disclosures.
As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

**IFRS 1 First-time adoption of IFRS – Removal of fixed dates for First-Time Adopters for First-Time Adopters**
IFRS 1 has been amended to provide relief to first-time adopters by the removal of fixed dates.
As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

**IFRS 1 First-time adoption of IFRS – Guidance on first time adoption of IFRSs after period of severe hyperinflation**
IFRS 1 has been amended to provide guidance for entities that are emerging from severe hyperinflation and are adopting to IFRS for the first time.
As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

**IFRS 9 Financial Instruments**
The IASB has published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. Phase 1 establishes a new classification and measurement framework for financial assets. At initial recognition, all financial assets are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortized cost or fair value through profit and loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. All other debt instruments are subsequently measured at fair value through profit and loss. All financial assets that are equity investments are measured at fair value either through profit or loss or other comprehensive income.
The Group does not expect to adopt this standard before 1 January 2013. The Group has studied the standard and is currently assessing its impact.

**IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)**
IAS 12 has been amended to provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment property.
The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group does not have investment properties.

**IAS 24 Related Party Disclosures (Revised)**
The IASB has revised IAS 24 in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and a revised definition of a related party.
The Group does not expect to adopt this standard before 1 January 2011. The Group has studied the standard and is currently assessing its impact, which will be limited to disclosures only.

**IAS 32 Financial Instruments: Presentation – Classification of Rights Issues**
The amendment alters the definition of a financial liability in IAS 32 to classify rights issued and certain options or warrants (together, here termed rights) as equity instruments.
The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.
The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group has not made foreign currency rights issues.

**IFRIC 14 Prepayments of a Minimum Funding Requirement**
The practical implication of IFRIC 14 has revealed some unintended and counterintuitive results in case of prepayments of future minimum funding requirements. As a result the IASB issued a limited amendment to fix this problem. The amendment allows the recognition of the prepayment as an asset and then to apply the normal IFRIC 14 rules as if no prepayment had been made.
The Group's defined benefit schemes have been in deficit, therefore the adoption of this interpretation had no impact on the financial position or the performance of the Group.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that:
- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The adoption of this interpretation will have no impact on the financial position or the performance of the Group.

**Improvements to IFRSs (Issued May 2010)**

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard:

- IFRS 1 First-Time Adoption of IFRS
  - accounting policy changes in the year of adoption
  - revaluation basis as deemed cost
  - use of deemed cost for operations subject to rate regulation
- IFRS 3 Business Combinations
  - transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
  - measurement of non-controlling interests
  - un-replaced and voluntarily replaced share-based payment awards.
- IFRS 7 Financial Instruments: Disclosures
  - clarifications of disclosures
- IAS 1 Presentation of Financial Statements
  - clarification of statement of changes in equity
- IAS 27 Consolidated and Separate Financial Statements
  - transition requirements for amendments made as a result of amended IAS 27 to IAS 21, IAS 28 and IAS 31
- IAS 34 Interim Financial Reporting
  - significant events and transactions
- IFRIC 13 Customer Loyalty Programmes
  - fair value of award credit

The Group has studied the improvements and is currently assessing its impact.

## 6.5 BUSINESS COMBINATIONS

### 6.5.1 BUSINESS COMBINATIONS IN THE FINANCIAL YEAR 2010

**Consist B.V.**

On 22 February 2010 the Group acquired 100% of the (voting) shares in Consist B.V., an unlisted company based in Nieuwegein (the Netherlands) specialized in the development, implementation and support of Enterprise Resource Planning and Human Resource Management & Processing software.
The Group has acquired Consist B.V. as it has had a strong position within the Dutch market for almost 30 years in the areas of financial management and human resource management software, with products such as FIS, FMS and EMIS.

***Assets acquired and liabilities assumed***

The fair value of the identifiable assets and liabilities of Consist B.V. at the date of acquisition were:
(€000)

| | Fair values | Carrying amount |
|---|---|---|
| **Assets** | | |
| Intangible assets | 13,783 | 0 |
| Property, plant and equipment | 66 | 66 |
| Trade and other receivables | 8,621 | 8,621 |
| Cash and cash equivalents | 4,941 | 4,941 |
| | **27,411** | **13,628** |
| **Liabilities** | | |
| Non-current liabilities | -318 | -318 |
| Deferred corporate income tax | -3,514 | 0 |
| Current liabilities | -10,558 | -10,446 |
| | **-14,390** | **-10,764** |
| **Total identifiable net assets at fair value** | **13,021** | |
| | | |
| Goodwill arising on acquisition | 2,807 | |
| **Purchase consideration transferred** | **15,828** | |

The fair value of the trade receivables amounts to €8.6 million. The gross amount of trade receivables is €8.6 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected. The goodwill of €2.8 million comprises the value of expected synergies and cross selling opportunities arising from the acquisition and the knowledge and skills from the employees which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.
From the date of the acquisition, Consist B.V. has contributed to the Group revenues of €13.6 million and a profit of €2.3 million. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €1.7 million higher and the profit from continuing operations for the Group would have been €0.1 million higher.

***Purchase consideration*** (€000)

| | |
|---|---|
| Consideration paid in cash | 15,828 |
| **Total consideration** | **15,828** |

***Analysis of cash flows on acquisition*** (€000)

| | |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | -188 |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 4,941 |
| Consideration paid in cash (included in cash flows from investing activities) | -15,828 |
| **Net cash flow on acquisition** | **-11,075** |

Transaction costs of the acquisition are included in other operating expenses (See Note 6.12).
At the date of the acquisition the company employed 87 people.

**People Partners B.V.**
On 28 April 2010 the Group acquired 100% of the (voting) shares in People Partners B.V., an unlisted company based in Rotterdam (the Netherlands) specialized in the development, implementation and support of Human Resource Management & Processing software. The Group has acquired People Partners B.V. because of its Human Resource Software and its strong relationship with Consist B.V., which was acquired earlier in 2010.

***Assets acquired and liabilities assumed***
The fair value of the identifiable assets and liabilities of People Partners B.V. at the date of acquisition were:
(€000)

| | Fair values | Carrying amount |
|---|---|---|
| **Assets** | | |
| Intangible assets | 5,035 | 1,617 |
| Property, plant and equipment | 160 | 160 |
| Trade and other receivables | 173 | 173 |
| Cash and cash equivalents | -443 | -443 |
| | **4,925** | **1,507** |
| **Liabilities** | | |
| Non-current liabilities | 0 | 0 |
| Deferred corporate income tax | -1,282 | -411 |
| Current liabilities | -715 | -521 |
| | **-1,997** | **-932** |
| **Total identifiable net assets at fair value** | **2,928** | |
| | | |
| Goodwill arising on acquisition | 0 | |
| **Purchase consideration transferred** | **2,928** | |

The fair value of the trade receivables amounts to €0.2 million. The gross amount of trade receivables is €0.2 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

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

Before acquisition the Group already maintained a customer-vendor relationship with People Partners.
There were no unsettled transactions or contractual arrangements at the date of the acquisition.

From the date of the acquisition, People Partners B.V. has contributed to the Group revenues of €0.3 million and a loss of €0.8 million. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €0.4 million higher and the profit from continuing operations for the Group would have been €0.2 million lower.

***Purchase consideration*** (€000)

| | |
|---|---|
| Consideration paid in cash | 2,928 |
| **Total consideration** | **2,928** |

***Analysis of cash flows on acquisition*** (€000)

| | |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | -69 |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | -443 |
| Consideration paid in cash (included in cash flows from investing activities) | -2,928 |
| **Net cash flow on acquisition** | **-3,440** |

Transaction costs of the acquisition are included in other operating expenses (see Note 6.12).
At the date of the acquisition the company employed 21 people.

**TETA Group**
On 5 July 2010 the Group acquired 93% of the (voting) shares in TETA S.A., based in Wroclaw (Poland) and publicly listed on the Warsaw Stock Exchange. On 30 July 2010 the Group started the squeeze-out process to acquire the remaining 6.99% of the TETA shares. This process was completed on 5 August and the formal dematerialization of the shares was completed as per 30 November 2010. TETA has been delisted from the Warsaw Stock Exchange.
TETA is a medium-sized provider of ERP, HR, Business Intelligence and e-commerce software solutions to small, medium and large corporate and government clients. It has a leading position in the Polish ERP and HR software market and a strong presence in Hungary through its subsidiary VT-SOFT, with a portfolio of more than 2,000 customers.
The Group has acquired TETA Group because of their leading positions in the Polish ERP and HR software market and the Hungarian HR software market which is a platform for expansion in Central and Eastern Europe, where the ERP software market is growing at a faster pace than in Western Europe. The Group has elected to measure all non-controlling interests in the TETA Group at fair value.

***Assets acquired and liabilities assumed***
The net assets and goodwill are recognized after a provisional assessment since a final valuation is not available at the date the financial statements 2010 are approved by management. The provisional fair value of the identifiable assets and liabilities of TETA Group at the date of acquisition were:
(€000)

| | Fair values | Carrying amount |
|---|---|---|
| **Assets** | | |
| Intangible assets | 33,979 | 12,656 |
| Property, plant and equipment | 3,767 | 3,767 |
| Other non current financial assets | 698 | 698 |
| Deferred corporate income tax | 1,700 | 1,700 |
| Trade and other receivables | 12,408 | 15,792 |
| Cash and cash equivalents | 121 | 121 |
| | **52,673** | **34,734** |
| **Liabilities** | | |
| Non-current liabilities | -2,519 | -2,519 |
| Deferred corporate income tax | -4,800 | -774 |
| Current liabilities | -18,028 | -18,028 |
| | **-25,347** | **-21,321** |
| **Total identifiable net assets at fair value** | **27,326** | |
| | | |
| Non-controlling interest measured at fair value | -9,253 | |
| Goodwill arising on acquisition | 22,276 | |
| **Purchase consideration transferred** | **40,349** | |

The fair value of the trade receivables amounts to €12.4 million. The gross amount of trade receivables is €15.8 million. €3.4 million of the trade receivables have been impaired.

The goodwill of €22.3 million comprises the value of expected synergies arising from the acquisition, the footprint and market share in the Eastern European market and the knowledge and skills from the employees which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of the non-controlling interest in VT-SOFT (14%) Software KFT and InsERT SA (65%) has been estimated by a Business Enterprise Valuation which is supported by a future cash flow analysis using a discount rate of 14.5%.

In combination with the acquisition of TETA, the Group also received a call option on the remaining 65% of the shares of InsERT SA. Due to this call option, which has no end date, the Group has the ability to control InsERT SA. InsERT SA is classified as a Group company and hence has been fully consolidated.

From the date of the acquisition, TETA Group has contributed to the Group revenues of €17.0 million and a profit of €2.0 million.
If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €14.0 million higher and the profit from continuing operations for the Group would have been €0.1 million lower.

***Purchase consideration*** (€000)

| | |
|---|---|
| Consideration paid in cash | 40,350 |
| **Total consideration** | **40,350** |

***Analysis of cash flows on acquisition*** (€000)

| | |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | -643 |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 121 [1] |
| Consideration paid in cash (included in cash flows from investing activities) | -40,349 |
| **Net cash flow on acquisition** | **-40,871** |

[1] Included in the the acquisition the Group also acquired €11.5 million of financial debt towards several financial institutions. This amount is also included in the cash flows from investing activities. This full amount of financial debt and its related facilities has been refinanced during 2010 by two new facilities at ING Bank Poland and ING Hungary. For further information see Note 6.32.

Transaction costs of the acquisition are included in other operating expenses (see Note 6.12).
At the date of the acquisition the company employed approximately 600 people.

**Appirio professional services cloud solution**
On 31 December 2010 the Group acquired via its 83% owned subsidiary FinancialForce.com the intellectual property rights related to the professional services cloud solution from Appirio, a United States based cloud computing company. Next to the software solution this business combination includes also the related team of employees and the existing customer contracts.

***Assets acquired and liabilities assumed***
The fair value of the identifiable assets and liabilities of Appirio professional services cloud solution at the date of acquisition were: (€000)

| | Fair values | Carrying amount |
|---|---|---|
| **Assets** | | |
| Intangible assets | 1,829 | 0 |
| Trade and other receivables | 224 | 224 |
| | **2,053** | **224** |
| **Liabilities** | | |
| Current liabilities | -427 | -427 |
| | **-427** | **-427** |
| **Total identifiable net assets at fair value** | **1,626** | |

***Purchase consideration*** (€000)

| | |
|---|---|
| Consideration paid in cash | 1,626 |
| **Total consideration** | **1,626** |

***Analysis of cash flows on acquisition*** (€000)

| | |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | -45 |
| Consideration paid in cash (included in cash flows from investing activities) | -1,626 |
| **Net cash flow on acquisition** | **-1,671** |

Transaction costs of the acquisition are included in other operating expenses (see Note 6.12).
At the date of the acquisition the business combination included 6 employees.

## 6.5.2 BUSINESS COMBINATIONS (INCLUDING START UPS) IN PREVIOUS YEAR

In 2009 no business combinations (IFRS 3) were effectuated. There was one start up of a new business operation named "FinancialForce.com".

**FinancialForce.com**
In September 2009 UNIT4 signed an agreement with salesforce.com to develop their joint business activity, which is named FinancialForce.com. UNIT4 owned this activity and salesforce.com has made an investment in exchange for shares. UNIT4 still has control over the activity, which has its registered office in the United States and a branch in the United Kingdom. As UNIT4 has control it has classified both entities as a Group company.

## 6.6 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Group has a 30.33% (2009: 27.50%) interest in Exa Group Consultores S.A. (Spain), a 50.00% (2009: 50.00%) interest in Offentliga Dokument i Solna AB (Sweden) and a 50.00% (2009: 50.00%) interest in A-Plaza (the Netherlands).

