SL Bidco B.V.

Report on the annual accounts for the period January 1, 2018
until December 31, 2018

Sliedrecht, May 10th, 2019

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SL Bidco B.V.

Management Board's report

The SecureLink Group ("The Group")

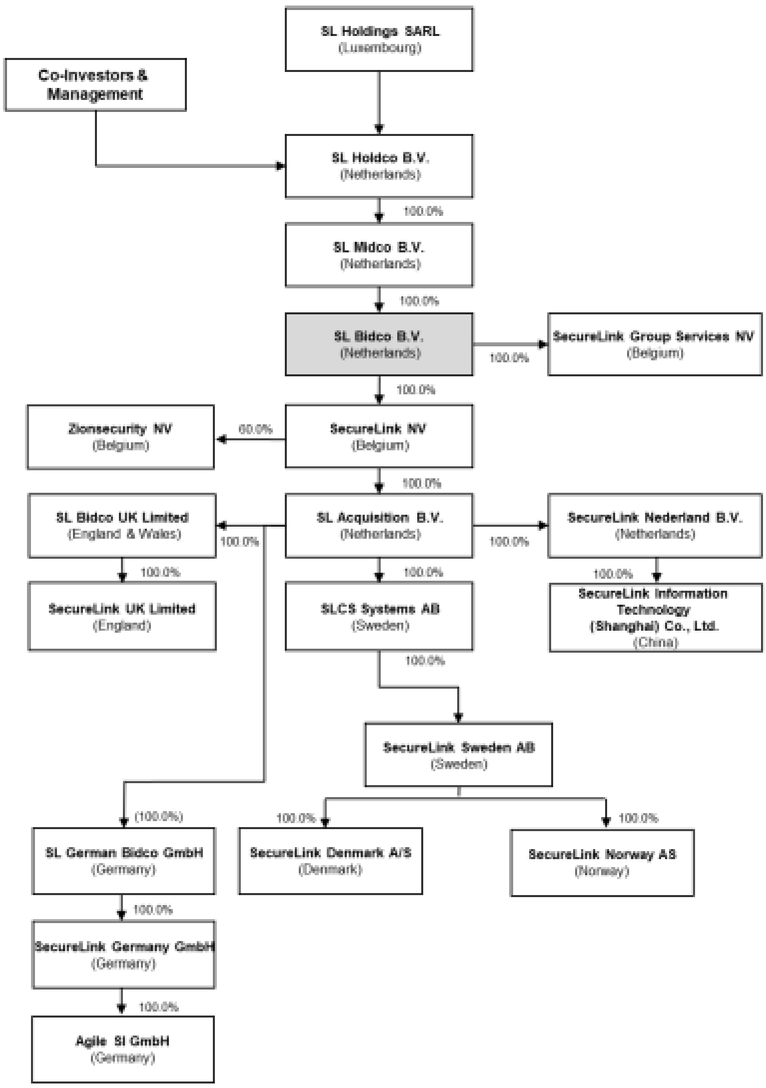
The Annual Report refers to the consolidated financial statements and the management board's report and the other information of SL Bidco B.V. and its subsidiaries. The term "SecureLink", "Group" or "Company" refers to the group of companies as shown on the following Chart.

SecureLink is a privately-owned company, with the majority of its share capital held by SL Holdings S.à.r.l., based in Luxembourg. The remainder of its share capital is owned by other investors, including management. The current legal structure of SecureLink is shown on the following Chart.

Unless otherwise stated, all amounts are denominated in EUR.

Further Information about SecureLink can be found on https://securelink.net/

SecureLink Group Structure Chart



Developments 2018

In November 2017 SecureLink incorporated SecureLink Information Technology (Shanghai) Co. Ltd, a 100% subsidiary of the SecureLink Group which became operational in January 2018. Through this subsidiary, SecureLink expanded its Managed Security Services offering to customers operating in China.

In February 2018, SecureLink refinanced its existing bank debt through the issuance of a 150 million senior secured bond (ISIN NO0010814189). The bond was listed on the Oslo exchange on February 6th, 2019.

As of 2018, SecureLink has applied the International Financial Reporting Standards (IFRS) as adopted by the EU.

SecureLink's Mission

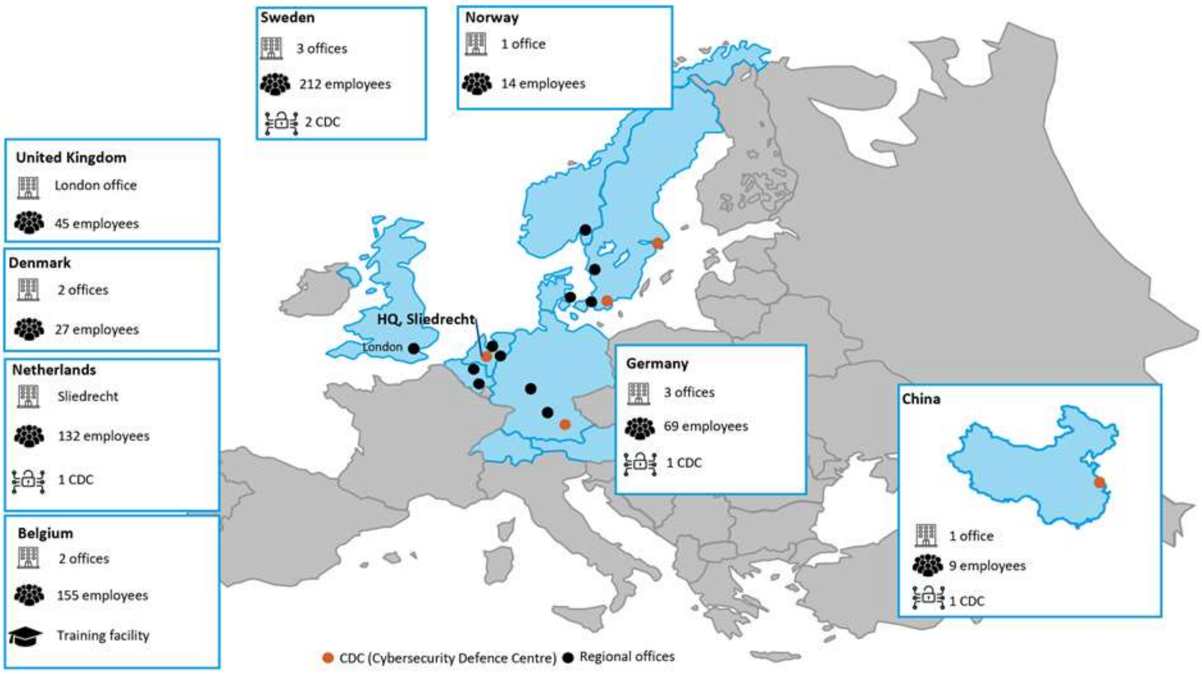
To have the best know how on cybersecurity infrastructure solutions and managed services

To deliver an unrivalled customer service experience

Thereby allowing our customers to **safely enable their business**

Geographical Footprint

SecureLink is a company active in cyber security in the following countries: Belgium, The Netherlands, Sweden, Denmark, Norway, the UK, Germany and in China. SecureLink is headquartered in Sliedrecht, The Netherlands.



Core Product Offering

SecureLink offers Professional Consulting Services, Product Solutions (sale of Hardware and Software products as well as support for these products), Maintenance Support Services and Managed Security Services (Analysis, Protection, Detection and Response). The company has over 2,100 customers, ranging from large multinational corporations to financial institutions, healthcare and governmental organizations. The company typically targets mid-market to large companies and organizations.

SecureLink's Managed Security Services (MSS) are delivered out of 5 Cyber Defense Centers (CDCs). In those CDCs cybersecurity experts monitor the networks and devices of our MSS Customers on a 24/7 basis for cybersecurity threats and take required response actions.

Governance

Board of Directors

The Board of Directors of SL Bidco B.V. is composed of:

Thomas Fetten (Germany), Executive Board Member

Ruud Kroon (The Netherlands), Non-executive Board Member

Andrea Davis (UK), Non-executive Board Member

Pieter Mesker (The Netherlands), Non-executive Board Member

Group Leadership Team

SecureLink's Group Leadership team consist of the following individuals, each with their functional responsibilities:

Thomas Fetten - Chief Executive Officer (CEO)*

Overall leadership and strategy, Information Technology and Portfolio

Johan Andersson - Chief Commercial Officer (CCO)

Sales, Operations and Marketing

Marc Goegebuer - Chief Financial Officer (CFO)

Finance, Legal and Human Resources

* As of the 1st of March 2018, Mr. Thomas Fetten was appointed as the new CEO. He succeeded Marco Barkmeijer, who became a non-executive board member of SL Holdco B.V., the ultimate Dutch parent company of SL Bidco B.V.

Country Organization

The company puts its customers first. This is emphasized by a strong local market presence. The company has a decentralized country-oriented sales and support organization, led by Country General Managers (CGMs). The

CGMs report to the CCO. Functional unit managers (e.g. marketing and finance) report both to country managers and to their functional group counterparts.


Jo Vander Schueren, CGM Belgium


Mark Jenster, CGM The Netherlands


Leif Gyllenberg, CGM Sweden


Mårten Toll-Söderblom, CGM Denmark


Thomas Kronen, CGM Norway


Matthias Rosche, CGM Germany


Nick Garlick, CGM United Kingdom


Sally Wang, CGM China

Non-financial information

Strategy

Prior to its acquisition by SL Bidco B.V., SecureLink built a strong track record of organic growth in its original home markets, Belgium and The Netherlands. In 2015 a strategic “buy and build” plan was developed to expand further into Northern Europe and to build a leading Pan-European cybersecurity expert.

The company strategy developed in a market environment where organizations are increasingly driving towards digital transformation with data an application centric business models based on direct B2B and B2C interaction. These organizations are also being confronted with a growing number of cyberattacks which can cause substantial economic and reputational damage. Moreover, as of May 2018, the General Data Protection Regulation (“GDPR”) took effect in the EU. This regulation requires all companies to protect personal data and to disclose how this data is used and secured. It also obliges organizations to report data breaches within 72 hours. The rise in e-commerce, the advent of IOT, the increase in cyberattacks and the introduction of GDPR has heightened the awareness for cybersecurity in all organizations. This environment creates unique opportunities for SecureLink, especially in the advisory and services business.

To capitalize on this market opportunity and to become a leading cybersecurity expert, economies of scale and skill are required. Together with Investcorp, SecureLink’s majority shareholder through its investment company SL Holdings S.à.r.l., SecureLink took major steps to execute on this strategic plan through a series of acquisitions in Scandinavia, the UK and Germany. SecureLink also opened a CDC in Shanghai which became fully operational in January of 2018.

Key Strategic Initiatives

2018 was a year focused on the consolidation and integration of the acquired companies. SecureLink focused on sharpening its strategy and harmonizing its marketing approach and its portfolio of solutions and services. SecureLink targets continued organic growth, at a rate outpacing the market. The growth is supported by an expansion of the sales force, as well as the addition of pre-sales and consulting staff. Growth is achieved by acquiring new customers and by growing revenue streams from existing customers, mainly by offering an expanded number of services and solutions to each customer. The company is also driving a transition from a project-based business to a recurring service business model.

The company's strategy is built on the following key pillars:

- Further expand and refine the end-to-end security portfolio. The portfolio is built around four key areas: advise and architect, design and implement, operate and support, detect and respond. Specific investment areas for the company are: cloud security, managed detect and response services, security dashboards, identity management, IOT and Secure Insight Platforms.
- Strengthening partnerships with the leading cybersecurity vendors. Leveraging SecureLink's European presence with key vendors in order to obtain top-level accreditation and status with selected strategic vendors and partners. From a technology viewpoint, the company continues to focus on leading-edge solutions, thereby selecting and offering the most advanced products to its customers.
- Expand the advisory and professional services capability. As clients are increasingly driving towards digital transformation with data an application centric business models based on direct B2B and B2C interaction, SecureLink needs to be involved in the early phases of the decision-making process through its expert advisors. Future business will increasingly be conducted by an advisory-led sales process.
- Expand the Chinese business by offering SecureLink's trusted services to existing customers operating in China. This offering is enabled by a dedicated and insulated CDC team in China with extended support from European operations.
- Continue to execute on the buy-and-build strategy by investing in best of breed service providers in SecureLink's key geographical markets. Create the scale required to remain competitive in the managed security services market.

Building economies of scale and skill

A fundamental consideration behind SecureLink's strategy is that the cybersecurity industry will continue to evolve from a solution (product)-based to a service-based model. In order to provide the best level of service to customers it is essential to have a large pool of experts in the company, who can provide advice and professional services to a varied customer base, dealing with a multitude of infrastructures and cybersecurity challenges. Economies of scale will be essential to remain competitive in a service-oriented business model. It is therefore necessary that the SecureLink group of companies creates deeply integrated core functions.

One of the main objectives of the integration plan remains the creation of a single MSS portfolio, delivered by an integrated service delivery organization, in order to benefit to the maximum from our centralized CDC and NOC capacity. The investments to integrate managed services continued in 2018. Legacy operational systems will be replaced by a scalable, resilient and ultra-secure central Service Delivery Platform.

Further investments in a central ticketing application and a uniform customer portal have also started in the second half of 2017. Data and system migrations took place in the first quarter of 2018. A centralized IT organization was created in 2018 focusing on the simplification and harmonization of the IT business services.

Environmental policy

The safety of employees and the protection of the environment are primary concerns to SecureLink. The Group is committed and dedicated to protecting the environment and to the prevention of pollution. Moreover, the Group is committed to the implementation of the following safety, quality and environmental objectives:

- Provide a safe working environment and encourage all employees to identify potentially unsafe conditions or practices and to undertake corrective measures
- Limit CO_2 emissions produced by its carpark by promoting electric or hybrid vehicles. In 2018, the Group has invested in charging stations for the electric or hybrid vehicles in the different parking lots.
- Organize on premises first aid training sessions
- Comply with mandatory rules and regulations and other requirements to which the company subscribes

Social, Human rights and human affairs policies

As an organization, the Group holds responsibility to ensure that people are treated with respect and can go about their work, professional practice, or be in contact with SecureLink, without being subject of unacceptable behavior.

The company has adopted a corporate code of conduct in the course of 2018, which sets out the policies and procedures in respect to unacceptable behavior towards clients, suppliers, partners, staff, employees and visitors.

The policies are viewed as an extension of the main corporate values of respect and trust, local legislation and complaint handling policies and procedures.

The Group recognizes that personalities, characters and management styles may differ but, notwithstanding these differences, as a minimum standard the Group will not tolerate unacceptable behavior no matter where or when it occurs and will always act to safeguard the principles of fairness, honesty, integrity and respect and to ensure that SecureLink employees and staff act as trustworthy ambassadors of these values. The group aims to manage unacceptable behavior in a manner that protects people wherever it is necessary to do so.

Several prevention officers are appointed throughout the group who act as hotline for incident reporting. Local whistleblowers have been appointed in order to protect individuals who want to lawfully raise a legitimate concern. If an individual does not feel comfortable reporting concerns to a supervisor, manager or any other appropriate person within the Company, he or she can report the concern to the whistleblower who acts as confidentiality person and ensures that the concerns raised are properly addressed. The Group encourages individuals to identify themselves when making a report to facilitate the investigation on issues raised. However, any person who does not want to be identified is entitled to register a complaint confidentially and anonymously. The Group will treat all complaints in a confidential manner. The Company will not in any manner discriminate against any individual who has made a complaint in good faith. Human resources is responsible for the effective day-to-day management of the policy in line with legislation and labor regulations.

Employees are encouraged to:

- Work co-operatively with each other to achieve the Group's objectives
- Manage performance in an appropriate and fair manner
- Give and receive constructive, measurable and evidence-based feedback as part of the day-to-day activities
- Consider other people's perspective and views to help reaching agreement
- Establish great relationships with all stakeholders of the Group

Anti-corruption and bribery policies

The Group has a zero-tolerance policy in engaging in corrupt business practices and ensures proper procedures to prevent bribery and corruption involving any director, officer, employee, contractor or other party representing the Group. The Group will also, at a minimum, comply with all applicable laws, regulations and standards, including applicable anti-bribery laws of the different jurisdictions in which business operations are carried out, or, where internal policies require a higher standard, will comply with such higher standard.

The Group leadership team and country general management has received training during 2018 on the interpretation and application of the Group's anti-corruption and bribery policies and procedures.

Non-financial performance indicators that are relevant to the business activities

The key asset of the Group is it's human capital. To maintain a positive working atmosphere, the company monitors the satisfaction of the employees through regular employee surveys. Results of these surveys are closely monitored, and the qualitative survey data is used to create an even more attractive working environment. The Group also closely monitors employee churn rate as a proxy of employee satisfaction.

Despite of the growing demand and shortage of highly trained and skilled IT specialists on the market, the Group succeeds in increasing the actual number of FTE by limiting churn rates and attracting new employees. The main strategy to achieve this goal is to focus on value creation for the Group's employees by offering them a dynamic working environment, continuous learning opportunities relating to cutting edge cybersecurity technologies and a competitive remuneration package.

The Group also has the SecureLink academy in place in which high-potential graduates receive a 6 months training focusing on a mixture of theoretical background information and actual business cases, driving their operational excellence going forward.

The group also monitors the level of customer satisfaction, mainly by using the Net Promotor Score or similar metrics.

Internal controls

The Group leadership team is responsible for establishing and maintaining adequate internal risk management and control systems.

The Group believes that its internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the internal risk management and control systems relating to financial reporting risks operated properly in 2018.

Based on the current state of affairs, the Group leadership team believes that it is justified that the financial reporting is prepared on a going concern basis as also disclosed in note 4.1.2 of the consolidated financial statements. The material risks and uncertainties that are relevant to the expectation of the Groups continuity for the period of twelve months after the preparation of the financial statements have been included in this management board report, however, the Group cannot provide certainty that its business and financial strategic objectives will be realized or that its approach to internal control over financial reporting can prevent or detect all misstatements, errors, fraud or violation of law or regulations. Financial reporting over 2018 is based upon the best operational information available throughout the year and the Group makes its best efforts at all times to weigh the expected impact on risks identified and the cost of controlling those risks in a balanced manner.

The group leadership team states that, to the best of its knowledge:

- The 2018 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of SL Bidco B.V. and its consolidated subsidiaries
- The management report gives a true and fair view of the position as per December 31, 2018 and that the Group's developments during 2018 and that of its affiliated companies are included in the financial statements, together with a description of the principal risks facing the Group.

Diversity policy

The Group has not yet adopted a specific diversity policy, however, the code of conduct emphasizes that every individual should be treated equally in accordance with the basic principles of fairness, honesty, integrity and respect. Information as stated in article 2:166 and 2:276 of the "Wet Bestuur en Toezicht" (Dutch Law on Management and Supervision) can be summarized as follows:

The Company's Board of Directors is currently comprised of 3 male directors and 1 female director.

The Group Leadership team is currently comprised of 3 male directors. For vacancies, women and men have equal chances and choices are being made on the basis of competence and fit of personality with the organization.

Information takeover directive

Capital structure and attached rights and duties: For the information relating to the capital structure and attached rights and duties of the Group, reference is made to note 25 of the consolidated financial statements.

Statutory or contractual restrictions on share transfer: Given the fact that all shares of the company are pledged, the shareholders should seek approval from the bondholders prior to transfer of shares. There are no statutory restrictions on the transfer of shares.

Major shareholders: 100% of the shares of the company are held by SL Midco B.V. The Company forms part of a Group, headed by SL Holdco B.V. in The Netherlands. The majority of the share capital of SL Holdco B.V. is held by SL Holdings S.à.r.l., based in Luxembourg. The remainder of the share capital is owned by other investors, including management. There are no individuals who have more than a 25% beneficial interest in the Company.

Special rights of control: No special rights of control are applicable for the Group

Control mechanisms relating to options plans, share plans, and share purchase plans No such plans are in place in the Group

Voting limitations: Not applicable.

Agreements with shareholders that can limit the transfer of shares or voting rights: Not applicable.

Regulations concerning the appointment and dismissal of Board members and changes to the Articles of Association: Members of the Board of Directors are appointed by and may at any time be suspended or dismissed by, the Annual General Meeting of Shareholders. Resolutions with respect to appointment and dismissal are passed by an absolute majority of votes cast. If an amendment to the Articles of Association is proposed to the Annual General Meeting of Shareholders, this is always stated in the convening notice for that meeting.

Authority of the Board, especially to issue and repurchase shares in the Company: According to the articles of association, the board has no authorization to repurchase shares in the Company.

Change of control arrangements: Change of control provisions have been included in the Company's arrangements with the bondholders that provide the credit facilities to the Company.

Agreements with Executive Board members or employees: The severance payment for the Executive Director has been set at a maximum of one time his annual pay.

Financial Results

In 2018, the company grew revenues to €248,3 million, compared to revenues of €240,1 million in 2017. The schedule below provides the regional split of the revenue of 2018:

Country	**Revenue**
Belgium	€52,9 million
Netherlands	€50,7million
Sweden	€62,0 million
UK	€29,1 million
Germany	€26,9 million
Denmark	€17,3 million
Norway	€9,2 million
China	€0,2 million
Total	**€248,3 million**

Overall the company grew revenues by 3,4%. Growth was affected adversely by the unfavorable evolution of the SEK/EUR exchange rate. In constant currency terms, revenue growth would have been 4,4%. Revenue growth was especially strong in the Benelux, Germany, Norway and Denmark. Sweden had lower revenues than in 2017, due to some exceptionally large product sale transactions in 2017. The UK also showed a decline in revenues as some large clients postponed investment decisions due to the uncertain business climate in that market.

Revenues were composed of €116,8 million product, €95,6 million maintenance and MSS services, €33,7 million consultancy services and €2,3 million of other revenues. Compared to prior year, product sales declined by 2,4%. This decline was mainly due to some exceptionally large product sale transactions in 2017, which were not repeated in 2018. Other revenues, largely composed of internally developed software sales, also declined by 16,5%. Services showed a growth rate of 10,9% and consulting by 6,7%. The growth profile in 2018 is a reflection of the underlying market developments and the company's strategy to provide value added consultancy and services in combination with product solutions.

Cost of raw materials and consumables was €141,6 million. Gross Margin, defined as Revenues minus cost of raw materials and consumables equates €106,7 million, an increase of 5,2% compared to prior year's Gross Margin of €101,4 million. Gross Margin therefore improved from 42,2% in 2017 to 42,9% in 2018, reflecting a revenue mix with relatively more value-added services versus product sales.

The loss for the year, net of income tax is €18,3 million for 2018, compared to a loss for the year, net of income tax of €11,8 million in 2017. The result for the year is materially influenced by the amortization of intangible assets from business combinations, the goodwill impairment and some exceptional re-financing cost.

The company measures its financial performance for management purposes on Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization, adjusted for Non-recurring expenses). For 2018 the company reported adjusted EBITDA of €23,4 million, an increase by 10,0% compared to the adjusted EBITDA of €21,3 million of 2017. The adjusted EBITDA margin was 9,4%, compared to 8,9% in 2017.

Solvency, Cash Flow and Liquidity

Management looks at the liquidity ratio as a measurement of how well the company can repay current liabilities with the existing current assets. The total of current liabilities and current assets considered in the calculation excludes short term contract liabilities (deferred revenue) and short-term prepayments (deferred cost of goods sold) as these balance sheet positions are no financial instruments and will never have a cash flow effect in the future. Changes in these balance sheet positions only result in P&L effects without any actual effect on cash flows. Management also deducts inventory to calculate the liquidity ratio as it considers inventory as an illiquid asset.

The current ratio (current assets incl. cash & bank adjusted for inventories and short term prepayments/current liabilities adjusted for short term contract liabilities) is 100% on December 31st, 2018, a significant improvement over the 76% on December 31st, 2017. On December 31st, 2018, the company's solvency ratio (adjusted equity/balance sheet total, reference is made to note 34.4 for more detail on the calculation) is 32%, down from 39% on December 31st, 2017.

The change in ratios is mainly the result of the refinancing of all the company's bank debt through the issue of a €150 million senior secured bond in February 2018. The refinancing has created additional financial flexibility which enables the Company to implement its strategic five-year plan. The bond terms do not include any financial maintenance covenants, nor an obligation to repay principal amounts prior to the bond maturity date in 2023.

The company had a net cash drain of €3,2 million in 2018. Cash generated from operations was €20,2 million, representing an 86% cash conversion ratio (Cash generated from operations/adjusted EBITDA).

The company spent €2,1 million in investing activities, paid €1,3 million in taxes and used €20,0 million of cash for financing activities, of which €7,7 million was used for interest payments and €5,6 million for other financing cost, primarily related to refinancing fees paid.

Overall the company completed the year with a cash balance of €20,4 million compared to €23,9 million at the end of 2017.

Personnel

The company's main assets are its people. The company will continue to invest in the growth of its expert salesforce and its consulting teams. These investments require careful timing as the investment in the expert workforce usually takes between 6 and 12 months to start paying back. On average the company employed 663 FTE (including 24 contractors) in 2018, compared to 656 FTE (including 36 contractors) in 2017. This represents only a modest increase, mainly due to the realization of a synergy plan, which allowed for the elimination of a number of duplicate functions in the group.

Research and Development (R&D)

The company does engage to a limited extent in R&D activities and/or in the development of marketable IP. The company mainly invests in systems and software to support its internal processes and its service fulfillment with customers.

Key risks and uncertainties

The principal risks and uncertainties the company is facing are broadly grouped as economic, operational and financial. With respect to risks in general, the company's policy is where possible to mitigate the impact and probability of risks. Both the board of directors as the group leadership team review the risk appetite on the various business risks identified during the year by discussing the topics in the planned and ad hoc (if required by the specific facts and circumstances) board of directors meetings and group leadership team meetings. The discussions focus on maintaining the balance between risk and reward relative to potential opportunities. The Group has a delegation of authority matrix in place, which defines the different levels of approval depending on the significance and potential impact of business transactions and ensures escalation to the appropriate level of management or to the board of directors.

The company has no tolerance for non-compliance with the code of conduct including it's anti-bribery policies and procedures. In general, the Group has very limited risk appetite in the following domains:

- Commercial risk taking in terms of indemnity clauses which could harm the Group's reputation
- Risks relating to operations including resource capacity to be able to execute the contracted projects
- Engagement with vendors of which the financial health is deemed to be unsatisfactory
- Cybersecurity and data protection related matters as any breach in those areas could potentially harm the company's reputation

In general, the Group has medium appetite for the business risk related to engage with new strategic vendors and the adoption of new technologies. The Group considers the delivery of cutting-edge cyber security technology solutions as one of its main value creation elements towards its customers. The agility of making use of new technologies is always weighted against the risks that are involved in the service offering of those new technologies.

In the paragraphs below the most important risks are addressed including, where applicable, the company's internal controls to mitigate the risks.

Economic risk. The company closely monitors the information technology, and more specifically the cybersecurity, market. One of the developments that may affect the company is the transition to cloud-based applications. Adaptation of cloud applications may impact on how cybersecurity is implemented and sourced. This requires SecureLink to permanently revise its product portfolio in order to enable it to offer the appropriate cloud-based solutions.

As a provider of technology solutions, SecureLink also permanently monitors the life cycles of the various technology solutions in its portfolio. SecureLink's core activities do not include building own products but SecureLink primarily acts as a value-added integrator for the solutions it offers to its customers. Therefore, the technology risk is modest and mitigated by a constant renewal of the product portfolio.

The market environment is changing from IT Security to Cybersecurity, leading to a transition from a solution (product)-based to a service–based business model. This requires SecureLink to pro-actively expand its services portfolio and service delivery capability. The adaptation of the services model by the customers is taking more time than expected, evidenced by extended sales and onboarding cycles. The slower transition of the market towards a service-based model, does not call for a change in strategy. On the contrary, SecureLink continues to invest in its service-based business model, not only in equipment or systems, but also in advisory and consultancy staff.

SecureLink expects that customers will gradually move to more cloud-based IT. Many core applications will however remain directly controlled and managed by our customers. Therefore, SecureLink expects most companies to operate hybrid models in the medium-term future, whereby own infrastructure operates in a combination with cloud- based applications. This complex hybrid operating environment will require continued cybersecurity solutions as offered by SecureLink.

On 29 March 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU. There was an initial two-year timeframe for the UK and EU to reach an agreement on the withdrawal and the future UK and EU relationship, which is now extended to October 31, 2019. At this stage, there is significant uncertainty over the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change, and this may impact the Group. However, at this stage, the level of uncertainty is such that it is impossible to determine if, how and when that tax status will change.

Although the Group does not have significant import/export of products (and services) between the UK and other entities from the Group or between the UK based subsidiary and third-party customers from other European countries, the above-mentioned uncertainty still exists to date and the exact impact on the operations is difficult to assess.