**At 31 December 2010**

The revenue, expenses and the net profit of the associates and joint ventures for the year ended are:
(€000)

| | Exa Group | Offentliga Dokument i Solna AB | A-Plaza | Total |
|---|---|---|---|---|
| Revenue | 300 | 2,488 | 678 | 3,466 |
| Expenses (including cost of sales) | 358 | 2,483 | 638 | 3,479 |
| Net profit | -58 | 5 | 40 | -13 |

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

| | Exa Group | Offentliga Dokument i Solna AB | A-Plaza | Total |
|---|---|---|---|---|
| Non-current assets | 12 | | | 12 |
| Current assets | 478 | 396 | 414 | 1,288 |
| Non-current liabilities | -5 | | | -5 |
| Current liabilities | -329 | -372 | -352 | -1,053 |
| **Equity** | **156** | **24** | **62** | **242** |
| The share in the Group is: | | | | |
| in percentages | 30.33% | 50.00% | 50.00% | |
| €000 | 47 | 12 | 31 | 90 |
| **Carrying amount of the investment** | **47** | **12** | **31** | **90** |

**At 31 December 2009**

The revenue, expenses and the net profit of the associates and joint ventures for the year ended are:
(€000)

| | Exa Group | Offentliga Dokument i Solna AB | A-Plaza | Total |
|---|---|---|---|---|
| Revenue | 756 | 1,930 | 86 | 2,772 |
| Expenses (including cost of sales) | 782 | 1,926 | 81 | 2,789 |
| Net profit | -26 | 4 | 5 | -17 |

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

| | Exa Group | Offentliga Dokument i Solna AB | A-Plaza | Total |
|---|---|---|---|---|
| Non-current assets | 23 | 0 | 0 | 23 |
| Current assets | 473 | 519 | 104 | 1,096 |
| Non-current liabilities | -5 | 0 | 0 | -5 |
| Current liabilities | -277 | -503 | -81 | -861 |
| **Equity** | **214** | **16** | **23** | **253** |
| The share in the Group is: | | | | |
| in percentages | 27.50% | 50.00% | 50.00% | |
| €000 | 59 | 8 | 12 | 79 |
| **Carrying amount of the investment** | **59** | **8** | **12** | **79** |

## 6.7 OPERATING SEGMENT INFORMATION

**Operating segments**

The Group is organized in legal entities linked to the type of business, market or geographical location. The financial reporting structure is where possible linked to the legal entity structure.

Operational responsibilities within the Group are linked to the results of the specific legal entities. This can be more than one 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 geographical split elsewhere in this document.

The Management Board evaluates the results of the legal entities 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 important reporting segments:

- Germany
- Sweden
- Norway
- United Kingdom
- Spain
- Benelux

All reporting segments mentioned above are generating revenues through the sale, implementation and support of business software for the monitoring, control and optimization of business processes and management. Besides the software that some reporting units develop themselves, the standard functionality of the product group Agresso Business World is developed by UNIT4 R&D AS. The standard functionality of the product group Coda Financials is developed by CODA Group International Ltd. These two entities are owners of the respective product groups and primarily have inter-segment revenues. Both R&D activities are included in the total of all other operating segments. The reporting segments, divided per country, focus primarily on the sale and support of business software (Agresso and/or Coda and/or other products).

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 these 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 operational segments of the Group. This operating segment information does not include discontinued operations.

**For the year ended 31 December 2010**
(€000)

| | Germany | Norway | Spain | Sweden | United Kingdom | Benelux | All other operational segments | Eliminations and adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenues third parties | 17,543 | 34,545 | 34,521 | 61,682 | 77,476 | 141,590 | 54,381 | 0 | 421,738 |
| Revenues inter-segment | 206 | 326 | 5,068 | 820 | 603 | 12,789 | 41,536 | -61,348 [1] | 0 |
| **Total revenues** | **17,749** | **34,871** | **39,589** | **62,502** | **78,079** | **154,379** | **95,917** | **-61,348** | **421,738** |
| | | | | | | | | | |
| **EBITDA** | **1,830** | **5,794** | **4,552** | **7,159** | **15,785** | **30,744** | **20,220** | **0** | **86,084** |
| Depreciation of property, plant and equipment and intangible assets | 1,821 | 767 | 4,254 | 1,459 | 14,275 | 9,467 | 11,660 | 0 | 43,703 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 | 431 | 1,889 | 0 | 2,320 |
| Restructuring costs | 40 | 0 | 516 | 0 | 10 | 1,221 | 316 | 0 | 2,103 |
| Rebranding costs | 19 | 120 | 200 | 58 | 310 | 513 | 29 | 0 | 1,249 |
| EBITDA before restructuring costs | 1,889 | 5,914 | 5,268 | 7,217 | 16,105 | 32,478 | 20,565 | 0 | 89,436 |

[1] Inter-segment deliveries are eliminated

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment assets** | **15,756** | **24,007** | **85,661** | **37,916** | **240,793** | **127,174** | **608,331** | **-588,432** | **551,206** |
| Acquisition of associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Purchase of intangible assets and property, plant and equipment | 1,589 | 640 | 4,760 | 290 | 4,482 | 26,195 | 73,694 | 0 | 111,650 |

**For the year ended 31 December 2009**
(€000)

| | Germany | Norway | Spain | Sweden | United Kingdom | Benelux | All other operational segments | Eliminations and adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenues third parties | 18,405 | 31,289 | 36,663 | 50,615 | 74,828 | 128,665 | 38,985 | 0 | 379,450 |
| Revenues inter-segment | 230 | 357 | 2,382 | 332 | 1,302 | 10,460 | 40,401 | -55,464 [1] | 0 |
| **Total revenues** | **18,635** | **31,646** | **39,045** | **50,947** | **76,130** | **139,125** | **79,386** | **-55,464** | **379,450** |
| **EBITDA** | **1,495** | **5,352** | **1,384** | **6,067** | **12,180** | **29,674** | **18,930** | **0** | **75,082** |
| Depreciation of property, plant and equipment and intangible assets | 1,848 | 871 | 4,329 | 1,356 | 13,932 | 6,862 | 8,793 | 0 | 37,991 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 | 213 | 1,754 | 0 | 1,967 |
| Restructuring costs | 707 | 0 | 2,973 | 0 | 1,066 | 596 | 279 | 0 | 5,621 |
| EBITDA before restructuring costs | 2,202 | 5,352 | 4,357 | 6,067 | 13,246 | 30,270 | 19,209 | 0 | 80,703 |

[1] Inter-segment deliveries are eliminated

| | Germany | Norway | Spain | Sweden | United Kingdom | Benelux | All other operational segments | Eliminations and adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Segment assets** | **15,658** | **22,518** | **51,744** | **30,152** | **218,928** | **88,258** | **459,586** | **-430,644** | **456,200** |
| Acquisition of associates | 0 | 0 | 29 | 0 | 0 | 0 | 0 | 0 | 29 |
| Purchase of intangible assets and property, plant and equipment | 687 | 273 | 3,236 | 725 | 1,543 | 4,470 | 10,499 | 0 | 21,433 |

**Adjustments and eliminations**

Deferred tax assets and other financial assets are not allocated to individual segments as these items are managed on Group level. Assets classified as held for sale are excluded.

**Reconciliation of Assets**

(€000)

| | 2010 | 2009 |
|---|---|---|
| **Segment assets** | **551,206** | **456,200** |
| Deferred tax assets | 15,428 | 13,266 |
| Other financial assets | 2,269 | 987 |
| | 568,903 | 470,453 |
| Assets classified as held for sale | 0 | 3,944 |
| Group assets | **568,903** | **474,397** |

**Geographic information**

The revenues in the table below were generated from external customers attributed to the entity's country of domicile (in alphabetical order).
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 which the non current assets relate to not depending on the legal entity in which they are accounted for.
(€000)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Revenues** | **Non-current assets** | **Revenues** | **Non-current assets[1]** |
| Australia | 13 | 0 | 11 | 0 |
| Benelux | 141,590 | 85,498 | 128,665 | 62,009 |
| Cyprus | 0 | 0 | 0 | 0 |
| Czech Republic | 60 | 0 | 61 | 0 |
| Denmark | 760 | 36 | 814 | 12 |
| Estonia | 0 | 20 | 0 | 7 |
| France | 8,401 | 2,371 | 9,426 | 5,266 |
| Germany | 17,543 | 11,558 | 18,405 | 11,796 |
| Hungary | 4,682 | 2,380 | 1,789 | 6 |
| Ireland | -13 | 0 | 916 | 0 |
| Italy | 215 | 644 | 0 | 0 |
| Malaysia | 894 | 18 | 404 | 11 |
| Norway | 34,545 | 28,158 | 31,366 | 24,602 |
| Poland | 14,568 | 49,899 | 0 | 0 |
| Portugal | 548 | 90 | 482 | 81 |
| Singapore | 1,335 | 42 | 1,256 | 30 |
| Spain | 34,521 | 34,941 | 36,663 | 34,734 |
| Sweden | 61,682 | 11,660 | 53,680 | 11,362 |
| United Kingdom | 77,490 | 171,486 | 74,828 | 173,174 |
| United States/Canada | 22,904 | 3,201 | 20,684 | 1,208 |
| | **421,738** | **402,002** | **379,450** | **324,298** |

[1] Restated for comparison purposes

**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 2010 (2009: n/a).

## 6.8 EMPLOYEE COSTS

(€000)

| | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 172,089 | 157,780 |
| Social security costs | 32,488 | 30,705 |
| Pension costs | 9,802 | 9,002 |
| Expense of share-based payment | 343 | 197 |
| Other employee costs | 37,666 | 37,641 |
| | 252,388 | 235,325 |
| Attributable to discontinued operations | -2,036 | -4,844 |
| | **250,352** | **230,481** |

**Research and development costs**

The research and development costs incurred in the past year, divided into a part that has been capitalized and a part that is recognized under employee costs, are presented in the table below:

(€000)

| Year | Research and development costs | Recognized as employee costs | Capitalized employee costs | Capitalized borrowing costs | Capitalized development costs |
|---|---|---|---|---|---|
| 2004 | 23,678 | 15,932 | 7,746 | 0 | 7,746 |
| 2005 | 24,932 | 15,591 | 9,341 | 0 | 9,341 |
| 2006 | 27,707 | 17,878 | 9,829 | 348 | 10,177 |
| 2007 | 34,528 | 21,209 | 13,319 | 651 | 13,970 |
| 2008 | 47,260 | 31,111 | 16,149 | 651 | 16,800 |
| 2009 | 44,414 | 28,148 | 16,266 | 593 | 16,859 |
| 2010 | 44,694 | 25,097 | 19,597 | 587 | 20,184 |

**Number of employees at 31 December**

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

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | the Netherlands | Other countries | Total | the Netherlands | Other countries | Total |
| Sales & Marketing | 146 | 325 | 471 | 138 | 278 | 416 |
| Consultants | 272 | 1,019 | 1,291 | 274 | 920 | 1,194 |
| Developers | 278 | 872 | 1,150 | 236 | 610 | 846 |
| Support | 163 | 432 | 595 | 113 | 361 | 474 |
| Other | 219 | 476 | 695 | 186 | 340 | 526 |
| | 1,078 | 3,124 | 4,202 | 947 | 2,509 | 3,456 |
| Discontinued operations | 0 | 0 | 0 | 0 | 50 | 50 |
| **31 December** | **1,078** | **3,124** | **4,202** | **947** | **2,459** | **3,406** |
| | | | | | | |
| Average number of employees during the reporting year | 1,054 | 2,778 | 3,832 | 977 | 2,543 | 3,520 |
| Discontinued operations | 0 | 21 | 21 | 0 | 50 | 50 |
| **Average** | **1,054** | **2,757** | **3,811** | **977** | **2,493** | **3,470** |

**Weighted number of employees at 31 December**

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

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | the Netherlands | Other countries | Total | the Netherlands | Other countries | Total |
| Sales & Marketing | 138 | 315 | 453 | 133 | 273 | 406 |
| Consultants | 260 | 997 | 1,257 | 269 | 895 | 1,164 |
| Developers | 265 | 858 | 1,123 | 224 | 590 | 814 |
| Support | 149 | 420 | 569 | 105 | 348 | 453 |
| Other | 193 | 445 | 638 | 167 | 316 | 483 |
| | 1,005 | 3,035 | 4,040 | 898 | 2,422 | 3,320 |
| Discontinued operations | 0 | 0 | 0 | 0 | 50 | 50 |
| **31 December** | **1,005** | **3,035** | **4,040** | **898** | **2,372** | **3,270** |
| | | | | | | |
| Average number of employees during the reporting year | 988 | 2,699 | 3,687 | 920 | 2,452 | 3,372 |
| Discontinued operations | 0 | 21 | 21 | 0 | 49 | 49 |
| **Average** | **988** | **2,678** | **3,666** | **920** | **2,403** | **3,323** |

### 6.9 EMPLOYEE SHARE OPTION PLAN

In the year 2010 no option schemes were granted to employees. The costs of option schemes granted in prior years are specified below:

| | 2010 | 2009 |
|---|---|---|
| Cost of options granted during the financial year 2009 (€) | 342,500 | 106,034 |
| Cost of options granted during the financial year 2008 (€) | 0 | 0 |
| Cost of options granted during the financial year 2006 (€) | 0 | 90,907 |
| | **342,500** | **196,941** |

An overview of the current option plan for UNIT4 N.V. shares is depicted below:

| Year granted | Exercise period up to and including | Granted | Outstanding at 1 January 2010 | Expired in 2010 | Exercised in 2010 | Outstanding at 31 December 2010 | Exercise price (€) | Exercisable |
|---|---|---|---|---|---|---|---|---|
| 2005 | Apr. 2010 | 150,000 | 50,000 | 0 | 50,000 | 0 | 13.02 | - |
| 2006 | Feb. 2011 | 354,250 | 267,316 | 0 | 207,175 | 60,141 | 14.41 | 60,141 |
| 2008 | Mar.2013 | 290,000 | 290,000 | 0 | 13,333 | 276,667 | 16.70 | 92,222 |
| 2009 | Sep.2014 | 250,000 | 250,000 | 0 | 0 | 250,000 | 13.42 | - |
| | | **1,044,250** | **857,316** | **0** | **270,508** | **586,808** | | **152,363** |

The weighted average remaining term for the share options at 31 December 2010 is 2.6 years (2009: 2.3 years).

## 6.10 COST OF SALES

(€000)

| | 2010 | 2009 |
|---|---|---|
| Products | 10,066 | 6,640 |
| Services and other | 16,246 | 17,861 |
| Contracts and subscriptions | 9,975 | 8,514 |
| | 36,287 | 33,015 |
| Attributable to discontinued operations | -75 | -824 |
| | **36,212** | **32,191** |

## 6.11 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF INTANGIBLE ASSETS

(€000)

| | 2010 | 2009 |
|---|---|---|
| Amortization of software products | 24,211 | 21,938 |
| Amortization of customer contracts | 13,036 | 9,905 |
| Amortization of other intangible assets | 634 | 530 |
| Depreciation of property, plant and equipment | 5,843 | 5,681 |
| Impairment of intangible assets and property, plant and equipment | 2,320 | 1,967 |
| | 46,044 | 40,021 |
| Attributable to discontinued operations | -21 | -63 |
| | **46,023** | **39,958** |

For goodwill impairment, see Note 6.20.

## 6.12 OTHER OPERATING EXPENSES

(€000)

| | 2010 | 2009 |
|---|---|---|
| Selling costs | 11,152 | 8,399 |
| Accommodation costs | 16,206 | 14,708 |
| Financial and advisory costs | 5,212 | 4,343 |
| Other expenses | 17,922 | 15,034 |
| | 50,492 | 42,484 |
| Attributable to discontinued operations | -1,402 | -788 |
| | **49,090** | **41,696** |

## 6.13 FINANCE COSTS

(€000)

| | 2010 | 2009 |
|---|---|---|
| Interest charges | 9,048 | 11,257 |
| Exchange rate loss | 1,202 | 1,529 |
| Interest concerning capitalized development costs | -587 | -593 |
| Result on valuation interest swap | 0 | 534 |
| Finance costs (based on historical value) | 9,663 | 12,727 |
| Interest concerning capitalized finance costs (based on amortized costs) | 778 | 997 |
| | 10,441 | 13,724 |
| Attributable to discontinued operations | -17 | -159 |
| | **10,424** | **13,565** |

## 6.14 FINANCE INCOME

(€000)

| | 2010 | 2009 |
|---|---|---|
| Interest revenue | 2,003 | 4,004 |
| Derivatives | 74 | 1,600 |
| Result on valuation interest swap | 985 | 0 |
| Adjustment fair value from exchange rate swap | 145 | 681 |
| Exchange rate gains | 653 | 429 |
| Dividend received from securities | 135 | 0 |
| | 3,995 | 6,714 |
| Attributable to discontinued operations | 0 | -2 |
| | **3,995** | **6,712** |

## 6.15 INCOME TAX

(€000)

| | 2010 | 2009 |
|---|---|---|
| *Current income tax charge* | | |
| Current financial year | 16,255 | 13,499 |
| Amendments for preceding years | -926 | 36 |
| | **15,329** | **13,535** |
| *Deferred taxes* | | |
| Temporary differences between fiscal and commercial valuation | -7,086 | -6,051 |
| Change in tax rates | -506 | -12 |
| Utilization/benefit of tax losses recognized | 162 | -1,478 |
| | **-7,430** | **-7,541** |
| **Taxes** | **7,899** | **5,994** |
| | | |
| *Taxes divided into:* | | |
| Continuing operations | 7,938 | 6,057 |
| Discontinued operations | -39 | -63 |
| | **7,899** | **5,994** |

**Specification of effective tax rate**

(€000)

| | 2010 | % | 2009 | % |
|---|---|---|---|---|
| Profit before tax from continuing operations | 33,636 | | 28,254 | |
| Loss before tax from discontinued operations | -1,673 | | -2,527 | |
| **Profit before tax** | **31,963** | | **25,727** | |
| | | | | |
| Tax expense on the basis of Dutch nominal rate | 8,151 | 25.5% | 6,560 | 25.5% |
| Application of local, nominal rates | 482 | 1.5% | 365 | 1.4% |
| Non-tax deductible items/exempt expenses | 1,427 | 4.5% | 386 | 1.5% |
| Set-off of non-capitalized tax deductible losses | -729 | -2.3% | -782 | -3.0% |
| Prior-year capitalized fiscal losses | 0 | 0.0% | -560 | -2.2% |
| Prior-year tax liability/(asset) | -1,432 | -4.5% | 25 | 0.1% |
| Non-compensatory losses (no valuation as deferred tax asset) | 0 | 0.0% | 0 | 0.0% |
| | **7,899** | **24.7%** | **5,994** | **23.3%** |

### 6.16 DISCONTINUED OPERATIONS

In the last quarter of 2007 it was decided to sell the sales and implementation activities of Agresso France SA. The company was split into two, a part that would remain and a part that would be sold. As per 15 June 2010 the sale was completed for a consideration of €1 which was settled in cash.

(€000)

| | 2010 | 2009 |
|---|---|---|
| Revenues | 1,162 | 3,893 |
| Operational costs | 3,534 | 6,405 |
| **Operating result (EBIT)** | **-2,372** | **-2,512** |
| Finance costs | 17 | 157 |
| Result discontinued operations | 716 | 142 |
| **Profit before tax** | **-1,673** | **-2,527** |
| Taxes | 39 | 63 |
| **Profit after tax** | **-1,634** | **-2,464** |
| | | |
| *Earnings per share in €* | | |
| Basic earnings per share attributable to discontinued operations | -0.06 | -0.09 |
| Diluted earnings per share attributable to discontinued operations | -0.06 | -0.09 |
| | | |
| *Cash flow statement* | | |
| Cash flow from operating activities | 88 | -2,402 |
| Cash flow from investing activities | -17 | -66 |
| Cash flow from discontinued activities | 473 | 0 |
| Cash flow from financing activities | 0 | 0 |
| **Net cash flow** | **544** | **-2,468** |

The assets and liabilities of these companies that are held for sale, are per 31 December:

(€000)

| | 2010 | 2009 |
|---|---|---|
| *Assets* | | |
| Intangible assets | 0 | 0 |
| Property, plant and equipment | 0 | 141 |
| Other financial assets | 0 | 124 |
| Inventories | 0 | 10 |
| Trade and other receivables | 0 | 3,517 |
| Cash and cash equivalents | 0 | 152 |
| **Assets held for sale** | **0** | **3,944** |
| | | |
| *Liabilities* | | |
| Provisions | 0 | 199 |
| Short-term liabilities | 0 | 4,015 |
| **Liabilities held for sale** | **0** | **4,214** |
| | | |
| Net assets held for sale | 0 | -270 |

## 6.17 ISSUED CAPITAL AND RESERVES

### 6.17.1 ISSUED CAPITAL

The authorized share capital at 31 December 2010 encompasses 40,000,000 (2009: 40,000,000) ordinary shares and 40,000,000 (2009: 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.

In April 2010 UNIT4 issued 2,580,000 ordinary shares at a price of €19.75 per share, representing less than 10% of the Company's issued ordinary share capital at that time.
The proceeds of the issue (€50,955,000) less transaction costs (€1,668,000) was used to finance the TETA acquisition which is disclosed in Note 6.5.1.

At the reporting date 29,217,316 ordinary shares (2009: 26,366,808) were issued and paid up in full. The changes (in numbers) in the share capital can be presented as follows:

| | 2010 | 2009 |
|---|---|---|
| Balance at 1 January | 26,366,808 | 26,263,899 |
| Share issue | 2,580,000 | 0 |
| Exercise of options | 270,508 | 102,909 |
| **Balance at 31 December** | **29,217,316** | **26,366,808** |

### 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 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)

| | 2010 | 2009 |
|---|---|---|
| **Declared and paid during the year** | | |
| Final dividend for 2009 | 5,534 | 0 |
| **Proposed for approval at the Annual General Meeting (not recognized as a liability as at 31 December)** | | |
| Dividends on ordinary shares: 2010 proposed: €0.25 per share (2009: €0.19 per share) | 7,304 | 5,010 |

## 6.18 EARNINGS PER SHARE

### 6.18.1 BASIC EARNINGS PER SHARE

The basic earnings per share over 2010 amounted to €0.82 (2009: €0.74).

The basic earnings per share at 31 December 2010 are based on the net profit as attributable to the ordinary shareholders, being €23.4 million (2009: €19.4 million) and the weighted average number of shares outstanding in 2010, being 28.4 million (2009: 26.3 million). This is calculated as follows:

*Net profit attributable to ordinary shareholders*
(€000)

| | 2010 | 2009 |
|---|---|---|
| **Net profit current financial year attributable to ordinary shareholders** | **23,406** | **19,425** |

*Weighted average number of ordinary shares*
*(in numbers x 1,000)*

| | 2010 | 2009 |
|---|---|---|
| Number of ordinary shares at 1 January | 26,367 | 26,263 |
| New shares issued | 1,935 | 0 |
| Issued shares as a result of exercised option rights | 137 | 24 |
| **Weighted average number of shares at 31 December** | **28,439** | **26,287** |

### 6.18.2 BASIC EARNINGS PER SHARE ATTRIBUTABLE TO CONTINUING OPERATIONS

The basic earnings per share attributable to continuing operations over 2010 amounted to €0.88 (2009: €0.83).

The basic earnings per share attributable to continuing operations at 31 December 2010 are based on the net profit attributable to continuing operations as attributable to ordinary shareholders, being €25.0 million (2009: €21.9 million) and the weighted average number of shares outstanding over 2010, being 28.4 million (2009: 26.3 million). This is calculated as follows:

*Net profit attributable to continuing operations*
(€000)

| | 2010 | 2009 |
|---|---|---|
| **Net profit attributable to continuing operations** | **25,040** | **21,889** |

*Weighted average number of ordinary shares attributable to continuing operations*
(in numbers x 1,000)

| | 2010 | 2009 |
|---|---|---|
| Number of ordinary shares at 1 January | 26,367 | 26,263 |
| New shares issued | 1,935 | 0 |
| Issued shares as a result of exercised option rights | 137 | 24 |
| **Weighted average number of shares at 31 December** | **28,439** | **26,287** |

### 6.18.3 DILUTED EARNINGS PER SHARE

The diluted earnings per share over 2010 were €0.82 (2009: €0.74).

The diluted earnings per share at 31 December 2010 are based on the net profit as attributable to ordinary shareholders, being €23.4 million (2009: €19.4 million) and the diluted number of shares outstanding in 2010, being 28.6 million (2009: 26.3 million). This is calculated as follows:

*Net profit attributable to ordinary shareholders (after dilution)*

(€000)

| | 2010 | 2009 |
|---|---|---|
| Net profit attributable to ordinary shareholders | 23,406 | 19,425 |
| Outstanding option rights (after taxes) | 0 | 0 |
| **Net profit attributable to ordinary shareholders (after dilution)** | **23,406** | **19,425** |

*Weighted average number of ordinary shares (after dilution)*

(in numbers x 1,000)

| | 2010 | 2009 |
|---|---|---|
| Weighted average number of shares at 31 December | 28,439 | 26,287 |
| Outstanding option rights | 120 | 0 |
| **Weighted average number of shares (after dilution) at 31 December** | **28,559** | **26,287** |

### 6.18.4 DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO CONTINUING OPERATIONS

The diluted earnings per share attributable to continuing operations over 2010 amounted to €0.88 (2009: €0.83).

The calculation of the diluted earnings per share at 31 December 2010 is based on the net profit attributable to continuing operations as attributable to ordinary shareholders, being €25.0 million (2009: €21.9 million) and the diluted number of shares outstanding over 2010, being 28.6 million (2009: 26.3 million). This is calculated as follows:

*Net profit attributable to continuing operations (after dilution)*

(€000)

| | 2010 | 2009 |
|---|---|---|
| Net profit attributable to continuing operations | 25,040 | 21,889 |
| Effect of outstanding option rights (after tax) | 0 | 0 |
| **Net profit attributable to continuing operations (after dilution)** | **25,040** | **21,889** |

*Weighted average number of ordinary shares attributable to continuing operations (after dilution)*
*(in numbers x 1,000)*

| | 2010 | 2009 |
|---|---|---|
| Weighted average number of shares at 31 December | 28,439 | 26,287 |
| Effect of outstanding option rights | 120 | 0 |
| **Weighted average number of shares (after dilution) at 31 December** | **28,559** | **26,287** |

## 6.19 INTANGIBLE ASSETS

**At 31 December 2010**

(€000)

| | Goodwill | Internally developed software | Acquired software | Customer contracts | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| Carrying amount at 1 January | 139,989 | 44,877 | 35,738 | 71,224 | 900 | 292,728 |
| Adjustments preceding financial years | -122 | 0 | 0 | 0 | 0 | -122 |
| Acquisition of subsidiaries | 25,084 | 0 | 18,381 | 28,145 | 9,174 | 80,784 |
| Internally developed intangible assets | 0 | 20,184 | 0 | 0 | 0 | 20,184 |
| Investments | 0 | 0 | 1,226 | 289 | 30 | 1,545 |
| Divestments (cost price) | 0 | -3,293 | -2,647 | 0 | 0 | -5,940 |
| Divestments (accumulated depreciation and impairment) | 0 | 3,192 | 2,647 | 0 | 0 | 5,839 |
| Depreciation | 0 | -13,212 | -10,999 | -13,036 | -627 | -37,874 |
| Impairment | -2,071 | -249 | 0 | 0 | 0 | -2,320 |
| Currency translation differences | 5,120 | 1,834 | 2,078 | 2,523 | 77 | 11,632 |
| **Carrying amount at 31 December** | **168,000** | **53,333** | **46,424** | **89,145** | **9,554** | **366,456** |
| | | | | | | |
| *1 January 2010* | | | | | | |
| Cost price | 149,026 | 99,171 | 55,016 | 103,369 | 2,471 | 409,053 |
| Accumulated depreciation | -3,724 | -54,294 | -19,278 | -32,145 | -1,571 | -111,012 |
| Accumulated impairment | -5,313 | 0 | 0 | 0 | 0 | -5,313 |
| **Carrying amount** | **139,989** | **44,877** | **35,738** | **71,224** | **900** | **292,728** |
| | | | | | | |
| *31 December 2010* | | | | | | |
| Cost price | 179,247 | 116,268 | 78,120 | 134,520 | 12,080 | 520,235 |
| Accumulated depreciation | -3,748 | -62,935 | -31,455 | -45,375 | -2,526 | -146,039 |
| Accumulated impairment | -7,499 | 0 | -241 | 0 | 0 | -7,740 |
| **Carrying amount** | **168,000** | **53,333** | **46,424** | **89,145** | **9,554** | **366,456** |

The intangible fixed assets regarding discontinued operations, which are not present at the reporting date, are recognized as divestments.