Operational risk. To execute the strategic plan, the company is dependent on its expert salesforce and expert consultants to market and deliver its solutions and services. To different degrees, there are shortages of cybersecurity experts in the markets SecureLink operates in and the competition to attract talent is high. SecureLink therefore needs to remain an attractive employer, being able to offer competitive remuneration packages as well as exciting job opportunities.

The company's success will depend on its ability to satisfy customer needs and to provide best in class service. The quality of its service depends on the quality of its people. SecureLink permanently monitors its Net Promotor Score (NPS) and has clear targets and action plans to continue to achieve the highest level of customer satisfaction.

Financial risk. A significant portion of the company's cash flow is required to service its debt. Significant investments will also be required in expansion of the workforce, technological support platforms and working capital. Moreover, the transition to services and recurring revenue models may create additional capital requirements as customers expect monthly invoicing and SecureLink may be required to pre-finance the hard- and software required to provide the services. It may therefore be necessary in the future to attract additional financing.

On February 6th, 2018 the Company issued a €150 million senior secured bond which is listed on the Frankfurt exchange identified with ISIN NO0010814189. Subsequently the bond was also listed on the Oslo exchange on February 6th, 2019. The bond was mainly issued to refinance the syndicated bank loans and a shareholder bridge loan. The bond has a duration of 5 years maturing on February 6th, 2023. Interest are EURIBOR 3M (with a floor at 0%) + 5,5% and are paid quarterly. Within the same refinancing transaction, the Company entered into a Super Senior Revolving Credit Facility for an amount of €20 million. As from the date of listing, the company has become a Public Interest Entity (PIE).

SecureLink's functional currency is EUR. SecureLink conducts most of its business in local currency (mostly EUR, GBP and SEK). A significant part of products and services that are bought in are paid in USD. This exposes SecureLink to currency risk. This risk is mitigated by entering into forward buying contracts for USD from the moment orders are placed and by allowing for currency adjustments in longer term service contracts. The company's external debt is denominated in EUR. In order to hedge against currency fluctuations in GBP and in SEK, the company has entered into EUR/GBP and EUR/SEK cross currency swaps. The company expects to finance its future investments from its operational cash flow. In case further significant investments will be made (e.g. in the acquisition of companies), the company may require further debt and equity financing. The bond has a maximum issue amount of €250 million, which can be accessed in case certain financial incurrence covenants are met.

The interest on most of the debt is floating rate. To mitigate against the risk of interest rate fluctuations, the company has entered into an interest rate hedge agreement. More details on mitigation of financial risk are provided in the financial statements (See note 34).

Regulatory and Business Liability risk. GDPR is creating a business opportunity for SecureLink. However, the company itself also has to assure compliance with this new regulation, and therefore has engaged into an extensive project to assure compliance with GDPR. This includes the appointment of Data Protection Officers (DPOs) in the relevant jurisdictions.

The increased level of MSS contracts may expose the company to customer claims in case of data breaches. The company mitigates this risk by contractually limiting its liability. Moreover, the company takes out insurance to cover potential professional indemnity and product liability claims.

Financial Reporting Risk. During the financial years 2015, 2016 and 2017 the company acquired a number of subsidiaries in various jurisdictions each with their own local accounting requirements. The risk exists that the transition between local GAAP and the group accounting policies (IFRS) results in anomalies. Furthermore the acquisition of the subsidiaries requires a purchase price allocation process in which fair value valuations are performed, which are subject to an estimation process. In order to cope with this risk, the company has invested considerably in its capability to report financial results through the expansion of its finance organization, the implementation of a company-wide reporting and consolidation system and the adoption IFRS as of 2018.

Future Developments

Although no material M&A targets are currently under investigation, the company will continue to monitor the market for interesting expansion opportunities. The operations in China have become operational in 2018 and are expected to drive financial benefits from the start.

Subsequent events

On the 6th of February 2019, the company successfully listed it's 150 million euro senior secured bond with ISIN NO0010814189 on the Oslo Børs, (the Oslo Exchange).

On the 29th of January 2019, Marco Barkmeijer has stepped back from his position as director of SL Bidco B.V. and has been succeeded by Pieter Mesker.

On the 7th of May 2019, Orange S.A. signed an agreement to acquire all the shares of SL Bidco B.V. Orange is making this acquisition as part of its Strategy to rapidly expand its presence in the Cybersecurity market. This transaction will also provide access for SecureLink to an expanded international customer base. The sale of the shares of SL Bidco B.V. is expected to complete by the end of Q2, beginning of Q3 2019, after all regulatory approvals have been obtained. An estimate of the financial effect of this transaction cannot be made by management.

Sliedrecht, May 10, 2019

Thomas Fetten

Executive board member

Andrea Davis

Non-executive board member

Ruud Kroon

Non-executive board member

Pieter Mesker

Non-executive board member

Report of the Audit Committee

Composition

The SL Holdco B.V. Audit Committee also acts as the Audit Committee of SL Bidco B.V. and is composed of the following non-executive directors of SL Holdco B.V.:

Rudy Kroon (The Netherlands), Audit Committee chairman

Gender: male
Country of origin: The Netherlands
Principal position: Non-executive director of SL Holdco B.V. and SL Bidco B.V. No other relevant positions to the performance of the duties as audit committee chairman
Date of initial appointment: 27th of June 2018
Term of office: no specific term specified at the moment of appointment

Andrea Davis (UK), Audit Committee member

Gender: female
Country of origin: UK
Principal position: Non-executive director of SL Holdco B.V. and SL Bidco B.V and Managing director Private equity Europe Investcorp
Date of initial appointment: 27th of June 2018
Term of office: no specific term specified at the moment of appointment

Martin Wülfert (Germany), Audit Committee member

Gender: male
Country of origin: Germany
Principal position: Non-executive director of SL Holdco B.V. No other relevant positions to the performance of the duties as audit committee member
Date of initial appointment: 27th of June 2018
Term of office: no specific term specified at the moment of appointment

Independence

The Audit Committee is compliant with the independence requirements of best practice provisions 2.1.7 to 2.1.9 inclusive of the Dutch Corporate Governance Code.

Meetings

The audit committee held 3 meetings during 2018, in which all members of the audit committee were present. The management board prepared detailed supporting documents as preparation for all meetings. The Company Secretary, Charlotte Lundqvist, is also the secretary of the audit committee.

The main topics discussed during the meetings held by the audit committee in 2018 relate to the following items:

- External auditor's audit plan including scope of the audit, key risk areas and approval of audit fees
- Review of the Value Creation long term business plan including review of implementation of the plan

- Review of the 2019 Budget
- Supervision of internal compliance rules including oversight of auditor independence
- Supervision of bond listing application
- Review and approval of prospectus used for the Bond listing on the Oslo exchange
- Review and approval of the special purpose financial statements included in the above-mentioned prospectus

The Group leadership team prepared an extensive business plan for the coming years in which the mid-term strategy was disclosed and discussed with the members of the audit committee. Follow up on the implementation of the plan is achieved by discussing the status of the implementation in scheduled meetings subsequent to the presentation of the initial plan.

The audit committee has not become aware of any significant internal control deficiencies. Although there is no separate internal audit department in place, the audit committee acknowledges the added value that the internal audit function brings to a rapidly growing organization and considers implementing the internal audit function during next year.

Remuneration

None of the audit committee members receives a remuneration for the services provided. The Group does not provide loans or advances to the audit committee members and there are no loans or advances outstanding. The Group also does not issue guarantees to the benefit of audit committee members.

Group leadership team remuneration policy

The Group aims at remunerating members of the group leadership team for long-term value creation. A remuneration policy is in place that contributes to competitive and aligned remuneration with the long-term performance of SecureLink.

The remuneration policy consists primarily of Fixed compensation. The company strives to remunerate its employees and its executives based on their responsibilities and in alignment with market practices.

Annual variable compensation (Annual Bonus) based on achieving key financial and non-financial targets, such as (Adjusted EBITDA), revenue growth, relative share of service and product revenue. The audit committee reviews and approves annually the variable compensation.

Pension plan and other benefits such as company car can be part of the remuneration package, as the case may be.

Diversity policy

The Group has not yet adopted a specific diversity policy, however, the code of conduct emphasizes that every individual should be treated equally in accordance with the basic principles of fairness, honesty, integrity and respect. Information as stated in article 2:166 and 2:276 of the “Wet Bestuur en Toezicht” (Dutch Law on Management and Supervision) can be summarized as follows:

The Company’s audit committee is currently comprised of 2 male directors and 1 female director.

For vacancies, women and men have equal chances and choices are being made on the basis of competence and fit of personality with the organization.

Conclusion

The financial statements have been audited by the external auditors, Deloitte Accountants B.V. The external auditors have expressed an unqualified opinion on the financial statements.

The audit committee has signed the 2018 financial statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil code.

The audit committee of the Group recommends that the annual general meeting of shareholders adopts the financial statements for the year 2018 on the 24^{th} of May 2019.

Sliedrecht, May 10, 2019

Rudy Kroon

Chairman of the Audit Committee

Andrea Davis

Audit Committee member

Martin Wülfert

Audit Committee member

Consolidated financial statements SL Bidco B.V. 2018

- Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018
- Consolidated statement of financial position for the year ended 31 December 2018
- Consolidated statement of changes in equity for the year ended 31 December 2018
- Consolidated statement of cash flows for the year ended 31 December 2018
- Notes to the consolidated financial statements for the year ended 31 December 2018

All amounts in this report are presented in thousands of euro unless stated otherwise

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018	Notes	31/12/2018	31/12/2017
		EUR '000	EUR '000
Revenue	6, 7	248 280	240 105
Raw materials and consumables used		(141 551)	(138 675)
Employee benefits (*)	8	(65 383)	(63 193)
Office and facilities		(3 708)	(3 212)
Travel		(1 709)	(1 580)
Vehicles (*)		(4 078)	(4 055)
Telecommunication and IT		(3 316)	(3 227)
Legal and accounting		(3 714)	(6 611)
Marketing		(3 023)	(2 987)
Other income/(expense)		(961)	(401)
Amortization, depreciation and impairment (**)	12, 14, 15, 19	(20 797)	(17 094)
Finance cost (net)	9	(19 949)	(12 884)
Profit / (loss) before tax		**(19 909)**	**(13 814)**
Income tax	10	1 576	2 021
PROFIT / (LOSS) FOR THE YEAR		**(18 333)**	**(11 793)**
Attributable to:			
Owners of the Company		(18 357)	(11 836)
Non-controlling interest	28	24	43
Other comprehensive income / (loss), net of income tax			
Items that will not be reclassified subsequently to profit or loss, net of tax:			
Remeasurement of defined benefit obligation	8	(17)	22
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translating foreign operations	26	(1 963)	(1 816)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF INCOME TAX		**(1 980)**	**(1 794)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**(20 313)**	**(13 587)**
Attributable to:			
Owners of the Company		(20 337)	(13 630)
Non-controlling interest	28	24	43

(*) Based on an assessment of financial information available in 2018, a reclassification between employee benefits and vehicle expense has been applied in the statement of profit or loss and other comprehensive income as per 31 December 2018 of €1 134 thousand (31 December 2017: €1 186 thousand) and has been restated compared to prior public reporting in the interim financial statements of the fourth quarter of 2018 and compared to the consolidated special purpose financial statements for the period January 1, 2017 until December 31, 2017. This correction is only a reclassification and has no impact on the net income presented in the statement of profit or loss and other comprehensive income.

(**) Based on current market conditions (i.e. the actual results of the first quarter of 2019, the reforecast of the full year budget of 2019 and based on the fact that the Brexit uncertainty is still unresolved), management has reassessed the key assumptions use in the impairment model for Securelink UK Limited and has accounted for an impairment of € 9 million as per 31 December 2018 which was not yet included in the prior public reporting in the interim financial statements of the fourth quarter of 2018 and in the consolidated special purpose financial statements for the period January 1, 2018 until December 31, 2018. Reference is made to note 12.2.

Consolidated statement of financial position for the year ended 31 December 2018

Consolidated statement of financial position for the year ended 31 December 2018

	Notes	31/12/2018	31/12/2017	01/01/2017
		EUR '000	EUR '000	EUR '000
ASSETS				
Non-current Assets				
Goodwill (**)	12	258 400	271 713	261 041
Other intangible assets	14	49 554	58 659	58 931
Property, plant and equipment	15	3 735	4 496	3 553
Deferred tax assets	10	1 967	1 983	4 161
Prepayments	13	14 943	14 037	11 622
Other financial assets	20	1 050	127	122
Other assets		916	1 045	1 410
		330 565	**352 060**	**340 840**
Current Assets				
Inventories	18	2 199	1 490	897
Other financial assets (***)	20	1 001	2 508	2 010
Trade and other receivables (*)	19	59 464	57 176	47 977
Finance lease receivables	20	947	889	204
Current tax assets	10	1 445	502	1 731
Prepayments	13	37 172	34 750	34 058
Contract cost	17	1 075	588	459
Other assets		2 885	1 140	933
Cash and bank balances	31	20 403	23 856	20 235
		126 591	**122 899**	**108 504**
TOTAL ASSETS		**457 156**	**474 959**	**449 344**

(*) Trade and other receivables and contract liabilities have been restated as at 31 December 2018, 31 December 2017 and 1 January 2017 compared to prior public reporting in the interim financial statements of the fourth quarter of 2018 and compared to the special purpose consolidated financial statements for the period January 1, 2017 until December 31, 2017. The changes made relate to a more accurate assessment of the change in presentation of contract liabilities recognized without unconditional right to consideration as described in section 4.1.3. first time adoption of IFRS, subtitle E.3.h of this report based on the currently available information which was not available at the dates of release of the prior mentioned reports. As per 31 December 2018, the additional netting of accounts receivable against contract liabilities amounts to €10 257 thousand (31 December 2017: €8 123 thousand and 1 January 2017: €4 455 thousand). Note that this correction has no impact on the consolidated statement of profit or loss and other comprehensive income and only relates to a netting between trade receivables and contract liabilities.

(**) Based on current market conditions (i.e. the actual results of the first quarter of 2019, the reforecast of the full year budget of 2019 and based on the fact that the Brexit uncertainty is still unresolved), management has reassessed the key assumptions use in the impairment model for Securelink UK Limited and has accounted for an impairment of € 9 million as per 31 December 2018 which was not yet included in the prior public reporting in the interim financial statements of the fourth quarter of 2018 and in the consolidated special purpose financial statements for the period January 1, 2018 until December 31, 2018. Reference is made to note 12.2.

(***) Other financial assets and current tax liabilities have been restated as at 31 December 2018 compared to prior public reporting in the interim financial statements of the fourth quarter of 2018 and compared to the special purpose consolidated financial statements for the period January 1, 2018 until December 31, 2018. The changes made relate to a reclassification of €737 thousand which decreases the presented amounts of both current tax liabilities and other financial assets as per 31 December 2018. This current tax liability is ultimately payable by SL Holdco B.V. as head of the fiscal unity during 2016 and 2017. The amount has been deducted from the related party receivable against SL Holdco B.V. which is included in line item other financial assets.

Consolidated statement of financial position for the year ended 31 December 2018 (ctd.)

	Notes	31/12/2018	31/12/2017	01/01/2017
		EUR '000	EUR '000	EUR '000
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital and share premium	25	142 146	142 146	136 144
Other reserves	26	(4 227)	(2 247)	(453)
Accumulated losses	27	(63 036)	(44 679)	(32 843)
		74 883	**95 220**	**102 848**
Non-controlling interests	28	**168**	**144**	**101**
TOTAL EQUITY		**75 051**	**95 364**	**102 949**
Non-current liabilities				
Borrowings	21	216 131	183 870	183 378
Retirement benefit obligation	8	26	310	28
Deferred tax liabilities	10	11 804	15 247	14 972
Provisions	22	-	80	80
Contract liabilities (*)	6	18 301	17 339	16 399
		246 262	**216 846**	**214 857**
Current liabilities				
Trade and other payables	24	81 669	72 495	62 750
Current tax liabilities (***)	10	1 114	575	3 144
Borrowings	21	4 680	40 151	23 065
Contract liabilities (*)	6	48 339	49 313	42 479
Other financial liabilities	21	41	215	100
		135 843	**162 749**	**131 538**
TOTAL LIABILITIES		**382 105**	**379 595**	**346 395**
TOTAL EQUITY AND LIABILITIES		**457 156**	**474 959**	**449 344**

Consolidated statement of changes in equity for the year ended 31 December 2018

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share Capital	Share Premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2017	**-**	**136 144**	**-**	**(453)**	**(32 843)**	**102 848**	**101**	**102 949**
Profit / (loss) for the year	-	-	-	-	(11 836)	(11 836)	43	(11 793)
Other comprehensive income for the year, net of income tax	-	-	22	(1 816)	-	(1 794)	-	(1 794)
Issue of shares	2	6 000	-	-	-	6 002	-	6 002
Balance at 31 December 2017	**2**	**142 144**	**22**	**(2 269)**	**(44 679)**	**95 220**	**144**	**95 364**
Profit / (loss) for the year	-	-	-	-	(18 357)	(18 357)	24	(18 333)
Other comprehensive income for the year, net of income tax	-	-	(17)	(1 963)	-	(1 980)	-	(1 980)
Balance at 31 December 2018	**2**	**142 144**	**5**	**(4 232)**	**(63 036)**	**74 883**	**168**	**75 051**

Consolidated statement of cash flows for the year ended 31 December 2018

Consolidated statement of cash flows for the year ended 31 December 2018	Notes	31/12/2018	31/12/2017
		EUR '000	EUR '000
Profit / (loss) for the year (***)		**(18 333)**	**(11 793)**
Adjustment for:			
Income tax recognized in profit or loss	10	(1 576)	(2 021)
Finance cost recognized in profit or loss	9	19 949	12 884
Depreciation, amortization and impairment of assets (***)	12, 14, 15, 19	20 797	17 094
		20 837	**16 164**
Movements in working capital:			
(Increase)/decrease in trade debtors (*)		(2 671)	(11 818)
(Increase)/decrease in inventories		(715)	(591)
(Increase)/decrease in other operating assets (**)		(7 336)	4 934
Increase/(decrease) in trade creditors		7 500	9 422
Increase/(decrease) in other operating liabilities (*)		2 617	4 334
Increase/(decrease) in provisions and retirement benefit obligation		(11)	298
Cash generated from operations		**20 221**	**22 743**
Income taxes paid		**(1 312)**	**(2 159)**
Net cash generated by operating activities		**18 909**	**20 584**
Cash flow from investing activities:			
Payment for acquisition of subsidiary, net of cash acquired	30	-	(20 828)
Payment for intangible assets other than goodwill, customer relations and tradenames		(1 204)	(2 574)
Payments for property, plant & equipment		(1 057)	(2 427)
Interest received		127	52
Net cash (used in)/generated by investing activities		**(2 134)**	**(25 777)**
Cash flow from financing activities:			
Proceeds from issue of share and other equity instruments	25	-	2
Interest paid	9	(7 674)	(6 087)
Proceeds from lease liabilities	21.5	544	2 591
Repayments from lease liabilities	21.5	(2 252)	(745)
Proceeds from borrowings	21.5	150 022	15 848
Repayments of borrowings	21.5	(155 070)	(2 071)
Other financial cost paid	21.5	(5 576)	(609)
Net cash (used in)/generated by financing activities		**(20 006)**	**8 929**
Net increase/(decrease) in cash and cash equivalents		**(3 231)**	**3 736**
Cash and cash equivalents at the beginning of the year	31	23 856	20 235
Effects of exchange rate changes on the balance of cash held in foreign currencies		(222)	(115)
Cash and cash equivalents at the end of the year	31	**20 403**	**23 856**

(*) Trade and other receivables and contract liabilities have been restated as at 31 December 2018 and as at 31 December 2017 compared to prior public reporting in the interim financial statements of the fourth quarter of 2018 and compared to the special purpose consolidated financial statements for the period January 1, 2017 until December 31, 2017. The changes made relate to a more accurate assessment of the change in presentation of contract liabilities recognized without unconditional right to consideration as described in section 4.1.3. first time adoption of IFRS, subtitle E.3.h of this report based on the currently available information which was not available at the dates of release of the prior mentioned reports. As per 31 December 2018, the additional netting of accounts receivables against contract liabilities amounts to €2 134 thousand (31 December 2017: €3 668 thousand). This correction is not the same as the correction in the consolidated statement of financial position as the correction in the consolidated statement of cash flows includes a year-over-year change of the netted amount.

(**) Lease receivables granted and repayments from lease receivables have been restated as at 31 December 2018 and as at 31 December 2017 compared to prior public reporting in the interim financial statements of the fourth quarter of 2018 and compared to the special purpose consolidated financial statements for the period January 1, 2017 until December 31, 2017. The changes made relate to a more accurate presentation of the cash flow effect of lease receivables which are now included in the movement in working capital section of the statement of cash flows. The change in presentation has a negative effect on the cash generated from operations of €58 thousand as at 31 December 2018 (2017: €685 thousand) and a positive effect on the net cash generated by financial activities of the same amounts.

(***) Based on current market conditions (i.e. the actual results of the first quarter of 2019, the reforecast of the full year budget of 2019 and based on the fact that the Brexit uncertainty is still unresolved), management has reassessed the key assumptions use in the impairment model for Securelink UK Limited and has accounted for an impairment of €9 million as per 31 December 2018 which was not yet included in the prior public reporting in the interim financial statements of the fourth quarter of 2018 and in the consolidated special purpose financial statements for the period January 1, 2018 until December 31, 2018. Reference is made to note 12.2.

1 General information

SL Bidco B.V. (hereinafter the "Company") is incorporated on 9 December 2015 as a Limited Company and registered in The Netherlands with registered number 64720756. The Company has its registered office in Amsterdam and its operational location is Trapezium 224, Sliedrecht, Netherlands.

The direct parent company is SL Midco B.V., a company based in The Netherlands. The Company forms part of a Group, headed by SL Holdco B.V. in Amsterdam. The majority of the share capital of SL Holdco B.V. is held by SL Holdings S.à.r.l., based in Luxembourg. The remainder of the share capital is owned by other investors, including management. There are no individuals who have more than 25% of the beneficial interest in the Company.

The financial information of the Company has been recorded in the consolidated financial statements of SL Holdco B.V. in Amsterdam. Copies are available at the Trade Register at the Chamber of Commerce in Amsterdam.

The Group's principal business is cybersecurity.

The group consolidated financial statements, were approved for issue by the Management Board on May 10th, 2019.

2 Application of new and revised IFRSs

New and revised IFRSs in issue but not yet effective

New IFRS issued but not yet effective

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

Of those standards that are not yet effective, IFRS 16 Leases is expected to have a material impact on the Group's financial statements in the period of initial application.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases as from 1 January 2019.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor continues to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to use the practical expedient by applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (personal computers, printing and photocopying machines) that are considered of low value.

Impact

The Group has reviewed all of the existing lease arrangements over the last year in light of the new lease accounting rules in IFRS 16. The new standard will primarily affect the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of €16 158 thousand. Of these commitments, approximately €41 thousand relate to short-term leases and €72 thousand relate to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments in scope of IFRS 16, the Group expects to recognize right-of-use assets of approximately €14 847 thousand on 1 January 2019 and corresponding lease liabilities of €15 052 thousand (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018) and deferred tax assets of €51 thousand. Overall net assets will be approximately €154 thousand lower and net current assets will be €5 169 thousand lower due to the presentation of a portion of the lease liability as a current liability.

The group expects that net profit after tax for 2019 will decrease by approximately €238 thousand as a result of adopting the new standard. Earnings before interest, taxes, depreciations and amortizations ("EBITDA") is expected to increase by approximately €5 374 thousand as the operating lease payments were all included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows will decrease by approximately €5 374 thousand as repayments of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, dome additional disclosures will be required from next year.

3 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS Standards) and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The principal accounting policies adopted are set out below.

4 Significant accounting policies

4.1 Basis of preparation

4.1.1 Basis of measurement and use of judgements and estimates

Apart from some financial instruments measured at fair value and amortized cost, some other assets and liabilities are not stated at historical cost, e.g.:

-defined benefit obligations;

-contingent consideration and contingent liabilities related to business acquisitions.

The consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4.1.2 Going concern

The Company has applied the going concern principle in the preparation of the financial statements. Although the Company has made a net loss during 2018 mainly resulting from amortization of acquisition intangibles and interest expense on shareholder loans, management is of the opinion that the operational result and operational cash flow with sustainable cash conversion rates supports the preparation of the financial statements and accompanying notes based on the going concern principle.

Moreover, On the 6th of February 2018, the Group has successfully completed a bond placement of €150 million, refinancing all existing bank loans. The new financing has created additional financial flexibility to be able to implement the strategic plan 2022 going forward. The new bond terms do not include any financial covenants and contains no obligation to repay capital amounts before expiry date in 2023. Together with the refinancing transaction, the Group also secured a super senior revolving credit facility of €20 million to manage potential liquidity risks.

The Group has not identified any significant business outlook risk.

4.1.3 First time adoption of IFRS

In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2017, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its NL GAAP financial statements, including the statement of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017. IFRS 1 allows first-time adopters to use certain exemptions from the retrospective application of certain requirements under IFRS.

Exemptions applied

Mandatory exceptions:

- Accounting estimate

An entity's estimates in accordance with IFRSs at the date of transition to IFRSs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

- The de-recognition of financial assets and financial liabilities

The Group applies the derecognition rules in IFRS 9 Financial Instruments prospectively from the date of transition to IFRS. Therefore, the Group does not recognize the financial assets and financial liabilities derecognized under Dutch GAAP before the date of transition to IFRS (even if they would not have qualified for derecognition under IFRS 9), unless they qualify for recognition as a result of a later transaction or event.

- Classification and measurement of financial assets

The Group has assessed classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to IFRS.

- Hedge accounting

The Group did not apply hedge accounting under previous GAAP and does not apply hedge accounting under IFRS (see note on hedge accounting in significant accounting policies).

- Non-controlling Interests

Some requirements of IFRS 10 Consolidated Financial Statements that shall be applied prospectively. As this does not have an impact on the financial statements, the Group is compliant with the mandatory exemption.

Optional exemptions:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions from the retrospective application of the requirements under IFRS:

• IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. Use of this exemption means that the NL GAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of the acquisition.

After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the NL GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2017.

• All property, plant and equipment has been valued at historic cost under NL GAAP. No remeasurement at fair value has been performed at the date of transition to IFRS. The Group has elected to regard those values as deemed cost at the transition date.

• Revenue from contracts with customers: The Group applied the following expedients:

- For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period
- For completed contracts with variable consideration, transaction price at the date the contract was completed can be used, rather than estimating variable consideration amounts in the comparative reporting periods
- For all reporting periods presented before the beginning of the first IFRS reporting period, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2017.

Apart from the exemptions described above relating to first adoption of IFRS, the principal accounting policies are set out as from note 4.2 till note 4.21.

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with NL GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item where application of NL GAAP required a different basis of estimation:

• Pensions and other postemployment benefits

• Impairment of financial assets based on expected credit loss model

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

Group reconciliations

In this section, a summary is presented of the impact of the first-time adoption of IFRS to the consolidated opening equity as at 1 January 2017, the restated consolidated equity as at 31 December 2017, the total consolidated comprehensive income as at 31 December 2017 and the consolidated statement of cash flows, including descriptive notes on the remeasurements made in the respective financial statement captions.

Significant changes in presentation between NL GAAP and IFRS are also disclosed in the descriptive notes.