**At 31 December 2009**

(€000)

| | Goodwill | Internally developed software | Acquired software | Customer contracts | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| Carrying amount at 1 January | 136,383 | 37,290 | 42,467 | 78,267 | 1,298 | 295,705 |
| Adjustments preceding financial years | 420 | 0 | -423 | 20 | 0 | 17 |
| Internally developed intangible assets | 0 | 16,859 | 0 | 0 | 0 | 16,859 |
| Investments | 0 | 0 | 675 | 0 | 80 | 755 |
| Divestments (cost price) | 0 | 0 | -4,219 | -34 | 0 | -4,253 |
| Divestments (accumulated depreciation and impairment) | 0 | 0 | 4,219 | 34 | 0 | 4,253 |
| Depreciation | 0 | -12,543 | -9,395 | -9,905 | -530 | -32,373 |
| Impairment | -1,967 | 0 | 0 | 0 | 0 | -1,967 |
| Currency translation differences | 5,153 | 3,271 | 2,414 | 2,842 | 52 | 13,732 |
| **Carrying amount at 31 December** | **139,989** | **44,877** | **35,738** | **71,224** | **900** | **292,728** |
| | | | | | | |
| *1 January 2009* | | | | | | |
| Cost price | 143,317 | 75,331 | 56,021 | 99,613 | 2,323 | 376,605 |
| Accumulated depreciation | -3,715 | -38,041 | -13,554 | -21,346 | -1,025 | -77,681 |
| Accumulated impairment | -3,219 | 0 | 0 | 0 | 0 | -3,219 |
| **Carrying amount** | **136,383** | **37,290** | **42,467** | **78,267** | **1,298** | **295,705** |
| | | | | | | |
| *31 December 2009* | | | | | | |
| Cost price | 149,026 | 99,171 | 55,016 | 103,369 | 2,471 | 409,053 |
| Accumulated depreciation | -3,724 | -54,294 | -19,278 | -32,145 | -1,571 | -111,012 |
| Accumulated impairment | -5,313 | 0 | 0 | 0 | 0 | -5,313 |
| **Carrying amount** | **139,989** | **44,877** | **35,738** | **71,224** | **900** | **292,728** |

## 6.20 IMPAIRMENT TEST OF GOODWILL

The Group annually carries out impairment tests on capitalized goodwill, based on the relevant cash-generating unit. The recoverable amount of various cash-generating segments in which goodwill is capitalized is determined by measuring their operating value. For such calculations, future cash flows based on current revenue from operations and future forecasts are used. In general the period over which management has projected cash flows based on financial budgets/forecasts is 5 years. The Group uses longer projections than 5 years in case there are substantial intangible assets amortized over a longer period than 5 years. This is done to be able to achieve a more accurate calculation of the terminal value and the tax shield. 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 from the projection.

The individual growth percentages are derived from long-term forecasts for the industry and the expectations of the management involved. The discount rates represent the current market assesment 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. Below is described how the carrying amount of the goodwill unit can be attributed to the cash-generating units. The year stated in brackets represents the year of acquisition.

(€000)

| | Carrying amount goodwill at 31 December 2010 | Impairment 2010 | Carrying amount goodwill at 31 December 2009 | Impairment 2009 |
|---|---|---|---|---|
| Van der Kley automatisering (2000) | 847 | 183 | 1,030 | 213 |
| Amercom B.V. (2001) + Amend (2004) + Foundation ICT Group (2005) | 7,949 | 0 | 7,949 | 0 |
| UNIT4 Business Software Inc. (2002) | 6,564 | 0 | 6,564 | 0 |
| Momentum (2003) + ESV (2004) + Formaster (2005) | 5,948 | 0 | 5,287 | 0 |
| Fininfor (2003) | 1,817 | 1,888 | 3,705 | 1,754 |
| UNIT4 Business Software Spain S.L. (2004) + UNIT4 Business Software Ibérica S.A. (2006+2008) | 11,593 | 0 | 11,593 | 0 |
| Decade Financial Software (2004) | 4,683 | 0 | 4,683 | 0 |
| UNIT4 Financiële Intermediairs B.V. (2006) | 5,703 | 0 | 5,703 | 0 |
| Dogro-Partner ProFiskal Software (2006) + Kirp (2006) | 3,341 | 0 | 3,341 | 0 |
| Xit Consulting (2006) | 471 | 0 | 442 | 0 |
| CODA Ltd. (2008) | 94,001 | 0 | 89,692 | 0 |
| Consist B.V. (2010) | 2,807 | 0 | 0 | 0 |
| TETA Group (2010) | 22,276 | 0 | 0 | 0 |
| | **168,000** | **2,071** | **139,989** | **1,967** |

The key assumptions for determining the recoverable amount are described below:

| | Discount rate | | Average growth | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Van der Kley automatisering (2000) | 9.4% | 9.0% | -20% | -12% |
| Amercom B.V. (2001) + Amend (2004) + Foundation ICT Group (2005) | 9.4% | 9.0% | -5% | n/a[1] |
| UNIT4 Business Software Inc. (2002) | 9.6% | 9.0% | 16% | 16% |
| Momentum (2003) + ESV (2004) + Formaster (2005) | 9.0% | 9.0% | 5% | 5% |
| Fininfor (2003) | 9.4% | 9.0% | -12% | -41% |
| UNIT4 Business Software Spain S.L. (2004) + UNIT4 Business Software Ibérica S.A. (2006+2008) | 9.4% | 9.0% | 15% | 21% |
| Decade Financial Software (2004) | 9.4% | 9.0% | 10% | 14% |
| UNIT4 Financiële Intermediairs B.V. (2006) | 9.4% | 9.0% | -1% | -2% |
| Dogro-Partner ProFiskal Software (2006) + Kirp (2006) | 9.4% | 9.0% | 21% | n/a[1] |
| Xit Consulting (2006) | 9.3% | 9.0% | 3% | -8% |
| CODA Ltd. (2008) | 9.0%-9.8% | 9.0% | 3% | 2% |
| Consist B.V. (2010) | 9.4% | n/a | 3% | n/a |
| TETA Group (2010) | 13.5% | n/a | 7% | n/a |

[1] Due to organizational changes the cash-generating unit is different from previous year and a comparative figure is not available.

***Cash-generating unit UNIT4 Accountancy B.V. (business unit Van der Kley automatisering)***
The recoverable amount of Van der Kley automatisering is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, without taking account of a terminal value. A terminal value is not taken into account, because the goodwill following the acquisition in 2000 is expected to have been completely replaced by self-created goodwill by the end of 2015.

***Cash-generating unit UNIT4 IT Solutions B.V. (business unit Amercom, Amend B.V. and Foundation ICT Group)***
The recoverable amount of UNIT4 IT Solutions B.V. is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, taking account of a terminal value. Even in case a growth rate of -/- 10% is used for the determination of the operating value, there is no impairment necessary. In 2010 the business unit Amercom is merged into the cash generating unit UNIT4 IT Solutions B.V. Therefore the impairment test on capitalized goodwill for Amercom, Amend. B.V. and Foundation ICT Group is carried out on the cash generating unit UNIT4 IT Solutions B.V. The average growth rate used in the impairment test for the 2009 financial statements for the stand-alone cash generating unit Amercom was 101%. For the pre-merger cash generating unit UNIT4 IT Solutions B.V. this average growth rate was -/- 1%.

***Cash-generating unit UNIT4 Business Software Inc. (including subsidiaries)***
The recoverable amount of UNIT4 Business Software Inc. is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the fifth year and 2% growth.

***Cash-generating unit UNIT4 Agresso AB (business unit Momentum, ESV and Formaster)***
The recoverable amount of Momentum, ESV and Formaster is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 7-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the seventh year and 2% growth.

***Cash-generating unit Agresso France Maintenance & Services SA (Fininfor business)***
The recoverable amount of Fininfor is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, without taking account of a terminal value.

The management expects a decreasing level of license and contract revenues in the near future for the products of Fininfor. Due to the MBO (see Note 6.16) the revenues forecast has changed since last year and as a result a part of future expected sales is going to Agresso France SA. The result is a decrease of the recoverable amount resulting in an impairment of €1,888K. The remaining business is showing a negative growth of 12% and the management expects that the related goodwill will have a useful life of 5 years (ending 2016) which means that from now on each year an additional impairment can be expected. If the negative growth rate was to be 10% higher than currently expected, the additional impairment would be €122K.

***Cash-generating unit UNIT4 Business Software Spain S.L. and UNIT4 Business Software Ibérica S.A.***
The recoverable amount of UNIT4 Business Software Spain S.L. and UNIT4 Business Software Ibérica S.A. is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 6-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the seventh year and 2% growth.

***Cash-generating unit UNIT4 Business Software B.V. (business unit Decade Financial Software)***
The recoverable amount of Decade Financial Software is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the fifth year and 2% growth.

***Cash-generating unit UNIT4 Financiële Intermediairs B.V.***
The recoverable amount of UNIT4 Financiële Intermediairs B.V. is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 7-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the seventh year and 2% growth.

***Cash-generating unit UNIT4 Agresso GmbH (business unit Dogro-Partner ProFiskal Software and Kirp)***

The recoverable amount of UNIT4 Agresso GmbH is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 6-year period, taking account of a terminal value. Due to an expected increase of the contracts revenue to 2012 and an expected increase of the licenses revenue in 2011 management expects an average cash flow growth of 21%. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the sixth year and 2% growth. In 2010 the business units Dogro-Partner and Kirp are fully integrated with the cash-generating unit, UNIT4 Agresso GmbH. Therefore the impairment test on capitalized goodwill for Dogro-partner and Kirp is carried out on the level of cash generating unit, UNIT4 Agresso GmbH. The average growth rate used in the impairment test for the 2009 financial statements for the stand-alone cash generating unit Kirp was 8%. For the stand-alone cash generating unit Dogro-Partner ProFiskal Software this average growth rate was -/- 39%.

***Cash-generating unit UNIT4 Agresso AS (business unit Xit Consulting)***

The recoverable amount of Xit Consulting is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the fifth year and 2% growth.

***Cash-generating unit CODA Ltd. (including subsidiaries)***

The recoverable amount of this cash-generating unit is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 5- or 19- year period, taking account of a terminal value. The terminal value is calculated on the basis of cash flow projections in the final year and 2% growth.

***Cash-generating unit UNIT4 Consist B.V. (business unit Consist B.V.)***

The recoverable amount of UNIT4 Consist B.V. is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 10-year period, taking account of a terminal value. The terminal value is calculated on the basis of an eternal cash flow that is determined by means of the projected cash flow in the 10th year and 2% growth.

***Cash-generating unit TETA Group (including subsidiaries)***

The recoverable amount of TETA Group is determined based on an operating value that is calculated using cash flow projections based on financial budgets approved by the management, covering a 21-year period without taking account of a terminal value.

## 6.21 PROPERTY, PLANT AND EQUIPMENT

**At 31 December 2010**

(€000)

| | Land and buildings | Technological inventories | Other tangible assets | Total |
|---|---|---|---|---|
| Carrying amount at 1 January | 20,547 | 3,893 | 7,051 | 31,491 |
| Acquisition of subsidiaries | 2,754 | 423 | 216 | 3,393 |
| Investments | 588 | 3,314 | 1,842 | 5,744 |
| Divestments | 0 | -2,699 | -1,450 | -4,149 |
| Depreciation of divestments | 0 | 2,694 | 1,424 | 4,118 |
| Depreciation | -635 | -2,958 | -2,237 | -5,830 |
| Currency translation differences | 436 | 139 | 170 | 745 |
| Other movements | -65 | -69 | 78 | -56 |
| **Carrying amount at 31 December** | **23,625** | **4,737** | **7,094** | **35,456** |
| *1 January 2010* | | | | |
| Cost price | 25,368 | 24,836 | 16,688 | 66,892 |
| Accumulated depreciation | -4,821 | -20,943 | -9,637 | -35,401 |
| **Carrying amount** | **20,547** | **3,893** | **7,051** | **31,491** |
| *31 December 2010* | | | | |
| 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** |

Land and buildings are pledged for the total amount of €1.9 million (2009 €1.0 million). There were no borrowing costs capitalized during the year ended 31 December 2010 (2009: n/a).

The tangible fixed assets regarding discontinued operations, which are not present at the reporting date, are recognized as divestments.