A. Group reconciliation of Equity as at 1 January 2017 (date of transition to IFRS)

Group reconciliation of Equity as at 1 January 2017 (date of transition to IFRS)

	Notes	NL GAAP as at 31/12/2016	Remeasurement	IFRS as at 1/1/2017
		EUR '000	EUR '000	EUR '000
ASSETS				
Non-current Assets				
Goodwill		261041	-	261041
Other intangible assets		58 931	-	58 931
Property, Plant and Equipment		3 553	-	3 553
Deferred Tax Assets	d	4 152	9	4 161
Prepayments		11622	-	11622
Other financial assets		122	-	122
Other Assets		1410	-	1410
		340 831	**9**	**340 840**
Current Assets				
Inventories		897	-	897
Other financial assets		2 010	-	2 010
Trade and other Receivables	h,i	57 200	(9 223)	47 977
Finance Lease receivables		204	-	204
Current tax assets		1731	-	1731
Prepayments		34 070	(12)	34 058
Contract cost	b	-	459	459
Other Assets		933	-	933
Cash and bank balances		20 235	-	20 235
		117 280	**(8 776)**	**108 504**
TOTAL ASSETS		**458 111**	**(8 767)**	**449 344**
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital and share premium		136 144	-	136 144
Other reserves		(453)	-	(453)
Accumulated losses	d	(33 141)	298	(32 843)
		102 550	**298**	**102 848**
Non-controlling interests		**101**		**101**
TOTAL EQUITY		**102 651**	**298**	**102 949**
Non-current liabilities				
Borrowings		183 378	-	183 378
Retirement benefit obligation	c	-	28	28
Deferred tax liabilities	d	14 830	142	14 972
Provisions		80	-	80
Contract liabilities	a	-	16 399	16 399
		198 288	**16 569**	**214 857**
Current liabilities				
Trade and other payables	i	62 327	423	62 750
Current tax liabilities		3 144	-	3 144
Borrowings		23 065	-	23 065
Contract liabilities	a,h	68 536	(26 057)	42 479
Other financial liabilities		100	-	100
		157 172	**(25 634)**	**131 538**
TOTAL LIABILITIES		**355 460**	**(9 065)**	**346 395**
TOTAL EQUITY AND LIABILITIES		**458 111**	**(8 767)**	**449 344**

B. Group reconciliation of Equity as at 31 December 2017

Group reconciliation of Equity as at 31 December 2017

	Notes	NL GAAP as at 31/12/2017	Remeasurement	IFRS as at 31/12/2017
		EUR '000	EUR '000	EUR '000
ASSETS				
Non-current Assets				
Goodwill	e , f	249 632	22 081	271 713
Other intangible assets	f	55 768	2 891	58 659
Property, Plant and Equipment	g	4 396	100	4 496
Investments in associates	g	33	(33)	-
Deferred Tax Assets	d	1 971	12	1 983
Prepayments		14 037	-	14 037
Other financial assets		128	(1)	127
Other Assets	g	1 013	32	1 045
		326 978	**25 082**	**352 060**
Current Assets				
Inventories		1 490	-	1 490
Other financial assets		2 508	-	2 508
Trade and other Receivables	g,h	71 236	(14 060)	57 176
Finance Lease receivables		889	-	889
Current tax assets		502	-	502
Prepayments		34 750	-	34 750
Contract cost	b	-	588	588
Other Assets	g	1 138	2	1 140
Cash and bank balances	g	23 775	81	23 856
		136 288	**(13 389)**	**122 899**
TOTAL ASSETS		**463 266**	**11 693**	**474 959**
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital and share premium		142 146	-	142 146
Other reserves		(2 039)	(208)	(2 247)
Accumulated losses		(69 407)	24 728	(44 679)
		70 700	**24 520**	**95 220**
Non-controlling interests		**143**	**1**	**144**
TOTAL EQUITY		**70 843**	**24 521**	**95 364**
Non-current liabilities				
Borrowings		183 870	-	183 870
Retirement benefit obligation	c	277	33	310
Deferred tax liabilities	d	14 266	981	15 247
Provisions		81	(1)	80
Contract liabilities	a,h	-	17 339	17 339
		198 494	**18 352**	**216 846**
Current liabilities				
Trade and other payables	g,i	71 914	581	72 495
Current tax liabilities	g	578	(3)	575
Borrowings	g	40 066	85	40 151
Contract liabilities	a,h	81 155	(31 842)	49 313
Other financial liabilities		216	(1)	215
		193 929	**(31 180)**	**162 749**
TOTAL LIABILITIES		**392 423**	**(12 828)**	**379 595**
TOTAL EQUITY AND LIABILITIES		**463 266**	**11 693**	**474 959**

C. Group reconciliation of total comprehensive income for the year ended 31 December 2017

Group reconciliation of total comprehensive income for the year ended 31 December 2017

	Notes	NL GAAP as at 31/12/2017	Reclassification	Remeasurement	IFRS as at 31/12/2017
		EUR '000	EUR '000	EUR '000	EUR '000
Revenue		240 105	-	-	240 105
Raw materials and consumables used		(187 670)	48 995	-	(138 675)
Selling expenses		(23 753)	23 753	-	-
General administrative expenses		(54 027)	54 027	-	-
Employee benefits	c	-	(63 230)	37	(63 193)
Office and facilities	g	-	(3 174)	(38)	(3 212)
Travel		-	(1580)	-	(1580)
Vehicles		-	(4 055)	-	(4 055)
Telecommunication and IT		-	(3 220)	(7)	(3 227)
Legal and accounting	f	-	(5 808)	(803)	(6 611)
Marketing		-	(2 986)	(1)	(2 987)
Other income/(expense)		8	(407)	(2)	(401)
Investment income		52	(52)	-	-
Finance cost (net)	c	(12 930)	52	(6)	(12 884)
Amortization, depreciation and impairment	e	-	(42 315)	25 221	(17 094)
Share in result of associated companies	g	(170)	-	170	-
Profit / (Loss) before tax		**(38 385)**	**-**	**24 571**	**(13 814)**
Income tax	d	2 163	-	(142)	2 021
PROFIT / (LOSS) FOR THE YEAR		**(36 222)**	**-**	**24 429**	**(11 793)**
Attributable to:					
Owners of the company		(36 266)	-	24 430	(11836)
Non-controlling interest		44	-	(1)	43
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	c	-	-	22	22
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	d	(1585)	-	(231)	(1816)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**(1585)**	**-**	**(209)**	**(1794)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(37 807)**	**-**	**24 220**	**(13 587)**
Attributable to:					
Owners of the Company		(37 851)	-	24 221	(13 630)
Non-controlling interest		44	-	(1)	43

D. Group reconciliation of total cash flows for the year ended 31 December 2017

The transition from NL GAAP to IFRS has not had a material impact on the statement of cash flows. The reclasses performed and changes in presentation are disclosed in the notes to the Group reconciliations section below.

E. Notes to the Group reconciliations

General remarks on changes in presentation

1. Consolidated statement of financial position

The following changes in classification and presentation of assets, equity and liabilities were made:

- Separate line items created for deferred tax assets, goodwill and other assets in which prepayments are recognized. Under NL GAAP, prepayments and deferred tax assets were presented as financial assets
- Separate line items for other financial assets, finance lease receivables, current tax assets and other assets.
- Current account positions with related parties reclassed from other receivables to other financial assets
- Reclassed deferred charges, accrued income and prepayments from trade and other receivables to other assets
- Added separate line items for retirement benefit obligation, deferred tax liabilities and current tax liabilities

The Group has applied IFRS 15 Revenue from Contracts with Customers. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4.5 below. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated in the remeasurement schedules above and commented in the remeasurement and restatement entries section in this note.

2. Consolidated statement of cash flows

The following changes in classification and presentation to the consolidated statement of cash flows were made to comply with IFRS:

- Start from net income instead of operating result
- Gross presentation of several cash flow line items

3. Consolidated statement of profit or loss and other comprehensive income

- The combined statement of profit or loss and other comprehensive income is used

Reclassifications in the statement of financial position and remeasurements

a. *Reclass of Contract liabilities with maturity date >1y to long term contract liabilities*

In the 2016 and 2017 NL GAAP consolidated financial statements, all contract liabilities with a maturity date exceeding 1 year were presented as current liabilities, whilst the prepayments with a maturity date exceeding 1 year were presented as non-current assets. The total amount of contract liabilities was presented under line item “deferred revenue” in the current liability section of the statement of financial position and the non-current portion of deferred revenue was disclosed in the notes. Under IFRS, the Group uses the practical expedient that if the normal business cycle is not clearly identifiable, it is assumed to be 12 months. As such, all contract liabilities with a maturity date exceeding 1 year are reclassed to non-current liabilities.

b. *Restatement of contract cost*

Based on the IFRS 15 requirements, the cost of obtaining a contract should be recognized as an asset if the entity expects to recover those costs and if the incremental cost of obtaining the contract would not have been incurred if the contract had not been obtained.

The Group identified variable sales commissions which meet the definition stated above and has recognized these sales commissions as contract cost.

c. *Defined benefit obligation*

Under Local GAAP, the Group recognized costs related to its pension plan on a cash basis. Under IFRS, pension liabilities are recognized on an actuarial basis. The pension liability has been recognized in full against retained earnings in the IFRS opening statement of financial position as per 1 January 2017 and has been adjusted against Profit or loss for the current service cost and net interest income/expense. As per 31 December 2017, the actuarial gains and losses have been recognized against OCI.

d. *Impact of remeasurements on Equity, OCI and deferred taxes*

Equity, OCI and deferred tax remeasurements combine the equity, OCI and deferred tax impact of all other corrections mentioned in this note.

e. *Remeasurement of Goodwill*

In the 2016 and 2017 annual accounts NL GAAP consolidated financial statements, Goodwill amount recognized was amortized over 12 years on a linear basis. As from the date of transition to IFRS, amortizations were reversed as goodwill is not amortized under IFRS reporting framework. The profit or loss effect of the reversal of amortization of goodwill in 2017 amounts to €24 501 thousand.

f. *Restatement of business combinations which took place after the first adoption date of IFRS*

The acquisition of iT-Cube Systems A.G. took place after the first adoption date and the purchase price allocation has been reperformed taken into accounts requirements in IFRS 3 Business combinations. Acquisition costs related to the transaction were expensed in the statement of comprehensive income as per 31 December 2017 and the remeasurement of the acquired intangible assets mainly resulted in a shift from recognized goodwill to recognized customer contracts in the business combination.

g. *Consolidation of legal entities SecureLink Information Technology (Shanghai) Co., Ltd. And Agile SI GmbH.*

Under NL GAAP, entities can be exempt from full consolidation when they have a negligible effect on the financial statements. The Group has an equity interest in both entities of 100% and has consolidated the entities in full in the IFRS financial statements.

h. Change in presentation of contract liabilities recognized without unconditional right to consideration

Under IFRS, contract liabilities which are recognized at the moment of accounts receivable recognition which are not yet due at that point in time should be offset against that accounts receivable position until the accounts receivable position becomes due and there is a unconditional right for consideration. The reclassification relates to accounts receivable position which is not yet due at balance sheet date and for which a contract liability had been recognized.

i. Reclassification of receivables holiday pay

The receivable of advanced holiday pay is presented on the asset side of the balance sheet under IFRS and are not offset against the provision for holiday pay on the liability side of the balance sheet.

Reclassifications in the consolidated statement of profit or loss

In the 2016 and 2017 annual accounts according to NL GAAP, expenses were presented by function. Under IFRS, the Group has opted to present expenses by nature, rather than by function. This has the following impact:

Impact on raw materials and consumables used:

In the NL GAAP 2017 consolidated financial statements, there was an amount of €14 934 thousand included in cost of goods sold relating to amortization on customer contracts and tradenames and an amount of €34 061 thousand included in cost of goods sold relating to allocation of operational payroll expenses. The amortization charge is presented under line item “Amortization, depreciation and impairment” and the allocated operational payroll expense is presented under line item “employee benefits” in the statement of profit or loss and other comprehensive income under IFRS framework.

Impact on expenses by nature:

Total presented expenses by function included in the operating result amounts to €77 772 thousand under NL GAAP (IFRS before remeasurements: €84 452 thousand). The difference relates to depreciation and amortization charges included in general administrative expenses in NL GAAP consolidated accounts of €27 380 thousand (IFRS before remeasurements: €27 381 thousand presented under line item “Amortization, depreciation and impairment” and Operational payroll expenses presented as part of cost of goods sold in NL GAAP consolidated accounts of €34 061 thousand (IFRS before remeasurements: €34 061 thousand presented under line item “Employee benefits” in the expenses by nature).

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

4.2.1 Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS9 Financial instruments when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Business combinations

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

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

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

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

4.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 4.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

Goodwill is tested for impairment annually or upon occurrence of triggering events, which indicate a possible need for impairment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.5 Revenue recognition

The Group provides solutions to customers based on their specific needs and requirements. These solutions often tend to include one or more of the following performance obligations:

- Sale of products: Hardware
- Sale of products: Licenses
- Sale of services: Maintenance contracts
- Sale of services: Consultancy services
- Sale of services: Managed Security Services (MSS)

All of the above performance obligations meet the criteria of being separate performance obligations. A Group wide analysis has been made on revenue recognition of these separately identifiable performance obligations based on the 5-step model of IFRS 15.

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

The Group does not apply a portfolio of contracts approach. Instead, every solution (contract) sold to a customer is broken down into the identified performance obligations and accounted for based on the outcome of the 5-step analysis of that performance obligation. Significant accounting policies relating to each performance obligation is included below.

The Group has concluded that it acts as principal in all recognized contracts, for all performance obligations of the solutions provided to the customer and accounts for revenue and cost of goods sold on a gross basis. For maintenance, consultancy and MSS services, the Group concludes that it acts as principal in all recognized contracts due to the fact that the group is in control of the services in advance of transferring them to the customer, the Group has discretion to set prices and the Group has the primary responsibility to provide the services. The basis of conclusion for the other revenue categories mainly relies on the fact that the Group has the discretion to accept or reject orders from customer, the Group can source items from more than one supplier (as the Group designs a tailor made solution for the customer in which, based on the specific facts and circumstances, different technologies can be more beneficial for the customer), the Group is fully responsible over the sales strategy and the Group is the primary responsible in fulfilling the promise. Moreover, the Group has full discretion to set prices and the amount paid by the Group to the supplier is fixed per unit.

4.5.1 Sale of products: Hardware & Licenses

As part of the solution provided to the customer, the Group often arranges delivery of Hardware components. Revenue of Hardware sales is recognized <u>at a point in time</u> when the customer obtains control over the asset, typically upon delivery of the Hardware. Following delivery, the customer obtains control over the asset and has the ability to direct the use of, and obtains substantially all of the remaining benefits from the asset.

A receivable is recognized by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

As part of the solution provided to the customer, the Group often delivers Licenses to the customer. The Group only sells own developed intellectual property for an immaterial amount. The most common licenses sold are bought in licenses from vendors/distributors.

Revenue recognition of licenses is based on whether the customer obtains a “right to use “or a “right to access” license. The Group argues that it sells only “right to use” licenses, apart from own developed intellectual property, as the definition of IFRS 15 states for a right to access asset that <u>all</u> of the following criteria of IFRS to recognize revenue over item need to be met:

- Criterion 1: The entity expects to undertake activities that significantly affect the intellectual property
- Criterion 2: Rights directly expose the customer to positive or negative effects of the entity’s activities
- Criterion 3: The activities do not result in the transfer of a good or service to the customer

As this is not the case with license revenue sold by the Group, the licenses sold are classified as “right to use” licenses and revenue is recognized at a point in time.

The Group buys subscription and perpetual licenses from vendors and the customer does not reasonably expect SecureLink to undertake activities that significantly affect the intellectual property to which the customer has rights. The intellectual property of software also typically has significant standalone functionality (IFRS 15.B59A), pointing to a right to use asset, rather than a right to access asset.

Revenue of License sales is recognized <u>at a point in time</u> when the customer obtains control over the asset, typically upon delivery of the License. Following delivery, the customer obtains control over the asset and has the ability to direct the use of, and obtains substantially all of the remaining benefits from the asset.

4.5.2 Sale of services: Consultancy services

As part of the solution provided to the customer, the Group often delivers consultancy services to the customer; Consultancy services can be fixed fee contracts or consultancy invoiced based on hours performed.

The service meets the criteria for recognizing revenue over time. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognized over time based on timesheet registration information.

4.5.3 Sale of services: Maintenance and MSS contracts

As part of the solution provided to the customer, the Group often delivers maintenance services to the customer; Maintenance services comprises vendor maintenance as well as own serviced maintenance contracts.

The service meets the criteria for recognizing revenue over time. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognized over time on a linear basis, as the maintenance service is a stand-ready obligation: Timing of revenue recognition for performance obligations of services in case something happens, which is not definable in time, has a continuing value for the customer over the lifetime of the contract.

The Group also provides MSS services to customers. Customers can close a contract to obtain MSS from the Group for a period of time, in which the customer simultaneously receives and consumes the benefits provided by the Group. That benefit is safely enabling their business in a secure environment, monitored by the Group.

Revenue is recognized over time on a linear basis, as the MSS contracts are stand-ready obligations: Timing of revenue recognition for performance obligations of services in case something happens, which is not definable in time, has a continuing value for the customer over the lifetime of the contract. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group.

4.6 Contract liabilities

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

4.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.7.1 The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.7.2 The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.8 Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

4.9 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Borrowing costs related to financial instruments, category other financial liabilities are accounted for at amortized cost using effective interest method.

4.10 Employee benefits

4.10.1 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Group presents the first two components of defined benefit costs in profit or loss in the line item employee benefits. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

4.10.2 Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4.10.3 Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

4.11 Taxation

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

4.11.1 Current tax

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

SL Bidco B.V. forms part of a Dutch fiscal unity. A Dutch parent company and its Dutch subsidiaries can create a fiscal unity for corporate income tax purposes. Corporate income tax is charged to the other companies that form part of the fiscal unity for corporate income tax purposes, as if they were independently liable to pay tax. The tax positions are therefore positions with the head of the fiscal unity. Up until year ending 31 December 2017, the head of the fiscal unity was SL Holdco B.V. As from February 2018, the fiscal unity was split into 2 fiscal unities and SL Bidco B.V. is now head of its own fiscal unity.

4.11.2 Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

4.11.3 Current and deferred tax for the year

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

4.12 Property, plant and equipment

Items of property, plant and equipment are measured at cost, which can comprise capital borrowing costs, less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Depreciation rates of Property, Plant and Equipment

Type of PP&E	Estimated useful life	Depreciation rate
Leasehold improvements	1 to 5 years	20% - 100%
Spare parts	5 years	20%
Furniture, fittings & Equipment	4 to 5 years	20% - 25%
Vehicles	4 years	25%

4.13 Intangible assets

The estimated useful lives of intangible assets for current and comparative periods are as follows:

Amortization of Intangible assets

Type of Intangible asset	Estimated useful life	Amortization rate
Patents and other Rights	5 years	20%
Internally generated software	5 years	20%
Tradenames	10 years	10%
Customer contracts	1 year - 15 years	7% - 100%

4.13.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful life of Significant intangible assets acquired in business combinations is assessed separately.

4.13.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortization starts when the asset is complete and available for use.

4.13.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. For significant identified intangible assets acquired in a business combination, a case by case analysis is performed to assess the appropriate amortization rate.

4.13.4 Derecognition of intangible assets

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

4.14 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.16 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

4.16.1 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

4.16.2 Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

4.16.3 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4.16.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37.

4.17 Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

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

4.18 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

4.18.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

4.18.1.1 Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in profit or loss and is included in the "investment income" line item.

4.18.1.2 Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortized cost are measured at fair value through profit or loss.

Specifically:

- Investments in equity instruments are classified as at fair value through profit or loss, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition (see 4.18.1.3).

- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see 4.18.1) are classified as at fair value through profit or loss. In addition, debt instruments that meet the amortized cost criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at fair value through profit or loss.

- Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss.

4.18.2 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.
- for financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

4.18.3 Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost, lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4.18.3.1 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the leisure goods and electronic equipment market, the residential properties construction industry and the IT software business.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor 's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor;

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if

i) the financial instrument has a low risk of default,

ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and

iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4.18.3.2 Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4.18.3.3 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

4.18.3.4 Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

4.18.3.5 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate Group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

4.18.4 Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

4.19 Financial liabilities and equity instruments

4.19.1 Classification as debt or equity

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

4.19.2 Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4.19.3 Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

4.19.3.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Finance cost' line item. Fair value is determined in the manner described in the disclosure note on financial instruments.

4.19.3.2 Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not:

1) contingent consideration of an acquirer in a business combination,

2) held-for-trading, or

3) designated as at fair value through profit or loss,

are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

4.19.3.3 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at fair value through profit or loss, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship

4.19.3.4 Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.20 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in the note on financial instruments.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

4.20.1 Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value through profit or loss as appropriate. See note 4.18.1 for the Group’s policy on classification of financial assets.

4.21 Hedge accounting

The Group does not make use of hedge accounting. Subsequently, all hedges are measured at fair value through profit or loss.

5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

5.1.1 Revenue recognition

In applying the new IFRS 15 Revenue, the directors considered all relevant information to assess the revenue recognition of the different performance obligations in the contracts. For the critical judgements applied in the accounting policies, reference is made to note 4.5 on revenue recognition.

5.1.2 Deferred tax asset recognition

Critical judgements made by the Group relate to the availability of future taxable profit against which tax losses carried forward can be used when determining the deferred tax asset to be recognized. Reference is made to note 4.11 explaining the significant accounting policies applied and to note 10.4 and 10.5 on the assessment of the (un)availability of future tax profits.

5.1.3 Recognition of internally generated intangible assets and recoverability of development cost

The Group capitalizes costs for service and software development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a 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 value in use of the developed intangible assts, discount rates to be applied and the expected period of benefits. At 31 December 2018, the carrying amount of capitalized development costs was €2 583 thousand (2017: €3 103 thousand). The increase in carrying value mainly relates to the enhancements made to the service delivery platform used throughout the Group for providing maintenance and managed security services to customers.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.2.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Impairment exists when the carrying value of a cash generating unit exceeds its recoverable amount (its value in use). Reference is made to the note 13 for the key assumptions underlying recoverable amounts.

5.2.2 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Company assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based in the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about assumptions made in measuring fair values is included in the following notes:

- Financial instruments: note 33
- Acquisition of subsidiary: note 30

5.2.3 Useful life of intangible assets

The assessment of the useful life of intangible assets in business combinations is based on the purchase price allocation performed for the different business combinations. Reference is made to note 4.3 on the significant accounting policies applied in accounting for business combinations. Reference is also made to note 30 on business combinations for more detail on the key assumptions used for the purchase price allocation process to determine the valuation of the assets and liabilities at the moment of purchase and the useful life of the intangible assets.

6 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable product lines under IFRS 8 (as disclosed in note 7):

Revenue by product category

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Products	116 750	119 656
Maintenance and MSS services	95 566	86 166
Consultancy services	33 699	31 569
Other revenue	2 265	2 714
Total revenue	**248 280**	**240 105**

No individual customer contributed 10 per cent or more to the Group's revenue in either 2018 or 2017.

The group has disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating segments in Note 7 is appropriate in meeting the disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity.

The below table presents a disaggregation of revenue from contracts with customers based on the timing of transfer of goods and services (i.e. at a point in time or over time).

Timing of revenue recognition

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Products	116 750	119 656
Other revenue	2 265	2 714
Total revenue recognized at a point in time	**119 015**	**122 370**
Maintenance and MSS services	95 566	86 166
Consultancy services	33 699	31 569
Total revenue recognized over time	**129 265**	**117 735**
Total revenue	**248 280**	**240 105**

The transaction price allocated to unsatisfied performance obligations (contract liabilities) are as set out below:

Unsatisfied performance obligations / Contract liabilities

	31/12/2018	31/12/2017	1/01/2017
Contract Liabilities by product category	EUR '000	EUR '000	EUR '000
Maintenance and MSS services	61 911	64 616	56 885
Consultancy services	4 729	2 036	1 993
Total unsatisfied performance obligation	**66 640**	**66 652**	**58 878**
Contract liabilities by classification			
Non-current	18 301	17 339	16 399
Current	48 339	49 313	42 479
Total unsatisfied performance obligation	**66 640**	**66 652**	**58 878**

The below table summarizes the amount of revenue recognized during 2018 and 2017, relating to the opening contract liability balance as per 31 December 2017 and 1 January 2017 respectively and the amount of revenue recognized during 2018 and 2017 relating to performance obligations satisfied (or partially satisfied) in previous periods (if any):

Revenue recognized in the period relating to the opening contract liability balance

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Revenue recognized in the period relating to:		
Amounts included in contract liabilties at the beginning of the year	49 313	42 479
Performance obligations satisfied in previous years (i)	-	-
Total	**49 313**	**42 479**

(i) There is no revenue recognized in the period relating to performance obligations satisfied in previous periods. Given the fact the Group has very limited fixed fee contracts which can be subject to transaction price changes and due to the fact that the major part of deferred revenue relates to back-to-back maintenance contracts (which are prepaid upfront) and own serviced maintenance and MSS contracts for which a stand ready obligation exists and for which revenue is recognized on a linear basis over the contract period, there is no amount of revenue recognized in the period relating to performance obligations satisfied in previous years.

Management expects that the transaction price allocated to the unsatisfied contracts as of the year ended 2018 will be recognized as revenue during the next reporting periods as follows:

Management expectation of timing recognition unsatisfied performance obligation

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Next reporting period	48 339	49 313	42 479
Within 1-2 years from the reporting period	11 364	9 766	10 183
Within 2-3 years from the reporting period	4 840	5 456	4 337
Within 3-4 years from the reporting period	1 597	1 546	1 431
More than 4 years from the reporting period	500	571	448
Total unsatisfied performance obligation	**66 640**	**66 652**	**58 878**

Contract balances and the related disclosures have been included in the following places in the notes to the Group's accounts.

- Prepayments: Note 13
- Contract assets and contract cost: Note 17
- Trade Receivables: Note 19

7 Segment Reporting

The Group's activities are principally related to cybersecurity. As such, the Group has only one business segment as its primary reporting segment. The Group operates in various countries. Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the country-by-country financial information, which is provided to the chief operating decision makers on a monthly basis. The geographical segment is the Group's secondary reporting format. Segment adjusted EBITDA is used to measure business performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The group's chief executive officer reviews the internal management reports of the cyber security segment on a monthly basis. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Revenue is reported for the cybersecurity segment. In the below table, the segment revenue is presented per geographical region and product category:

Revenue per segment

	Cyber security segment	
	31/12/2018	31/12/2017
	EUR '000	EUR '000
By product category:		
Products	116 750	119 656
Consultancy services	33 699	31 569
Maintenance and MSS services	95 566	86 166
Other revenue	2 265	2 714
	248 280	**240 105**
By geographical region:		
Belgium	52 946	51 610
The Netherlands	50 650	44 924
Sweden	61 956	69 353
United Kingdom	29 134	31 776
Germany	26 933	19 552
Denmark	17 300	15 304
Norway	9 209	7 586
China	152	-
Total	**248 280**	**240 105**

The accounting policies of the reportable segment is the same as the Group's accounting policies described in note 4.

Revenue per geographical region reported above represents revenue generated from external customers eliminating intercompany segment sales as reconciled below:

Inter-geographical region revenue reconciliation

	External customer revenue		Inter-geographical region		Total revenue	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Belgium	52 946	51 610	3 424	3 373	56 370	54 983
The Netherlands	50 650	44 924	17 333	13 649	67 983	58 573
Sweden	61 956	69 353	8 123	9 377	70 079	78 730
United Kingdom	29 134	31 776	620	269	29 754	32 045
Germany	26 933	19 552	307	116	27 240	19 668
Denmark	17 300	15 304	177	433	17 477	15 737
Norway	9 209	7 586	41	-	9 250	7 586
China	152	-	904	-	1 056	-
Consolidation eliminations	-	-	(30 929)	(27 217)	(30 929)	(27 217)
Total	**248 280**	**240 105**	**-**	**-**	**248 280**	**240 105**

Inter-geographical region recharges relate to centralized headquarter services, Managed Security centralized services and other operational services recharged, which is included in the total revenue. These intercompany recharges are eliminated in the consolidation and presented in the table above as consolidation eliminations.

The total of non-current assets (other than financial instruments, goodwill and other intangible assets relating to business combinations, investments in subsidiaries and deferred tax assets and consolidation eliminations,), broken down by location of the assets, is shown in the following tables:

Non-current assets by geographical region

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Belgium	4 936	5 915	4 690
The Netherlands	7 340	5 278	4 318
Sweden	5 440	6 344	5 105
United Kingdom	2 191	3 009	2 198
Germany	1 949	1 470	-
Denmark	1 619	1 430	1 337
Norway	467	248	559
China	67	99	-
Total non-current assets	**24 009**	**23 793**	**18 207**

The chief operating decision maker is defined as group management, consisting of the Group CEO, CFO and CCO.

The measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is adjusted EBITDA. Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance.

Total adjusted EBITDA of the reporting segments is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortization, impairment losses as well as non-recurring expenses. The chief operating decision makers define non-recurring expenses as expenses which are in nature extraordinary or one-off and which the company does not expect to recur on any regular basis. Under general and administrative expenses, examples of non-recurring expenses include but are not limited to:

- Cost synergy expenses (payroll termination fees & relating advisory expenses)
- Non-recurring audit and advisory expenses related to first time adoption of new GAAP
- Transaction cost and advisory fees relating to business combinations and integration cost of acquisitions

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

The adjusted EBITDA reconciliation can be summarized as follows:

Adjusted EBITDA Reconciliation

	Full year adjusted EBITDA Reconciliation		
	31/12/2018	31/12/2017	Change
	EUR '000	EUR '000	%
Total adjusted EBITDA (*)	**23 422**	**21 289**	**10,0%**
Reconciling items			
Non-recurring employee benefits expenses	(200)	-	
Non-recurring Legal and accounting expenses	(2 385)	(5 125)	
Amortization, depreciation and Impairment	(20 797)	(17 094)	
Finance cost (net)	(19 949)	(12 884)	
Income tax	1 576	2 021	
PROFIT / (LOSS) FOR THE YEAR	**(18 333)**	**(11 793)**	

(*) Interpretations made by management in determining the alternative performance measure Adjusted EBITDA have not been subject to audit, although selected items used for the interpretation of Adjusted EBITDA have been derived from the consolidated financial statements.