**At 31 December 2009**

(€000)

| | Land and buildings | Technological inventories | Other tangible assets | Total |
|---|---|---|---|---|
| Carrying amount at 1 January | 20,670 | 4,688 | 7,207 | 32,565 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 |
| Investments | 92 | 2,207 | 1,520 | 3,819 |
| Divestments | 0 | -779 | -440 | -1,219 |
| Depreciation of divestments | 0 | 941 | 422 | 1,363 |
| Depreciation | -574 | -3,297 | -1,810 | -5,681 |
| Currency translation differences | 359 | 125 | 163 | 647 |
| Discontinued operations | 0 | 8 | -11 | -3 |
| **Carrying amount at 31 December** | **20,547** | **3,893** | **7,051** | **31,491** |
| *1 January 2009* | | | | |
| Cost price | 24,910 | 22,764 | 15,254 | 62,928 |
| Accumulated depreciation | -4,240 | -18,076 | -8,047 | -30,363 |
| **Carrying amount** | **20,670** | **4,688** | **7,207** | **32,565** |
| *31 December 2009* | | | | |
| Cost price | 25,368 | 24,836 | 16,688 | 66,892 |
| Accumulated depreciation | -4,821 | -20,943 | -9,637 | -35,401 |
| **Carrying amount** | **20,547** | **3,893** | **7,051** | **31,491** |

## 6.22 OTHER FINANCIAL ASSETS

The other financial assets can be specified as follows:

**At 31 December 2010**

(€000)

| | Loans and receivables | Securities | Pensions | Total |
|---|---|---|---|---|
| Balance at 1 January | 922 | 7 | 58 | 987 |
| Acquisition of subsidiaries | 421 | 0 | 0 | 421 |
| Investments | 1,031 | 0 | 0 | 1,031 |
| Reclassifications | 0 | 0 | -55 | -55 |
| Repayments | -121 | 0 | 0 | -121 |
| Discontinued operations | 0 | 0 | 0 | 0 |
| Currency translation differences | 6 | 0 | 0 | 6 |
| **Balance at 31 December** | **2,259** | **7** | **3** | **2,269** |
| | | | | |
| Current | 0 | 0 | 0 | 0 |
| Non-current | 2,259 | 7 | 3 | 2,269 |
| | **2,259** | **7** | **3** | **2,269** |

The item under 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 2009**

(€000)

| | Loans and receivables | Securities | Pensions | Total |
|---|---|---|---|---|
| Balance at 1 January | 1,719 | 7 | 28 | 1,754 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 |
| Investments | 68 | 0 | 30 | 98 |
| Reclassifications | 0 | 0 | 0 | 0 |
| Repayments | -865 | 0 | 0 | -865 |
| Discontinued operations | 0 | 0 | 0 | 0 |
| **Balance at 31 December** | **922** | **7** | **58** | **987** |
| | | | | |
| Current | 0 | 0 | 0 | 0 |
| Non-current | 922 | 7 | 58 | 987 |
| | **922** | **7** | **58** | **987** |

During 2009 a final repayment of €0.7 million was received on the loan given to a former subsidiary.

## 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)

| | 2010 | 2009 |
|---|---|---|
| Losses available for offset against future taxable income | 6,242 | 8,861 |
| Fiscally non-realized provisions | 9,186 | 4,405 |
| | **15,428** | **13,266** |

The Group has an amount of €7.6 million in non-recognized losses available for offset (2009: €11.1 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)

| | 2010 | 2009 |
|---|---|---|
| within 1 year | 0 | 0 |
| between 1 and 5 years | 4,634 | 4,500 |
| after 5 years | 3,005 | 6,600 |
| | **7,639** | **11,100** |

## 6.24 INVENTORIES

The inventories consist entirely of trading stock. The increase is related to the acquisition of TETA Group (see Note 6.5.1).
(€000)

| | 2010 | 2009 |
|---|---|---|
| Trading stock | 3,319 | 412 |
| Discontinued operations | 0 | -10 |
| | **3,319** | **402** |

## 6.25 TRADE AND OTHER RECEIVABLES

(€000)

| | 2010 | 2009 |
|---|---|---|
| Trade receivables | 79,680 | 62,384 |
| Other receivables | 27,441 | 26,707 |
| | 107,121 | 89,091 |
| Discontinued operations | 0 | -3,517 |
| | **107,121** | **85,574** |

### 6.25.1 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30-90 day terms.
As at 31 December 2010, trade receivables of an initial value of €8.4 million (2009: €4.7 million) were impaired and fully provided for.
An analysis of the aging of trade debtors is presented as part of the credit risk analysis in Note 6.37.3.

### 6.25.2 OTHER RECEIVABLES

(€000)

| | **2010** | **2009** |
|---|---|---|
| To be invoiced | 12,328 | 15,718 |
| Prepayments and accrued income | 10,049 | 7,782 |
| Derivatives | 3,026 | 1,600 |
| Receivables employees | 645 | 190 |
| Receivables related parties | 0 | 0 |
| Short-term part of long-term receivables | 0 | 0 |
| Other receivables | 1,393 | 1,417 |
| | 27,441 | 26,707 |
| Discontinued operations | 0 | -1,797 |
| | **27,441** | **24,910** |

**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)

| | **2010** | **2009** |
|---|---|---|
| Prepaid rent | 1,536 | 1,576 |
| Prepaid maintenance contracts | 1,795 | 1,045 |
| Prepaid insurance | 678 | 525 |
| Prepaid pensions | 185 | 93 |
| Interest to be received | 236 | 74 |
| Other | 5,619 | 4,469 |
| | 10,049 | 7,782 |
| Discontinued operations | 0 | -222 |
| | **10,049** | **7,560** |

**Derivatives**

This item is related to 3 call options on shares in I-Signaal B.V. (also see Note 10.4).

### 6.25.3 OTHER TAXES

The other taxes consist of:

(€000)

| | **2010** | **2009** |
|---|---|---|
| Sales tax | 984 | 565 |
| Other taxes and social security premiums | 82 | 157 |
| | 1,066 | 722 |
| Discontinued operations | 0 | 0 |
| | **1,066** | **722** |

## 6.26 CASH AND CASH EQUIVALENTS

(€000)

| | 2010 | 2009 |
|---|---|---|
| ING Bank | 988 | 2,310 |
| Fortis Bank | 12,501 | 18,639 |
| Other bank balances and cash equivalents | 22,518 | 23,214 |
| | 36,007 | 44,163 |
| Discontinued operations | 0 | -152 |
| | **36,007** | **44,011** |

## 6.27 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| Interest-bearing loans and borrowings | 104,873 | 122,897 |
| Derivatives | 1,314 | 4,509 |
| Other interest-bearing loans and borrowings | 286 | 503 |
| | **106,473** | **127,909** |

**Interest-bearing loans and borrowings**

On 30 January 2008 UNIT4 obtained a syndicated loan from a syndicate consisting of 3 banks at that time. This syndicated loan was obtained in different parts up to a total €150,000,000 and £34,276,094. A part of the loan amounting to €115,000,000 will be repaid quarterly over a period of 5 years. A part of the loan amounting to £34,276,094 is repayable by 25 February 2013. The remaining part of €35,000,000 is a revolving facility hence not repayable. 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.

- Cashflow Cover: this is the ratio between the realized cash flow and the debt service (interest and repayment) which should exceed 1.10:1.0
- 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:

| | |
|---|---|
| - on the day of the initiation of the syndicated loan | 3.25:1.0 |
| - and for the period ending on 31 December 2009 | 2.25:1.0 |
| - and for the period ending on 31 March 2010 | 2.25:1.0 |
| - and for the period ending on 30 June 2010 | 2.00:1.0 |
| - and for the period ending on 30 September 2010 | 2.00:1.0 |
| - and for the period ending on 31 December 2010 | 1.75:1.0 |
| - and for the periods ending after 31 December 2010 | 1.75:1.0 |

At the reporting date the Group complies with all three covenants.

In addition, the most significant entities, based on 80% of the total operating result (EBITDA) and 70% of the total statement of financial position, are severally responsible. The interest is variable and the interest term is 1 month. This interest term can be amended on the request of UNIT4. UNIT4 has hedged itself against interest fluctuations for the main part of the syndicated loan by using an interest swap. For more information see the Notes under Note 6.35 Hedging activities and derivatives.

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

| | 2010 | 2009 |
|---|---|---|
| Balance at 1 January | 145,897 | 165,867 |
| Acquisition of subsidiaries | 11,537 | 0 |
| Additions | 677 | 0 |
| Repayment | -32,891 | -23,004 |
| Amortized capitalized financing costs (effective interest method) | 778 | 997 |
| Exchange rate differences recognized as other comprehensive income | 1,875 | 2,037 |
| **Balance at 31 December** | **127,873** | **145,897** |
| | | |
| Current | 23,000 | 23,000 |
| Non-current | 104,873 | 122,897 |
| | **127,873** | **145,897** |

## 6.28 PENSION OBLIGATIONS

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

| | 2010 | 2009 |
|---|---|---|
| Balance at 1 January | 1,581 | 558 |
| Acquisition of subsidiaries | 0 | 0 |
| Pension costs attributable to the year | 972 | 1,023 |
| Discontinued operations | 0 | 0 |
| **Balance at 31 December** | **2,553** | **1,581** |

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

| | 2010 | 2009 |
|---|---|---|
| Defined benefit plans in the Netherlands | 2,366 | 1,379 |
| Defined benefit plan France | 123 | 139 |
| Defined benefit plan Germany | 64 | 63 |
| | **2,553** | **1,581** |

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 five defined benefit plans with Nationale Nederlanden, AEGON and ASR.

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

**Net benefit expense 2010**
(€000)

| | Nationale Nederlanden plan | AEGON plan | ASR plan I | ASR plan II | ASR plan III | Total |
|---|---|---|---|---|---|---|
| Current service cost (incl. administration costs) | 185 | 67 | 104 | 1,321 | 150 | 1,827 |
| Interest cost on benefit obligation | 120 | 47 | 45 | 124 | 0 | 336 |
| Expected return on plan assets | -100 | -43 | -52 | -206 | -11 | -412 |
| Prior year adjustments | -179 | -31 | -131 | -56 | 0 | -397 |
| **Net benefit expense** | **26** | **40** | **-34** | **1,183** | **139** | **1,354** |
| | | | | | | |
| Actual return on plan assets | 729 | 267 | 155 | -153 | -90 | 908 |

**Net benefit expense 2009**
(€000)

| | Nationale Nederlanden plan | AEGON plan | ASR plan I | ASR plan II | ASR plan III | Total |
|---|---|---|---|---|---|---|
| Current service cost (incl. administration costs) | 212 | 76 | 75 | 1,646 | 0 | 2,009 |
| Interest cost on benefit obligation | 110 | 42 | 38 | 0 | 0 | 190 |
| Expected return on plan assets | -86 | -23 | -45 | -121 | 0 | -275 |
| **Net benefit expense** | **236** | **95** | **68** | **1,525** | **0** | **1,924** |
| | | | | | | |
| Actual return on plan assets | -210 | 82 | -184 | -843 | 0 | -1,155 |

**Benefit (asset)/liability 2010**
(€000)

| | Nationale Nederlanden plan | AEGON plan | ASR plan I | ASR plan II | ASR plan III | Total |
|---|---|---|---|---|---|---|
| Defined benefit obligation | 3,487 | 1,244 | 1,355 | 5,193 | 241 | 11,520 |
| Fair value of plan assets | -2,927 | -1,170 | -1,121 | -3,797 | -139 | -9,154 |
| | 560 | 74 | 234 | 1,396 | 102 | 2,366 |
| Unrecognized past service costs | 0 | 0 | 0 | 0 | 0 | 0 |
| **Benefit liability** | **560** | **74** | **234** | **1,396** | **102** | **2,366** |

**Benefit (asset)/liability 2009**
(€000)

| | Nationale Nederlanden plan | AEGON plan | ASR plan I | ASR plan II | ASR plan III | Total |
|---|---|---|---|---|---|---|
| Defined benefit obligation | 2,095 | 873 | 843 | 2,366 | 0 | 6,177 |
| Fair value of plan assets | -1,798 | -821 | -693 | -1,486 | 0 | -4,798 |
| | 297 | 52 | 150 | 880 | 0 | 1,379 |
| Unrecognized past service costs | 0 | 0 | 0 | 0 | 0 | 0 |
| **Benefit liability** | **297** | **52** | **150** | **880** | **0** | **1,379** |

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 2009** | **1,759** | **697** | **742** | **0** | **0** | **3,198** |
| Interest cost | 110 | 42 | 38 | 0 | 0 | 190 |
| Current service cost (incl. administration costs) | 328 | 69 | 172 | 2,397 | 0 | 2,966 |
| Benefits paid | 0 | -5 | 0 | -3 | 0 | -8 |
| Actuarial (losses)/gains on obligation | -102 | 70 | -109 | -28 | 0 | -169 |
| **Defined benefit obligation as at 31 December 2009** | **2,095** | **873** | **843** | **2,366** | **0** | **6,177** |
| Interest cost | 120 | 47 | 45 | 124 | 0 | 336 |
| Current service cost (incl. administration costs) | 298 | 62 | 143 | 2,116 | 240 | 2,859 |
| Benefits paid | 0 | -5 | 0 | -6 | 0 | -11 |
| Actuarial (losses)/gains on obligation | 974 | 267 | 324 | 593 | 1 | 2,159 |
| **Defined benefit obligation as at 31 December 2010** | **3,487** | **1,244** | **1,355** | **5,193** | **241** | **11,520** |

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 2009** | **1,609** | **647** | **578** | **0** | **0** | **2,834** |
| Expected return | 86 | 23 | 45 | 121 | 0 | 275 |
| Contributions | 470 | 129 | 332 | 2,591 | 0 | 3,522 |
| Benefits paid | 0 | -5 | 0 | -3 | 0 | -8 |
| Administration costs | -71 | -32 | -33 | -260 | 0 | -396 |
| Actuarial (losses)/gains on plan assets | -296 | 59 | -229 | -963 | 0 | -1,429 |
| **Fair value of plan assets as at 31 December 2009** | **1,798** | **821** | **693** | **1,486** | **0** | **4,798** |
| Expected return | 100 | 43 | 52 | 206 | 11 | 412 |
| Contributions | 471 | 116 | 303 | 2,746 | 254 | 3,890 |
| Benefits paid | 0 | -5 | 0 | -6 | 0 | -11 |
| Administration costs | -71 | -29 | -30 | -276 | -25 | -431 |
| Actuarial (losses)/gains on plan assets | 629 | 224 | 103 | -359 | -101 | 496 |
| **Fair value of plan assets as at 31 December 2010** | **2,927** | **1,170** | **1,121** | **3,797** | **139** | **9,154** |

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

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Defined benefit obligation** | **11,520** | **6,177** | **3,198** | **1,661** | **2,345** |
| Fair value of plan assets | -9,154 | -4,798 | -2,834 | -1,300 | -1,168 |
| **Deficit** | **2,366** | **1,379** | **364** | **361** | **1,177** |

The Group expects to contribute €2.6 million to its defined benefit pension plans in 2011.
The cumulative amount of actuarial gains or losses recognized in other comprehensive income is €3.1 million (2009: €1.1 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FY10** | **FY09** | **FY10** | **FY09** | **FY10** | **FY09** | **FY10** | **FY09** | **FY10** | **FY09** |
| Bonds and other fixed income | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Equities | 0% | 0% | 0% | 0% | 0% | 0% | 8% | 0% | 0% | 0% |
| Cash | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Other | 100% | 100% | 100% | 100% | 100% | 100% | 92% | 100% | 100% | 100% |

The category 'Other' mainly consists of re-valued reserves with the insurer on the basis of a discount rate. The actual return on these reserves is linked to a predefined package of state bonds.