Given the fact that the Group only has one segment (cybersecurity) and Adjusted EBITDA per geographical region would reveal sensitive competitive information, the directors have opted to not disclose such information.

8 Employee benefit expense

See accounting policies in note 4.10.

The employee benefit expense can be summarized as follows:

Employee benefits

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Salaries and wages	(46 145)	(43 399)
Capitalized employee benefits	864	1 132
Social Security charges	(9 500)	(9 363)
Defined contribution plans	*(2 491)*	*(2 247)*
Defined benefit plans	*(317)*	*(345)*
Post employment benefits	(2 808)	(2 592)
Training	(500)	(669)
Recruitment and Other	(2 511)	(3 394)
Subcontractors	(4 783)	(4 908)
Total	**(65 383)**	**(63 193)**

Subcontractor cost includes expenses related to contractor staff not on the Group's payroll.

The average number of full-time equivalent employees ("FTE's") for 2018 and 2017 were as follows:

Average number of FTE

	31/12/2018		31/12/2017	
in average number of FTE's	Employees	Contractors	Employees	Contractors
Belgium	135	20	132	25
The Netherlands	130	2	132	3
Sweden	210	2	201	3
United Kingdom	45	-	50	5
Germany	69	-	66	-
Denmark	27	-	28	-
Norway	14	-	11	-
China	9	-	-	-
Total	**639**	**24**	**620**	**36**

8.1 Defined contribution plans

The Group has defined contribution retirement benefit plans in place for almost all qualifying employees of its subsidiaries in The Netherlands, UK, Sweden, Denmark, Norway, Germany and China.

The assets of the plans are held separately from those of the Group by insurance companies. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total expense recognised in profit or loss of €2 491 thousand (2017: €2 247 thousand) represents contributions to these plans by the Group at rates specified in the rules of the plans.

8.2 Defined benefit plans

The Group sponsors funded defined benefit plans for qualifying employees of its subsidiaries in Belgium (qualifying as defined benefit plan as a result of the Belgian law on supplementary pensions) and for one employee in Germany in 2017. The defined benefit plans are administered by a third-party insurer.

8.2.1 Description of the defined benefit plans

The key elements of the defined contribution plan in Belgium (qualified as defined benefit plan as a result of the Belgian law on supplementary pensions) can be summarized as follows:

- Fixed contribution plan with legal minimum return to be guaranteed by the employer
- Employer's premium of 4% of the annual salary
- Providing retirement lump sum at age 65 resulting of the premium capitalization and death in service benefit for which the coverage is at choice of the Employees (built up reserves, or 1 to 2 times their annual salary)

The key elements of the defined benefit plan in Germany can be summarized as follows:

- Fixed amount defined benefit pension plan for one former employee
- Re-insured direct pension promise
- Providing old-age pension of €60 thousand per year at age 67, deferred disability pension (pro-rata according to years of service until disability) at retirement age and widow pension of 70%
- Guaranteed pension indexation of 3% per annum

8.2.2 Benefit asset/liability included in the consolidated statement of financial position

The change in retirement benefit obligation in the statement of financial position can be summarized as follows:

Net liability arising from defined benefit obligation

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Present value of funded defined benefit obligation	1 367	1 563	946
Fair value of plan assets	(1 341)	(1 253)	(918)
Benefit (asset)/liability	**26**	**310**	**28**

8.2.3 Actuarial assumptions and risks

The key actuarial assumptions can be summarized as follows:

Assumptions

	31/12/2018	31/12/2017	1/01/2017
Discount rate(s)	2,30%	2,20% - 2,47%	1,80%
Inflation rate	2,00%	2,00%	2,00%
Expected rate(s) of salary increase (on top of the inflation rate)	2,00%	2,00%	2,00%
Pension indexation rate post-retirement	n.a.	3,00%	n.a.
Retirement age	65 years	65 - 67 years	65 years
Averaged Longevity at retirement age for current employees (future pensioners)			
Males	22 years	20 - 22 years	22 years
Females	26 years	20 - 26 years	26 years

The key actuarial risks can be summarized as follows:

Actuarial risks

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

9 Finance cost (net)

See accounting policies in note 4.17, 4.18, 4.19, 4.20 and 4.21.

Finance cost (net)	31/12/2018 EUR '000	31/12/2017 EUR '000
Financial liabilities measured at amortized cost:		
Interest on secured bank loans	(3 591)	(6 372)
Interest on lease liabilities	(117)	(101)
Interest on secured bond	(8 365)	-
Interest on loans from related parties	(3 957)	(5 869)
Other finance costs	(4 051)	(594)
Interest income	132	52
Total	**(19 949)**	**(12 884)**

For the terms and conditions of the borrowings, reference is made to note 21.1. The increase in other finance costs in 2018 mainly relates to the unrealized foreign exchange loss relating to the intercompany loans from SL Bidco B.V. to SLCS Systems A.B. denominated in SEK and from SL Bidco B.V. to SL Bidco UK Ltd. denominated in GBP amounting to €3 196 thousand. These intercompany loans have replaced former secured bank loans during the refinancing transaction which took place on the 6th of February 2018. As the Group does not apply hedge accounting, the effect in the profit or loss statement is not offset against the opposite effect recognized in other comprehensive income (effect on foreign exchange translation reserve).

10 Income tax

See accounting policies in note 4.11.

10.1 Income tax recognized in profit or loss, OCI and directly in equity

Income tax recognized in profit or loss, OCI and directly in equity

	2018	2017
	EUR '000	EUR '000
In profit or loss		
Current tax		
In respect of the current year	(1 072)	(586)
In respect of prior years	(666)	204
Total current tax	**(1 738)**	**(382)**
Deferred tax		
Origination and reversal of temporary differences	2 552	2 403
Adjustment of deferred tax attributable to changes in tax rates and laws	762	-
Total deferred tax	**3 314**	**2 403**
Total income tax gain / (expense) recognized in profit or loss	**1 576**	**2 021**
In Equity		
Arising from business combinations	-	(3 914)
Total income tax gain / (expense) recognized directly in Equity	**-**	**(3 914)**
In OCI		
Arising from exchange differences on foreign operations	111	116
Arising from Remeasurement of defined benefit obligation	2	6
Total income tax gain / (expense) recognized in OCI	**113**	**122**

10.2 Reconciliation of effective tax rate

The tax rate used for the 2018 and 2017 reconciliations above is the corporate tax rate of 25% payable by corporate entities in The Netherlands on taxable profits under tax law in that jurisdiction (domestic tax rate). The average effective tax rate in 2018 amounted to 14,45% (2017: 14,63%).

The charge for the year can be reconciled to the profit/(loss) before tax as follows:

Reconciliation of effective tax rate

	31/12/2018 EUR '000	31/12/2017 EUR '000
Profit / (loss) before tax	**(19 909)**	**(13 814)**
Income tax gain / (expense) calculated at 25% (2017: 25%)	**4 977**	**3 454**
Reconciling items		
Effect of expenses that are not deductible in determining taxable profit (ii)	(2 865)	(642)
Change in unrecognized deferred tax assets	(549)	(1 065)
Tax effect of utilization of tax losses not previously recognized	15	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(98)	69
Effect of changes in tax rates (i)	762	-
Total Reconciling items	**(2 735)**	**(1 638)**
Adjustments recognized in the current year relating to current taxes of prior year	(666)	204
Income tax gain / (expense) recognized in profit or loss	**1 576**	**2 021**

(i) The effect relates to the revision of deferred tax assets and liability balances based on new enacted tax rates in The Netherlands and Belgium during 2018. In previous periods, the applied tax rate for Belgium was 33,99% and for The Netherlands 25%. Based on new enacted tax rates, the current tax rate in Belgium has decreased to 29,58% and will further decrease over the years to come. The current tax rate in The Netherlands will remain 25% for 2019, but will gradually decrease to 20,5% as from the current income tax year 2021 and onwards. The tax gain recognized in 2018 of €762 thousand mainly relates to the restatement of deferred tax liabilities arising from business combinations.

(ii) The increase of expenses that are not deductible in determining the taxable profit in 2018 compared to 2017 mainly relates to the impairment of goodwill of €9 million which is not tax deductible.

10.3 Deferred tax balances

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

Deferred tax balances

	31/12/2018 EUR '000	31/12/2017 EUR '000	01/01/2017 EUR '000
Deferred tax assets	1 967	1 983	4 161
Deferred tax liabilities	(11 804)	(15 247)	(14 972)
Total net deferred tax liabilities	**(9 837)**	**(13 264)**	**(10 811)**

The non-Dutch subsidiaries of the Group are separate tax payers and therefore, the deferred tax assets and liabilities are presented on an individual basis.

The reconciliation of the amount of recognized deferred tax assets and liabilities set out above in respect of each type of temporary difference is as follows:

Deferred tax balances reconciliation

	Opening balance	Recognized in profit or loss	Recognizes in OCI	Reclassed to current tax based on statutory accounting policy change	Recognized directly in Equity (business combinations)	Closing balance
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2018						
Deferred tax assets/(liabilities) in relation to:						
Contract cost	(151)	114	-	-	-	(37)
Retirement benefit obligation	18	(20)	2	-	-	-
Intangible assets	(13 662)	2 889	97	-	-	(10 676)
Contract liabilities and prepayments	819	(783)	(6)	-	-	30
	(12 976)	**2 200**	**93**	**-**	**-**	**(10 683)**
Tax losses carried forward	745	779	-	-	-	1 524
Untaxed reserves	(1 033)	335	20	-	-	(678)
Total Net Deferred tax assets/(liabilities)	**(13 264)**	**3 314**	**113**	**-**	**-**	**(9 837)**
2017						
Deferred tax assets/(liabilities) in relation to:						
Contract cost	(117)	(12)	-	-	(22)	(151)
Retirement benefit obligation	10	(30)	6	-	32	18
Intangible assets	(13 387)	3 831	138	-	(4 244)	(13 662)
Contract liabilities and prepayments	2 349	(786)	-	(1 064)	320	819
	(11 145)	**3 003**	**144**	**(1 064)**	**(3 914)**	**(12 976)**
Tax losses carried forward	1 806	(1 047)	(14)	-	-	745
Untaxed reserves	(1 472)	447	(8)	-	-	(1 033)
Total Net Deferred tax assets/(liabilities)	**(10 811)**	**2 403**	**122**	**(1 064)**	**(3 914)**	**(13 264)**

During 2018, the group incurred a tax loss of €779 thousand for its subsidiaries in UK and Germany, increasing cumulative tax losses to €1 524 thousand (2017: €745 thousand), Management has determined that the deferred tax assets accounted for are recoverable based on the five-year business plan and taking into account the reversal of existing taxable temporary differences. The losses can be carried forward indefinitely and have no expiry date.

10.4 Unrecognized deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized:

Unrecognized deductible temporary differences and unrecognized unused tax losses /credits	31/12/2018 EUR '000	31/12/2017 EUR '000
Tax losses not recognized as DTA, Tax effect @ local domestic tax rate	(26)	(41)
	(26)	**(41)**

10.5 Uncertainty over income tax treatments

On 29 March 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU. There was an initial two-year timeframe for the UK and EU to reach an agreement on the withdrawal and the future UK and EU relationship, which is now extended to October 31, 2019. At this stage, there is significant uncertainty over the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change, and this may impact the Group. However, at this stage, the level of uncertainty is such that it is impossible to determine if, how and when that tax status will change.

Although the Group does not have significant import/export of products (and services) between the UK and other entities from the Group or between the UK based subsidiary and third-party customers from other European countries, the above mentioned uncertainty still exists to date and the exact impact on the change in tax status is difficult to assess.

11 Dividends

The proposed final dividend for the year ended 31 December 2018 amounts to €0 (2017: €0). According to article 14 of the company's articles of association, the appropriation of the result is at the disposal of the General Meeting.

12 Goodwill

See accounting policies in note 4.4.

12.1 Summary of changes in goodwill

Goodwill	
	EUR '000
Cost	
At 1 January 2017	**261 041**
Additional amounts recognized from business combinations occurring during the year (note 30)	14 945
Effect of foreign currency exchange differences	(4 273)
At 31 December 2017	**271 713**
Effect of foreign currency exchange differences	(4 313)
At 31 December 2018	**267 400**
Accumulated impairment losses	
At 1 January 2017	**-**
At 31 December 2017	**-**
At 31 December 2018 (note 12.2)	**(9 000)**
Carrying amount	
At 1 January 2017	**261 041**
At 31 December 2017	**271 713**
At 31 December 2018	**258 400**

The additions in 2017 represents the goodwill recognized for the acquisition of iT-Cube Systems A.G. Reference is made to note 30 for additional information relating to the business combination.

12.2 Allocation of goodwill to cash generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units (CGU's):

- Securelink UK Limited
- Securelink Nederland B.V.
- Securelink N.V.
- Securelink Germany GmbH
- Securelink Sweden AB
- Securelink Norway AS
- Securelink Denmark A/S

Before impairment testing, the carrying amount of goodwill was allocated to CGU's as follows:

Goodwill cost allocation to CGU's before impairment

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Securelink UK Limited	32 191	32 652	34 050
Securelink Nederland B.V.	66 490	66 490	66 490
Securelink N.V.	62 366	62 366	62 366
Securelink Germany GmbH	14 945	14 945	-
Securelink Sweden AB	66 376	69 173	71 260
Securelink Norway AS	7 278	7 585	7 814
Securelink Denmark A/S	17 754	18 502	19 061
Total goodwill cost	**267 400**	**271 713**	**261 041**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the different CGU's is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a future five-year period.