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

| | |
|---|---|
| Mortality | Pension table 2006 with -2 years adjustments for age (2009: Pension table 2006 without adjustments for age)<br>Age difference man versus woman: 3 years (man older) (2009: equal to 2010) |
| Resignation | From 20% until the age of 30, down to 0.0% for age 60 and over (2009: equal to 2010) |
| Disablement | From 0.5% until the age of 26, rising to 1.0% for age 55 and over (2009: equal to 2010) |
| Retirement | At the age of 65 |

| *Financial* | *2010* | *2009* |
|---|---|---|
| Discount rate | 4.0% | 5.0% |
| Expected return on assets | 4.0% | 5.0% |
| General wage movements | 2.0% | 2.0% |
| Indexation of acquired rights | Conditional | Conditional |

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

| | |
|---|---|
| Mortality | Pension table 2006 with -2 years adjustments for age (2009: Pension table 2006 without adjustments for age)<br>Age difference man versus woman: 3 years (man older) (2009: equal to 2010) |
| Resignation | From 20% until the age of 30, down to 0.0% for age 60 and over (2009: equal to 2010) |
| Disablement | From 0.5% until the age of 26, rising to 1.0% for age 55 and over (2009: equal to 2010) |
| Retirement | At the age of 65 |

| *Financial* | *2010* | *2009* |
|---|---|---|
| Discount rate | 4.0% | 5.0% |
| Expected return on assets | 4.0% | 5.0% |
| General wage movements | 2.0% | 2.0% |
| Indexation of acquired rights | No | No |

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

| | | |
|---|---|---|
| *Demographic* | | |
| Mortality | AG 2010-2060 projection table with 1 year age set back (2009: AG 2005-2050 projection table with 1 year age set back) | |
| Resignation | From 13.3% until the age of 30, down to 0.0% for age 60 and over (2009: equal to 2010) | |
| Disablement | From 0.15% until the age of 26, rising to 0.6% for age 55 and over (2009: equal to 2010) | |
| Retirement | At the age of 65 (2009: equal to 2010) | |
| *Financial* | *2010* | *2009* |
| Discount rate | 4.81% | 5.34% |
| Expected return on assets | 4.81% | 5.34% |
| General wage movements | 1.65%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% (2009: 1.15%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0%) | |
| Indexation of acquired rights | Actives:0.00% and Non-actives:0.00% (2009: equal to 2010) | |

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

| | | |
|---|---|---|
| *Demographic* | | |
| Mortality | AG 2010-2060 projection table with 1 year age set back (2009: AG 2005-2050 projection table with 1 year age set back) | |
| Resignation | From 13.3% until the age of 30, down to 0.0% for age 60 and over (2009: equal to 2010) | |
| Disablement | From 0.15% until the age of 26, rising to 0.6% for age 55 and over (2009: equal to 2010) | |
| Retirement | At the age of 65 (2009: equal to 2010) | |
| *Financial* | *2010* | *2009* |
| Discount rate | 4.81% | 5.26% |
| Expected return on assets | 4.81% | 5.26% |
| General wage movements | 1.65%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% (2009: 1.15%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0%) | |
| Indexation of acquired rights | Actives:0.00% and Non-actives:0.00% | |

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

| | |
|---|---|
| *Demographic* | |
| Mortality | 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 60 and over |
| Disablement | From 0.15% until the age of 26, rising to 0.6% for age 55 and over |
| Retirement | At the age of 65 |
| *Financial* | *2010* |
| Discount rate | 4.91% |
| Expected return on assets | 4.91% |
| General wage movements | 1.65%, plus age related scale: age 25-34: 2.5%; age 35-44: 1.0%; age 45+: 0.0% |
| Indexation of acquired rights | Actives:0.00% and Non-actives:0.00% |

## 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)

| | 2010 | 2009 |
|---|---|---|
| Temporary downward valuation facility (13ca) for interests | 0 | 1,226 |
| Facility deferred tax payment | 462 | 735 |
| Difference between commercial and fiscal result | 39,073 | 35,409 |
| | **39,535** | **37,370** |

The temporary downward valuation facility (article 13ca Dutch tax law) for interests at the end of 2009 was related to the downward valuation option in the Dutch tax legislation offering the possibility of a temporary downward valuation of an interest (under normal circumstances 5 years), thus realizing an interest and possible rate gain. In 2010 the last part of the revival of this downward valuation was taken.

## 6.30 PROVISIONS

The provisions consist of:

**At 31 December 2010**

(€000)

| | Earn out obligations | Deferred benefits | Other provisions | Total |
|---|---|---|---|---|
| Balance at 1 January | 2,857 | 1,060 | 2,254 | 6,171 |
| Acquisition subsidiaries | 0 | 78 | 98 | 176 |
| Arising during the year | 0 | 164 | 222 | 386 |
| Expenditure | -787 | -60 | -32 | -879 |
| Reversed unused amounts | -122 | -14 | -1,121 | -1,257 |
| Discount rate adjustment | 30 | 0 | 0 | 30 |
| Foreign currency translation differences | 330 | 0 | 11 | 341 |
| Liabilities directly related to the assets held for sale | 0 | 0 | 0 | 0 |
| **Balance at 31 December** | **2,308** | **1,228** | **1,432** | **4,968** |
| | | | | |
| Current | 1,030 | 94 | 941 | 2,065 |
| Non-current | 1,278 | 1,134 | 491 | 2,903 |
| | **2,308** | **1,228** | **1,432** | **4,968** |

**At 31 December 2009**

(€000)

| | Earn out obligations | Deferred benefits | Other provisions | Total |
|---|---|---|---|---|
| Balance at 1 January | 3,248 | 695 | 3,453 | 7,396 |
| Acquisition subsidiaries | 0 | 0 | 0 | 0 |
| Arising during the year | 420 | 378 | 1,401 | 2,199 |
| Expenditure | -800 | -15 | -2,613 | -3,428 |
| Reversed unused amounts | -307 | 0 | 0 | -307 |
| Discount rate adjustment | 170 | 0 | 0 | 170 |
| Foreign currency translation differences | 126 | 2 | 13 | 141 |
| Liabilities directly related to the assets held for sale | 0 | 0 | 0 | 0 |
| **Balance at 31 December** | **2,857** | **1,060** | **2,254** | **6,171** |
| | | | | |
| Current | 601 | 99 | 1,869 | 2,569 |
| Non-current | 2,256 | 961 | 385 | 3,602 |
| | **2,857** | **1,060** | **2,254** | **6,171** |

**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 and 7 years maximum. The earn out obligations to be paid were discounted at 2.230% (2009: 1.994%), being 6 months Euribor plus 1% market risk 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)

| | 2010 | 2009 |
|---|---|---|
| Trade payables | 15,546 | 11,608 |
| Supplier invoices to be received | 2,298 | 2,870 |
| | 17,844 | 14,478 |
| Discontinued operations | 0 | -784 |
| | **17,844** | **13,694** |

## 6.32 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| Bank credit ING | 14,208 | 983 |
| Cash loan Fortis | 0 | 8,000 |
| Bank credit Fortis | 17,094 | 17,009 |
| Repayment term long term loan | 23,000 | 23,000 |
| Other bank credit facilities | 3,545 | 3,462 |
| | 57,847 | 52,454 |
| Discontinued operations | 0 | -652 |
| | **57,847** | **51,802** |

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 cannot 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 (formerly Fortis) 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 on the current account is the ABN AMRO basic interest plus a surcharge of 125 basis points. The interest on the cash loan is the EURIBOR interest, for a term equal to the term of the cash loan, with a surcharge of 95 basis points. At the reporting date no cash loan had been taken out of this facility (2009: €8.0 million).

ING Bank Slaski SA with its office in Katowski, Poland, has provided a facility for the amount of PLN 36 million. This credit facility can be used as current account. The interest on the current account 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. This credit facility can be used as current account and in the form of guarantees (maximized at HUF 20 million). 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)

| | 2010 | 2009 |
|---|---|---|
| Sales tax | 10,275 | 8,998 |
| Tax on wages | 4,999 | 5,232 |
| Other taxes and social security premiums | 5,976 | 3,580 |
| | 21,250 | 17,810 |
| Discontinued operations | 0 | -295 |
| | **21,250** | **17,515** |

## 6.34 OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

Other liabilities, accruals and deferred income consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| Deferred income | 39,505 | 40,119 |
| Holiday pay, holidays, salaries and employee bonuses to be paid | 21,795 | 19,497 |
| Pensions to be paid | 368 | 609 |
| Deferred and prepaid interest | 432 | 271 |
| Derivatives | 4,318 | 2,253 |
| Other | 12,875 | 8,626 |
| | 79,293 | 71,375 |
| Discontinued operations | 0 | -1,206 |
| | **79,293** | **70,169** |

## 6.35 HEDGING ACTIVITIES AND DERIVATIVES

At the reporting date UNIT4 N.V. had the following derivatives outstanding at the ING 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 the closing date and the forward exchange rate on the reporting date.

**Forward currency contracts**

*Positions at 31 December 2010*

There were no forward currency contracts at 31 December 2010.

**Forward currency contracts**

| *Positions at 31 December 2009* | Expiration date | Forward exchange rate |
|---|---|---|
| Sell EUR 1.2 million in exchange for SEK | 5 January 2010 | 10.475805 |
| Sell SEK 15.1 million in exchange for EUR | 5 January 2010 | 10.366448 |
| Sell EUR 56.6 million in exchange for GBP | 6 January 2010 | 0.896998 |
| Sell EUR 0.6 million in exchange for GBP | 6 January 2010 | 0.897926 |
| Sell EUR 0.4 million in exchange for GBP | 6 January 2010 | 0.902516 |
| Sell EUR 18.7 million in exchange for NOK | 6 January 2010 | 8.480921 |
| Sell EUR 1.1 million in exchange for SGD | 6 January 2010 | 2.028023 |
| Sell EUR 0.5 million in exchange for CAD | 6 January 2010 | 1.506597 |
| Sell EUR 0.2 million in exchange for HUF | 6 January 2010 | 277.584600 |
| Sell EUR 0.002 million in exchange for CZK | 6 January 2010 | 26.147650 |
| Sell CAD 7.1 million in exchange for EUR | 6 January 2010 | 1.541341 |
| Sell HUF 6.4 million in exchange for EUR | 6 January 2010 | 274.099000 |
| Sell USD 2.9 million in exchange for EUR | 6 January 2010 | 1.454356 |
| Sell USD 0.7 million in exchange for EUR | 6 January 2010 | 1.438419 |
| Sell SGD 0.9 million in exchange for EUR | 6 January 2010 | 2.027663 |

**Interest rate swaps**

| *Positions at 31 December 2010* | Expiration date | Fixed interest |
|---|---|---|
| The Group pays 5-year fixed interest in exchange for 3-month floating interest | | |
| Underlying value GBP 34.0 million | 31 March 2013 | 5.037% |
| The Group pays 5-year fixed interest in exchange for 3-month floating interest | | |
| Underlying value EUR 61.7 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 61.7 million | 25 February 2013 | n/a |

| *Positions at 31 December 2009* | Expiration date | Fixed interest |
|---|---|---|
| The Group pays 5-year fixed interest in exchange for 3-month floating interest | | |
| Underlying value GBP 34.0 million | 31 March 2013 | 5.037% |
| The Group pays 5-year fixed interest in exchange for 3-month floating interest | | |
| Underlying value EUR 84.8 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 | 5 December 2010 | n/a |
| The Group pays 3-month floating interest in exchange for 1-month floating interest | | |
| Underlying value EUR 84.8 million | 31 December 2010 | 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 (excluding discontinued operations).
(€000)

| | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| *Financial assets* | | | | |
| Other financial assets | 2,269 | 987 | 2,269 | 987 |
| Trade debtors | 79,680 | 62,384 | 79,680 | 62,384 |
| Other receivables | 645 | 190 | 645 | 190 |
| Cash and cash equivalents | 36,007 | 44,011 | 36,007 | 44,011 |
| | **118,601** | **107,572** | **118,601** | **107,572** |
| *Financial liabilities* | | | | |
| Non-current liabilities | 105,159 | 123,400 | 105,159 | 123,400 |
| Earn out liabilities | 2,308 | 2,857 | 2,308 | 2,857 |
| Derivatives | 5,632 | 6,762 | 5,632 | 6,762 |
| Interest-bearing loans and borrowings | 57,847 | 51,802 | 57,847 | 51,802 |
| Trade payables | 15,546 | 11,608 | 15,546 | 11,608 |
| | **186,492** | **196,429** | **186,492** | **196,429** |

**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 2010, the Group held the following financial instruments measured at fair value through profit or loss:
(€000)

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Assets measured at fair value* | | | | |
| Derivatives (call option non-controlling interest) | 3,026 | 0 | 0 | 3,026 |
| | **3,026** | **0** | **0** | **3,026** |
| *Liabilities measured at fair value* | | | | |
| Derivatives (currency and interest SWAP´s) | 5,632 | 0 | 5,632 | 0 |
| | **5,632** | **0** | **5,632** | **0** |

As at 31 December 2009, the Group held the following financial instruments measured at fair value through profit or loss:
(€000)

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Assets measured at fair value* | | | | |
| Derivatives (call option non-controlling interest) | 1,600 | 0 | 0 | 1,600 |
| | **1,600** | **0** | **0** | **1,600** |
| *Liabilities measured at fair value* | | | | |
| Derivatives (currency and interest swaps) | 6,762 | | 6,762 | 0 |
| | **6,762** | **0** | **6,762** | **0** |

The level 3 assets were calculated based on a discounted cash flow valuation, with a forecasting period of 5 years and CAGR: 15% (2009: 5 years, CAGR: 16%), a discount rate of 9% (2009: 9%) and taking into account a terminal value. To calculate the value of the call-options a Black and Scholes model was used using a interest rate of 0.44% (2009: 1.24%) and a volatility of 39.90% (2009: 37.75%).

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements (2009: none).

A reconciliation of the opening to the closing balances disclosing movements separately is disclosed hereafter:
(€000)

| | 2010 | 2009 |
|---|---|---|
| **Balance at 1 January** | 1,600 | 0 |
| Initial recognition | 0 | 1,600 |
| Revaluation of existing options (through profit and loss) | -800 | 0 |
| Purchase of call option | 1,500 | 0 |
| Revaluation of purchased option (through profit and loss) | 726 | 0 |
| **Balance at 31 December** | **3,026** | **1,600** |

## 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 cashflow 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 2010**

(€000)

| | On demand | < 3 months | 3 -12 months | 1 - 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Provisions | 0 | 156 | 1,939 | 1,408 | 1,858 | 5,361 |
| Bank credits | 0 | 5,750 | 17,250 | 105,904 | 0 | 128,904 |
| Other borrowings | 0 | 0 | 0 | 0 | 286 | 286 |
| Trade and other payables | 10,964 | 6,825 | 55 | 0 | 0 | 17,844 |
| Interest-bearing loans and borrowings | 34,847 | 0 | 0 | 0 | 0 | 34,847 |
| | **45,811** | **12,731** | **19,244** | **107,312** | **2,144** | **187,242** |

**At 31 December 2009**

(€000)

| | On demand | < 3 months | 3 -12 months | 1 - 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Provisions | 0 | 0 | 2,569 | 2,658 | 1,282 | 6,509 |
| Bank credits | 0 | 5,750 | 17,250 | 124,704 | 0 | 147,704 |
| Other borrowings | 0 | 0 | 0 | 244 | 259 | 503 |
| Trade and other payables | 8,419 | 5,238 | 37 | 0 | 0 | 13,694 |
| Interest-bearing loans and borrowings | 20,696 | 8,000 | 106 | 0 | 0 | 28,802 |
| | **29,115** | **18,988** | **19,962** | **127,606** | **1,541** | **197,212** |

### 6.37.2 INTEREST RISK

*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 of this syndicated loan. 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.

For more information regarding the split of the total interest-bearing loans see Note 6.27. In relation to the syndicated loan UNIT4 has contracted two interest swaps. One interest swap has an original value of €125.0 million (book value: €61.7 million) and exchanges the floating into a fixed interest of 4.030%. The underlying value of this interest swap follows the repayment schedule of the loan. The other interest swap has a original and book value of £34.0 million and will end on 25 February 2013. This swap exchanges floating interest into a fixed interest of 5.037%.

**Sensitivity analysis**

On the reporting date UNIT4 had interest-bearing loans of €127.7 million (2009: €137.5 million) from which in total €26.5 million (2009: €14.9 million) was exposed to interest fluctuations. This includes discontinued operations. 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 €265,000 (2009: €149,000). 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 €1.3 million (2009: €1.4 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 (excluding discontinued operations).

**At 31 December 2010**
(€000)

| | Less than 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| *Fixed interest rates* | | | | |
| Other financial assets | 0 | 2,259 | 0 | 2,259 |
| | **0** | **2,259** | **0** | **2,259** |
| | | | | |
| *Variable interest rates* | | | | |
| Cash and cash equivalents | 36,007 | 0 | 0 | 36,007 |
| Long-term bank credit facilities | -23,000 | -70,906 | -35,000 | -128,906 |
| Short-term bank credit facilities | -34,847 | 0 | 0 | -34,847 |
| | **-21,840** | **-70,906** | **-35,000** | **-127,746** |

**At 31 December 2009**
(€000)

| | Less than 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| *Fixed interest rates* | | | | |
| Other financial assets | 0 | 987 | 0 | 987 |
| | **0** | **987** | **0** | **987** |
| | | | | |
| *Variable interest rates* | | | | |
| Cash and cash equivalents | 44,011 | 0 | 0 | 44,011 |
| Long-term bank credit facilities | -23,000 | -94,720 | -35,000 | -152,720 |
| Short-term bank credit facilities | -28,802 | 0 | 0 | -28,802 |
| | **-7,791** | **-94,720** | **-35,000** | **-137,511** |

## 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 instalments 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 and certain derivatives, arising from default of the other party, with a maximum risk equal to the carrying amount of these instruments. As the Group only does business with reputable third parties, there is no need for collateral.

**Aging analysis trade receivables**
The table below represents an aging analysis of the trade receivables as of the reporting date (excluding discontinued operations).

**At 31 December**

(€000)

| | Neither past due nor impaired | Past due | | | | | | Discontinued operations | Continuing operations |
|---|---|---|---|---|---|---|---|---|---|
| | | < 30 days | 30 - 60 days | 60 - 90 days | 90-180 days | >180 days | Total | | |
| **2010** | 41,759 | 23,191 | 5,803 | 2,496 | 2,656 | 3,775 | 79,680 | 0 | 79,680 |
| **2009** | 25,868 | 21,936 | 5,316 | 3,036 | 3,180 | 3,048 | 62,384 | -1,720 | 60,664 |

### 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, Cyprus, Estonia, 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.

The Group hedges part of its exposure to GBP fluctuations on the translation into euro of its UK operations by holding a GBP denominated loan. As this loan qualifies as a net investment hedged on an investment in an entity with the GBP as functional currency the currency exchange differences on this loan flow 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 swaps 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 euros) in exchange rates within the non-euro countries in which the Group operates, assuming that other variables remain unchanged (excluding discontinued operations).

(€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 |
| **2010** | 10%* | -943 | 4,324 | 1,315 | 2,525 | 1,044 | 26,376 | 258 | -291 | 378 | -814 | 284 | 1,728 | 191 | 497 |
| | -10%** | 772 | -3,538 | -1,076 | -2,066 | -854 | -21,580 | -211 | 238 | -309 | 666 | -233 | -1,414 | -157 | -406 |
| **2009** | 10%* | -813 | 4,045 | 1,127 | 2,060 | 313 | 17,768 | 145 | -401 | 558 | 66 | 0 | 0 | 148 | 179 |
| | -10%** | 665 | -3,310 | -922 | -1,685 | -256 | -14,538 | -118 | 328 | -457 | -54 | 0 | 0 | -122 | -146 |

* Appreciation foreign currency

** Devaluation foreign currency

## 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 €11.8 million (2009: €9.9 million).
The average term of the rental obligations is 3 years (2009: 4 years).
The rental obligation for a period of less than 1 year is €11.6 million (2009: €9.6 million).
The rental obligation for the period longer than 1 year and less than 5 years is €18.2 million (2009: €20.8 million).
The rental obligation for the period longer than 5 years is €5.9 million (2009: €8.0 million).
In 2010, €10.7 million worth of rental costs was recognized in the income statement (2009: €10.0 million).

### 6.38.2 LEASE OBLIGATIONS

The Group has taken on operational lease obligations for which the remaining instalments amount to €13.8 million (2009: €8.3 million). The average term of the lease obligations is 2 years (2009: 2 years).
The lease obligation for a period of less than 1 year is €6.1 million (2009: €4.1 million).
The lease obligation for the period longer than 1 year and less than 5 years is €7.6 million (2009: €4.2 million).
The lease obligation for the period longer than 5 years is €0.1 million (2009: €0).
In 2010, €9.7 million worth of lease costs (including fuel costs) was recognized in the income statement (2009: €9.1 million).

### 6.38.3 OTHER OBLIGATIONS

The Group has entered into a contract with a supplier for the use of software licences. The contract expires in 2012.
The obligation for a period of less than 1 year is €1.0 million (2009: €1.0 million). The obligation for the period longer than 1 year and less than 5 years is €0.3 million (2009: €1.3 million).

### 6.38.4 SECURITIES

The securities issued by the Group on behalf of third parties amount to €0 (2009: €0).

### 6.38.5 BANK AND OTHER GUARANTEES

On the reporting date the amount of the current guarantees is €6.6 million (2009: €9.3 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 Netherlands Civil Code with regard to a number of the Dutch companies mentioned under 'General accounting policies'.
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 2010 and 31 December 2009.

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)

| | **2010** | **2009** |
|---|---|---|
| Interest-bearing loans and borrowing (6.27) | 104,873 | 122,897 |
| Short term Interest-bearing loans and borrowing (6.32) | 57,847 | 51,802 |
| Less: cash and cash equivalents (6.26) | -36,007 | -44,011 |
| **Net Debt** | **126,713** | **130,688** |
| | | |
| EBITDA | 86,084 | 75,082 |
| **Leverage ratio[1]** | **1.47** | **1.74** |

[1] 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 2010 and 31 December 2009 the Group complies with all bank 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

The remuneration of the members of the Board of Directors of the company over 2010 and 2009 can be presented as follows: (€000)

| | C. Ouwinga | | E.T.S. van Leeuwen | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Salary | 488 | 477 | 371 | 365 |
| Bonus | 488 | 477 | 371 | 365 |
| Pension (including disability insurance) | 108 | 106 | 76 | 42 |
| Value of granted option rights | 69 | 117 | 69 | 117 |
| **Total** | **1,153** | **1,177** | **887** | **889** |

A car and a mobile phone are made available to the Board of Directors of the company. They also receive a small monthly payment to cover expenses. 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. The criterion for the allocation of bonus in 2010 is, as in previous years, 50% on achievement of a target EBITDA growth and 50% on achievement of target earnings per share growth. Special income and expenditures are not considered. Both targets were fully met.

No transactions were entered into nor were guarantees given on behalf of the members of the Board of Directors.

For more information about these options, see Note 6.9. The table below contains the information on options granted to the members of the Board of Directors (statutory board):

| Director | Year | Outstanding at 1 January 2010 | Awarded in 2010 | Exercised in 2010 | Expired in 2010 | Outstanding at 31 December 2010 | Exercise price (€) | Price on exercise date (€) | Expiration date |
|---|---|---|---|---|---|---|---|---|---|
| C. Ouwinga | 2005 | 50,000 | 0 | 50,000 | 0 | 0 | 13.02 | 18.80 | April 2010 |
| | 2008 | 75,000 | 0 | 0 | 0 | 75,000 | 16.70 | - | March 2013 |
| | 2009 | 50,000 | 0 | 0 | 0 | 50,000 | 13.42 | - | Sept 2014 |
| **Total** | | **175,000** | **0** | **50,000** | **0** | **125,000** | | | |
| | | | | | | | | | |
| E.T.S. van Leeuwen | 2008 | 75,000 | 0 | 0 | 0 | 75,000 | 16.70 | - | March 2013 |
| | 2009 | 50,000 | 0 | 0 | 0 | 50,000 | 13.42 | - | Sept 2014 |
| **Total** | | **125,000** | **0** | **0** | **0** | **125,000** | | | |
| | | | | | | | | | |
| **Total** | | **300,000** | **0** | **50,000** | **0** | **250,000** | | | |

### 6.40.3 REMUNERATION OF OTHER KEY OFFICIALS

In addition to the Board of Directors, three employees are designated key officials.
The remuneration of these key officials over 2010 and 2009 can be presented as follows:
(€000)

| | 2010 | 2009 |
|---|---|---|
| Salary (incl. profit share and bonus) | 1,542 | 1,504 |
| Pension (incl. disability insurance) | 101 | 127 |
| Value of granted option rights | 144 | 66 |
| **Total** | **1,787** | **1,697** |

### 6.40.4 TRANSACTIONS WITH THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board over 2010 and 2009 can be presented as follows:
(€000)

| | 2010 | 2009 |
|---|---|---|
| Th.J. van der Raadt, Chairman | 45 | 45 |
| R. Ruijter (appointed 14 May 2009) | 30 | 30 |
| P. Smits (resigned 12 May 2010) | 30 | 30 |
| J.A. Vunderink | 30 | 30 |
| F. Rövenkamp (appointed 12 May 2010) | 30 | 0 |
| mr. E.D. Wiersma (resigned 14 May 2009) | 0 | 30 |
| **Total** | **165** | **165** |

Members 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.

### 6.40.5 TRANSACTIONS WITH OTHER PARTIES

In the business combination TETA Group (Note 6.5.1) there are two relations that are classified as related party transactions.

**Long term receivable on InsERT shareholders**

In 2008 InsERT SA sold the property to the 2 existing shareholders at that point in time. Part (PLN 1.7 million) of the consideration is still outstanding and is planned to be repaid in 2012.

**Pyton business partner**

Pyton Management Spzoo has a relation with a business partner from which the Chief Executive Officer is the partner of the Chief Executive Officer of Pyton. The transactions between Pyton and this business partner are related to projects in which they share knowledge and resources, and the exchange of consultancy services. In 2010 the transactions amounted to less than PLN 1.0 million.

## 6.41 EVENTS AFTER REPORTING DATE

**Acquisition of shares in I-Signaal B.V. (the Netherlands)**

On 23 February 2011 a subsidiary 100% owned by UNIT4 N.V., named UNIT4 Business Software Benelux B.V., executed the call options on the remaining non-controlling shareholding in I-Signaal B.V. The company I-Signaal B.V. develops and supplies web based applications, mainly focussed on absence management. By the end of 31 December 2010 UNIT4 already owned 33.33% of the shares and with this acquisition it acquires the remaining 66.67%. Since the acquisition of the first 33.33% UNIT4 had call options to buy the remaining shares and as a result it had power of control, hence it was obliged to consolidate the statement of financial position and income statement during the term of those options. I-Signaal B.V. was already fully consolidated in the 2009 and 2010 consolidated income statement and included in the statement of financial position. The cost of the acquisition will be fully funded from UNIT4's existing cash resources.

# 7 COMPANY INCOME STATEMENT

**For the year ended 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| Company profit for the year | | -3,345 | -4,101 |
| Group companies profit for the year | | 26,751 | 23,526 |
| **Profit for the year** | **8.3.1** | **23,406** | **19,425** |

# 8 COMPANY STATEMENT OF FINANCIAL POSITION

**As at 31 December 2010**

(€000)

| | Notes | 2010 | 2009 |
|---|---|---|---|
| **Assets** | | | |
| ***Non-current assets*** | | | |
| Intangible assets | 9.3.3 | 13,280 | 13,280 |
| Property, plant and equipment | 9.3.4 | 103 | 119 |
| Financial assets | | | |
| Interests in subsidiaries | 9.3.5 | 168,856 | 134,550 |
| Other financial assets | 9.3.6 | 6 | 6 |
| Deferred tax asset | | 2,005 | 1,803 |
| | | **184,250** | **149,758** |
| ***Current assets*** | | | |
| Trade and other receivables | 9.3.7.1 | 174,170 | 152,238 |
| Income tax asset | | 0 | 0 |
| Other taxes | 9.3.7.2 | 18 | 0 |
| Cash and cash equivalents | | 0 | 12 |
| **Total assets** | | **358,438** | **302,008** |
| | | | |
| **Equity and liabilities** | | | |
| ***Equity*** | 9.3.8 | | |
| Issued capital | | 1,461 | 1,318 |
| Share premium | | 310,313 | 257,274 |
| Legal reserves | | 32,682 | 11,103 |
| Accumulated deficit | | -152,143 | -156,376 |
| Profit for the year | | 23,406 | 19,425 |
| | | **215,719** | **132,744** |
| ***Non-current liabilities*** | | | |
| Interest-bearing loans and borrowings | 9.3.9.1 | 103,841 | 127,406 |
| Deferred tax liability | 9.3.9.2 | 1,963 | 3,139 |
| Provisions | 9.3.9.3 | 233 | 181 |
| | | **106,037** | **130,726** |
| ***Current liabilities*** | | | |
| Provisions | 9.3.9.3 | 0 | 45 |
| Trade and other payables | 9.3.10.1 | 1,344 | 632 |
| Interest-bearing loans and borrowings | 9.3.10.2 | 25,385 | 30,864 |
| Income tax payable | | 3,679 | 3,148 |
| Other taxes | 9.3.10.3 | 124 | 130 |
| Other liabilities and accruals | 9.3.10.4 | 6,150 | 3,719 |
| | | **36,682** | **38,538** |
| **Total equity and liabilities** | | **358,438** | **302,008** |

# 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 polices 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)

| | **2010** | **2009** |
|---|---|---|
| Carrying amount at 1 January | 13,280 | 13,280 |
| Acquisition of subsidiaries | 0 | 0 |
| Impairment | 0 | 0 |
| **Carrying amount at 31 December** | **13,280** | **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 | 15,994 | 15,994 |
| Accumulated depreciation | -2,714 | -2,714 |
| Accumulated impairment | 0 | 0 |
| **Carrying amount** | **13,280** | **13,280** |

### 9.3.3.1 IMPAIRMENT TEST OF GOODWILL

| | Carrying amount goodwill at 31 December 2010 | Impairment 2010 |
|---|---|---|
| UNIT4 Agresso Holdings Inc. | 6,564 | 0 |
| Amercom B.V. + Foundation ICT Group B.V. | 6,716 | 0 |
| | **13,280** | **0** |

For further explanation see Note 6.20.

## 9.3.4 PROPERTY, PLANT AND EQUIPMENT

**At 31 December 2010**

(€000)

| | Technological inventories | Other tangible assets | Total |
|---|---|---|---|
| Carrying amount at 1 January | 27 | 92 | 119 |
| Investments | 9 | 84 | 93 |
| Divestments (cost price) | -27 | 0 | -27 |
| Depreciation of divestments | 27 | 0 | 27 |
| Depreciation | -27 | -82 | -109 |
| **Carrying amount at 31 December** | **9** | **94** | **103** |
| | | | |
| *1 January 2010* | | | |
| Cost price | 93 | 187 | 280 |
| Accumulated depreciation | -66 | -95 | -161 |
| **Carrying amount** | **27** | **92** | **119** |
| | | | |
| *31 December 2010* | | | |
| Cost price | 75 | 271 | 346 |
| Accumulated depreciation | -66 | -177 | -243 |
| **Carrying amount** | **9** | **94** | **103** |

**At 31 December 2009**

(€000)

| | Technological inventories | Other tangible assets | Total |
|---|---|---|---|
| Carrying amount at 1 January | 50 | 89 | 139 |
| Investments | 7 | 57 | 64 |
| Divestments (cost price) | 0 | 0 | 0 |
| Depreciation of divestments | 0 | 0 | 0 |
| Depreciation | -30 | -54 | -84 |
| **Carrying amount at 31 December** | **27** | **92** | **119** |
| | | | |
| *1 January 2009* | | | |
| Cost price | 86 | 130 | 216 |
| Accumulated depreciation | -36 | -41 | -77 |
| **Carrying amount** | **50** | **89** | **139** |

| | Technological inventories | Other tangible assets | Total |
|---|---|---|---|
| *31 December 2009* | | | |
| Cost price | 93 | 187 | 280 |
| Accumulated depreciation | -66 | -95 | -161 |
| **Carrying amount** | **27** | **92** | **119** |

### 9.3.5 INTERESTS IN SUBSIDIARIES

The interests in subsidiaries relate to the interests at 31 December 2010 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)

| | 2010 | 2009 |
|---|---|---|
| Balance at 1 January | 134,550 | 113,601 |
| Dividend | -10,272 | -20,000 |
| Capital contribution/acquisition of subsidiaries | 6,799 | 4,448 |
| Profit from group companies | 26,751 | 22,880 |
| Actuarial gains and losses on defined benefit plans in group companies (after tax) | -1,565 | -762 |
| Foreign currency translation differences | 12,593 | 14,383 |
| **Balance at 31 December** | **168,856** | **134,550** |

### 9.3.6 OTHER FINANCIAL ASSETS

The other financial assets as at 31 December 2010 include 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)

| | 2010 | 2009 |
|---|---|---|
| Trade receivables | 133 | 1 |
| Intercompany accounts | 173,451 | 152,068 |
| Other receivables | 586 | 169 |
| | **174,170** | **152,238** |

#### 9.3.7.2 OTHER TAXES

The other taxes consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| VAT | 18 | 0 |
| | **18** | **0** |

### 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 2010**

(€000)

| | Issued capital | Share premium | Legal reserves | | Accumulated deficit | Profit for the year | Total |
|---|---|---|---|---|---|---|---|
| | | | Currency translation differences | Software development costs | | | |
| **1 January 2010** | **1,318** | **257,274** | **-33,774** | **44,877** | **-156,376** | **19,425** | **132,744** |
| Capitalized development costs in group companies | 0 | 0 | 0 | 8,456 | -8,456 | 0 | 0 |
| Foreign currency translation differences | 0 | 0 | 13,123 | 0 | 0 | 0 | 13,123 |
| Actuarial gains and losses on defined benefit plans (after tax) in group companies | 0 | 0 | 0 | 0 | -1,545 | 0 | -1,545 |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 23,406 | 23,406 |
| **Total income and expenses for the financial year** | **0** | **0** | **13,123** | **8,456** | **-10,001** | **23,406** | **34,984** |
| Issue of share capital | 129 | 50,826 | 0 | 0 | 0 | 0 | 50,955 |
| Transaction costs | 0 | -1,668 | 0 | 0 | 0 | 0 | -1,668 |
| Exercise of options | 14 | 3,881 | 0 | 0 | 0 | 0 | 3,895 |
| Appropriation of result | 0 | 0 | 0 | 0 | 19,425 | -19,425 | 0 |
| Dividend 2009 | 0 | 0 | 0 | 0 | -5,534 | 0 | -5,534 |
| Share-based payments | 0 | 0 | 0 | 0 | 343 | 0 | 343 |
| **31 December 2010** | **1,461** | **310,313** | **-20,651** | **53,333** | **-152,143** | **23,406** | **215,719** |

**For the year ended 31 December 2009 (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 2009** | **1,313** | **255,866** | **-47,900** | **37,287** | **-161,302** | **12,256** | **97,520** |
| Change in accounting policy (Note 6.2.3.2) [1] | 0 | 0 | 0 | 0 | -62 | 0 | -62 |
| **1 January 2009 (restated)** | **1,313** | **255,866** | **-47,900** | **37,287** | **-161,364** | **12,256** | **97,458** |
| Capitalized development costs in group companies | 0 | 0 | 0 | 7,590 | -7,590 | 0 | 0 |
| Foreign currency translation differences | 0 | 0 | 14,126 | 0 | 0 | 0 | 14,126 |
| Result on sale of non-controlling interest | 0 | 0 | 0 | 0 | 887 | 0 | 887 |
| Actuarial gains and losses on defined benefit plans (after tax) in group companies | 0 | 0 | 0 | 0 | -762 | 0 | -762 |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 19,425 | 19,425 |
| **Total income and expenses for the financial year** | **0** | **0** | **14,126** | **7,590** | **-7,465** | **19,425** | **33,676** |
| Exercise of options | 5 | 1,408 | 0 | 0 | 0 | 0 | 1,413 |
| Appropriation of result | 0 | 0 | 0 | 0 | 12,256 | -12,256 | 0 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share-based payments | 0 | 0 | 0 | 0 | 197 | 0 | 197 |
| **31 December 2009** | **1,318** | **257,274** | **-33,774** | **44,877** | **-156,376** | **19,425** | **132,744** |

[1] Certain amounts shown here do not correspond to the 2009 financial statement and reflect adjustments made as described in Note 6.2.3.2.

## 9.3.9 NON-CURRENT LIABILITY

### 9.3.9.1 NON-CURRENT LIABILITY

The non-current liabilities consist of:
(€000)

| | 2010 | 2009 |
|---|---|---|
| Interest-bearing loans and borrowings | 102,500 | 122,897 |
| Derivatives | 1,341 | 4,509 |
| | **103,841** | **127,406** |

### 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 2010**

(€000)

| | Earn out obligations | Deferred benefits | Total |
|---|---|---|---|
| Balance at 1 January | 169 | 57 | 226 |
| Arising during the year | 0 | 7 | 7 |
| **Balance at 31 December** | **169** | **64** | **233** |
| | | | |
| Current | 0 | 0 | 0 |
| Non-current | 169 | 64 | 233 |
| | **169** | **64** | **233** |

**At 31 December 2009**

(€000)

| | Earn out obligations | Deferred benefits | Total |
|---|---|---|---|
| Balance at 1 January | 169 | 41 | 210 |
| Arising during the year | 0 | 16 | 16 |
| **Balance at 31 December** | **169** | **57** | **226** |
| | | | |
| Current | 0 | 45 | 45 |
| Non-current | 169 | 12 | 181 |
| | **169** | **57** | **226** |

**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 (2009: 1.994%).

**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)

| | 2010 | 2009 |
|---|---|---|
| Trade payables | 337 | 226 |
| Other payables | 796 | 308 |
| Intercompany accounts | 211 | 98 |
| | **1,344** | **632** |

### 9.3.10.2 INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| Bank credit ING | 0 | 0 |
| Cash loan Fortis | 2,385 | 7,864 |
| Repayment term long term-loan | 23,000 | 23,000 |
| | **25,385** | **30,864** |

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)

| | 2010 | 2009 |
|---|---|---|
| Tax on wages | 124 | 130 |
| Other taxes and social security premiums | 0 | 0 |
| | **124** | **130** |

### 9.3.10.4 OTHER LIABILITIES AND ACCRUALS

The accruals and deferred income consist of:

(€000)

| | 2010 | 2009 |
|---|---|---|
| Accountants and advisory costs to be paid | 360 | 335 |
| Commissions to be paid | 1,046 | 970 |
| Holiday pay/holidays to be paid | 187 | 180 |
| Annual report costs to be paid | 120 | 115 |
| Derivatives | 4,364 | 2,108 |
| Other | 73 | 11 |
| | **6,150** | **3,719** |

## 9.3.11 AUDITORS FEES

In accordance with the provisions of article 382a, Book 2 of the Dutch Civil Code, Ernst & Young Accountants LLP charged €179,000 to UNIT4 and its Dutch subsidiaries regarding total audit fees (2009: €175,000). Regarding other audit fees they charged €9,000 in 2010 (2009: €0) and regarding other services €125,000 (2009: €0).

## 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, 15 March 2011

***Board of Directors***

C. Ouwinga

drs. E.T.S van Leeuwen RA

***Supervisory Board***

drs. Th.J. van der Raadt

R.A. Ruijter

J.A. Vunderink

F. Rövenkamp (appointed 12 May 2010)

# 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 2010 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 2010, 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 2010, 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 2010 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 2010 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, 15 March 2011

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 2010

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 2010 result (attributable to UNIT4 shareholders) to the amount of €0.25 per outstanding share as cash dividend. The amount that will be added to the accumulated deficit can be calculated as follows:

(€000)

| | |
|---|---|
| Net profit 2010 | 23,406 |
| Cash dividend on ordinary shares over 2010[1] | 7,304 |
| | **16,102** |

[1] based on the number of shares outstanding as per 31 December 2010

## 10.4 EVENTS AFTER REPORTING DATE

**Acquisition of shares in I-Signaal B.V. (the Netherlands)**

On 23 February 2011 a subsidiary 100% owned by UNIT4 N.V., named UNIT4 Business Software Benelux B.V., executed the call options on the remaining non-controlling shareholding in I-Signaal B.V. The company I-Signaal B.V. develops and supplies web based applications, mainly focussed on absence management. By the end of 31 December 2010 UNIT4 already owned 33.33% of the shares and with this acquisition it acquires the remaining 66.67%. Since the acquisition of the first 33.33% UNIT4 had call options to buy the remaining shares and as a result it had power of control, hence it was obliged to consolidate the statement of financial position and income statement during the term of those options. I-Signaal B.V. was already fully consolidated in the 2009 and 2010 consolidated income statement and included in the statement of financial position. The cost of the acquisition will be fully funded from UNIT4's existing cash resources.

## 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, A. Offers, Th.J. van der Raadt, J. Thierry and R.D. Vriesendorp.

**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, 15 March 2011

UNIT4 N.V.
Board of Directors

Stichting Continuïteit UNIT4
Management

# OPERATING COMPANIES AND ADDRESSES

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## ASIA

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