The key assumptions in determining the recoverable amount can be summarized as follows:

Key assumptions

	Average annual sales growth rate	Average EBITDA margin growth rate	Pre-tax discount rate	Terminal Growth rate
	%	%	%	%
31/12/2018				
Securelink UK Limited	5,0%	1,8%	13,1%	2,0%
Securelink Nederland B.V.	7,0%	0,3%	12,2%	1,3%
Securelink N.V.	9,0%	(0,2)%	13,4%	1,3%
Securelink Germany GmbH	15,0%	2,5%	13,8%	1,3%
Securelink Sweden AB	7,0%	(0,1)%	12,0%	1,4%
Securelink Norway AS	18,0%	0,5%	12,6%	2,0%
Securelink Denmark A/S	7,0%	0,9%	11,5%	1,0%
31/12/2017				
Securelink UK Limited	15,0%	1,4%	12,6%	2,0%
Securelink Nederland B.V.	12,0%	0,0%	11,7%	1,3%
Securelink N.V.	7,0%	0,2%	14,0%	1,3%
Securelink Germany GmbH	17,0%	1,1%	12,5%	1,3%
Securelink Sweden AB	7,0%	(0,5)%	11,6%	1,4%
Securelink Norway AS	15,0%	1,1%	11,7%	1,6%
Securelink Denmark A/S	10,0%	1,9%	11,0%	1,0%
1/01/2017				
Securelink UK Limited	10,0%	0,1%	11,9%	2,0%
Securelink Nederland B.V.	15,0%	1,7%	11,5%	1,0%
Securelink N.V.	10,0%	1,4%	13,1%	1,0%
Securelink Sweden AB	12,0%	0,8%	11,7%	1,6%
Securelink Norway AS	10,0%	(0,2)%	12,0%	1,7%
Securelink Denmark A/S	12,0%	1,6%	11,0%	1,0%

Annual sales growth rate: Annual sales growth rate is expected to be similar over the period for the Group as a whole with average growths rate around 10%. Growth rate of individual companies can vary based on local economic factors influencing the market (saturation of the local market, target customers, size of the market compared to the size of the company etc).

EBITDA margin growth rate: EBITDA margins can vary per CGU based on the product mix already provided to the local customers. In the models, the Group has included a gradual increase/(decrease) in EBITDA margin in the financial budgets covering a five-year period based on expected product mix changes and pressure on margins in more mature markets.

Pre-tax discount rates: Discount rates reflect management's estimate of the risk specific to the country in which it operates. Pre-tax discount rates are applied. Based on third party market studies performed for comparable companies, management deems it appropriate to use a different discount rate by CGU that varies between 11% and 14%.

Terminal growth rate: The Group has based its terminal growth expectation on the risk-free interest rate per CGU.

In the initial impairment analysis prepared for SecureLink UK Limited, taking into account the above disclosed key assumptions which were derived from the five-year financial budgets prepared in October 2018, the recoverable amount was substantially in excess of its book value.

The directors are of the opinion that there are significant business opportunities in the future in the UK when the uncertainties around the Brexit have been resolved, which can be a trigger for significant investment in business cybersecurity infrastructure and a driver for significant future revenue growth. Although management considers the risks of a potential Brexit on the UK business as rather remote, given that the vast majority of product sales is performed in the UK domestic market without cross-border transfer, management also acknowledges that the current economic environment causes a higher uncertainty and potential volatility towards future operational results.

Based on current market conditions (i.e. the actual results of the first quarter of 2019, the reforecast of the full year budget of 2019 and based on the fact that the Brexit uncertainty is still unresolved), management has reassessed the key assumptions used in the impairment model for Securelink UK Limited as stated in the table above.

Based on this reassessment, a goodwill impairment has been accounted for of € 9 million as presented in note 12.1. After this impairment and prior to any impact of the different sensitivity analysis performed the amount by which the unit's recoverable amount exceeds its carrying amount can be summarized as follows:

Amount by which the unit's recoverable amount exceeds its carrying amount

	31/12/2018 EUR '000
Securelink UK Limited	371
Securelink Nederland B.V.	24 773
Securelink N.V.	25 034
Securelink Germany GmbH	11 604
Securelink Sweden AB	22 566
Securelink Norway AS	10 435
Securelink Denmark A/S	605

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of each of the CGUs to which goodwill is allocated.

The following table shows the effect on the headroom of an underperformance of 5% in average annual sales growth with all other variables in the model unchanged, as well as the effect of an increase in pre-tax discount rate by 2% with all the other variables in the model unchanged:

Sensitivity analysis

	Decrease of annual sales growth rate by 5%	Increase of Pre-tax discount rate by 2%
	EUR '000	EUR '000
Amount by which the unit's recoverable amount exceeds / (is lower than) its carrying amount per 31 December 2018		
Securelink UK Limited	(4 619)	(3 616)
Securelink Nederland B.V.	6 390	10 405
Securelink N.V.	8 799	12 749
Securelink Germany GmbH	4 409	5 961
Securelink Sweden AB	5 338	7 914
Securelink Norway AS	7 371	7 541
Securelink Denmark A/S	(3 395)	(2 933)

Current market conditions (i.e. the actual results of the first quarter of 2019, the reforecast of the full year budget of 2019) for CGU Denmark do not indicate that the presented changes in the sensitivity analysis are reasonably possible to occur.

The Group has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the different CGU's to exceed its recoverable amount.

13 Prepayments

See accounting policy in note 4.5 on revenue recognition.

The Group often sells back-to-back maintenance contracts on security products and licenses, in which the Group serves as first line support. These contracts are often prepaid to the vendor. Revenue and related prepayments are recognized over time for these contracts.

Prepayment balances can be summarized as follows:

Prepayments

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Contract related prepayments	52 115	48 787	45 680
Total prepayments	**52 115**	**48 787**	**45 680**
Prepayments by classification:			
Non-current	14 943	14 037	11 622
Current	37 172	34 750	34 058
Total prepayments	**52 115**	**48 787**	**45 680**

14 Other intangible assets

See accounting policies in note 4.13.

Other intangible assets

	Patents and other rights	Capitalized development	Customer contracts and tradenames	Total
	EUR '000	EUR '000	EUR '000	EUR '000
2017				
Cost				
Balance at 1 January 2017	**1 815**	**780**	**75 648**	**78 243**
Additions	1 582	1 132	-	2 714
Additions through business combinations	6 068	-	7 153	13 221
Disposals	(71)	-	-	(71)
Transfer to other asset categories	(1 072)	1 046	-	(26)
Effect of foreign currency exchange differences	-	(35)	(858)	(893)
Balance at 31 December 2017	**8 322**	**2 923**	**81 943**	**93 188**
Amortization				
Balance at 1 January 2017	**(277)**	**(149)**	**(18 886)**	**(19 312)**
Additions	(821)	(182)	(14 292)	(15 295)
Effect of foreign currency exchange differences	(107)	(10)	195	78
Balance at 31 December 2017	**(1 205)**	**(341)**	**(32 983)**	**(34 529)**
Net Book value at 31 December 2017	**7 117**	**2 582**	**48 960**	**58 659**
2018				
Cost				
Balance at 1 January 2018	**8 322**	**2 923**	**81 943**	**93 188**
Additions	219	1 070	-	1 289
Disposals	(47)	(77)	-	(124)
Effect of foreign currency exchange differences	-	(56)	(714)	(770)
Balance at 31 December 2018	**8 494**	**3 860**	**81 229**	**93 583**
Amortization				
Balance at 1 January 2018	**(1 205)**	**(341)**	**(32 983)**	**(34 529)**
Additions	(1 129)	(427)	(8 251)	(9 807)
Disposals	39	-	-	39
Effect of foreign currency exchange differences	-	11	257	268
Balance at 31 December 2018	**(2 295)**	**(757)**	**(40 977)**	**(44 029)**
Net Book value at 31 December 2018	**6 199**	**3 103**	**40 252**	**49 554**

The additions in 2017 through business combinations represent the customer relations, intellectual property and tradenames recognized for the acquisition of iT-Cube Systems AG.

The estimated useful lives of intangible assets for current and comparative periods are as follows:

Amortization of Intangible assets

Type of Intangible asset	Estimated useful life	Amortization rate
Patents and other Rights	5 years	20%
Internally generated software	5 years	20%
Tradenames	10 years	10%
Customer contracts	1 year - 15 years	7% - 100%

The useful life of significant intangible assets acquired in business combinations is assessed separately. The below tables summarize the carrying value and the expected useful life of the significant intangible assets acquired in business combinations:

Summary of significant intangible assets - customer contracts and tradenames

	Carrying value			Remaining useful life
	31/12/2018	31/12/2017	1/01/2017	
	EUR '000	EUR '000	EUR '000	in years
CGU				
Securelink UK Limited	6 721	7 840	9 518	1 - 8
Securelink Nederland B.V.	11 003	13 873	18 631	1 - 7
Securelink N.V.	9 287	11 778	17 655	1 - 7
Securelink Germany GmbH	5 964	6 559	-	8 - 13
Securelink Sweden AB	5 259	6 428	7 980	1 - 8
Securelink Norway AS	145	280	472	1 - 8
Securelink Denmark A/S	1 873	2 202	2 506	1 - 8
Total Net Book value	**40 252**	**48 960**	**56 762**	

Summary of significant intangible assets - patents and other rights

	Carrying value			Remaining useful life
	31/12/2018	31/12/2017	1/01/2017	
	EUR '000	EUR '000	EUR '000	in years
CGU				
Securelink Germany GmbH	4 854	5 461	-	8

The carrying value of the intangible assets arising from business combinations has been taken into account for the calculation of the aggregate carrying value of the identified CGU's as described in note 12 for the purpose of impairment testing.

15 Property, Plant and Equipment

See accounting policies in note 4.12.

The changes of the cost and accumulated depreciation and impairment of Property, Plant and Equipment (PP&E) are shown as follows:

Property, plant and equipment

	Leasehold improvements	Spare parts	Furniture fittings & equipment	Vehicles	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2017					
Cost					
Balance at 1 January 2017	**1 003**	**874**	**2 238**	**55**	**4 170**
Additions through business combinations	-	-	317	-	317
Additions	260	739	1 358	-	2 357
Disposals	-	-	(164)	(28)	(220)
Transfer to other asset categories	-	25	(25)	-	-
Effect of foreign currency exchange differences	(12)	(4)	(51)	-	(67)
Balance at 31 December 2017	**1 251**	**1 634**	**3 673**	**27**	**6 585**
Accumulated depreciation and impairment					
Balance at 1 January 2017	**(100)**	**(200)**	**(317)**	**-**	**(617)**
Additions	(218)	(289)	(1 109)	-	(1 616)
Disposals	-	(19)	139	-	120
Transfer to/from other asset categories	-	(13)	13	-	-
Effect of foreign currency exchange differences	2	-	22	-	24
Balance at 31 December 2017	**(316)**	**(521)**	**(1 252)**	**-**	**(2 089)**
Net Book value at 31 December 2017	**935**	**1 113**	**2 421**	**27**	**4 496**
2018					
Cost					
Balance at 1 January 2018	**1 251**	**1 634**	**3 673**	**27**	**6 585**
Additions	270	494	733	-	1 497
Additions through business combinations	-	-	-	-	-
Disposals	(521)	-	(1 621)	(6)	(2 148)
Transfer to/from other asset categories	-	(50)	50	-	-
Effect of foreign currency exchange differences	(15)	(16)	(61)	-	(92)
Balance at 31 December 2018	**985**	**2 062**	**2 774**	**21**	**5 842**
Accumulated depreciation and impairment					
Balance at 1 January 2018	**(316)**	**(521)**	**(1 252)**	**-**	**(2 089)**
Additions	(208)	(399)	(1 139)	(10)	(1 756)
Disposals	227	-	1 499	4	1 730
Transfer to/from other asset categories	-	18	(28)	-	(10)
Effect of foreign currency exchange differences	6	(29)	41	-	18
Balance at 31 December 2018	**(291)**	**(931)**	**(879)**	**(6)**	**(2 107)**
Net Book value at 31 December 2018	**694**	**1 131**	**1 895**	**15**	**3 735**

All PP&E are valued at historical cost basis less impairment. There have been no indicators for impairment of PP&E in 2017 and 2018 and no historical impairment losses were recognized. All assets from the group have been pledged to secure borrowings (reference is made to note 21.4).

For details on the breakdown of the lease liabilities related to PP&E reference is made to the financial risk management section of the disclosures.

16 Subsidiaries

See accounting policies in note 4.2.

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Composition of the Group

Company	Principal activity	Registered office	Equity interest % 2018	Equity interest % 2017
SecureLink Group Services N.V.	Service Centre	Wommelgem, Belgium	100	100
SecureLink N.V.	Operating company	Wommelgem, Belgium	100	100
Zion Security N.V.	Operating company	Wommelgem, Belgium	60	60
SL Acquisition B.V.	Holding company	Sliedrecht, The Netherlands	100	100
SecureLink Nederland B.V.	Operating company	Sliedrecht, The Netherlands	100	100
Securelabs B.V. (**)	Operating company	Sliedrecht, The Netherlands	n.a.	100
SL CS Systems A.B.	Holding company	Malmö, Sweden	100	100
SecureLink Sweden A.B.	Operating company	Malmö, Sweden	100	100
SecureLink Denmark A.S.	Operating company	Copenhagen, Denmark	100	100
SecureLink Norway A.S.	Operating company	Oslo, Norway	100	100
SL Bidco UK Ltd. (*)	Holding company	London, United Kingdom	100	100
SecureLink UK Ltd.	Operating company	London, United Kingdom	100	100
SL German Bidco GmbH.	Holding company	München, Germany	100	100
Securelink Germany GmbH.	Operating company	München, Germany	100	100
Agile SI GmbH.	Dormant	München, Germany	100	100
SecureLink Information Technology (Shanghai) Co., Ltd.	Operating company	Shanghai, China	100	100

Notes

(*) For the year ended 31 December 2017, SL Bidco UK Limited (Company House Registration Number: 10284655) was entitled to exemption from audit under section 479A of the Companies Act 2006 of the UK relating to subsidiary companies

(**) Merged with Securelink Nederland B.V. On 31 December 2017

All entities listed above are fully consolidated for the period under control.

17 Contract assets and contract cost

Contract cost

	31/12/2018 EUR '000	31/12/2017 EUR '000	1/01/2017 EUR '000
Contract cost			
Deferred commission cost	1 075	588	459
Total Contract cost	**1 075**	**588**	**459**
Contract cost by Classification			
Non-current	-	-	-
Current	1 075	588	459
Total Contract cost	**1 075**	**588**	**459**

Contract cost relates to variable sales commissions paid for projects of which revenue is recognized over time. There were no impairment losses recognized on any contract asset in the presented reporting periods.

18 Inventories

See accounting policies in note 4.15.

Inventories

	31/12/2018 EUR '000	31/12/2017 EUR '000	1/01/2017 EUR '000
Licenses regarding maintenance contracts	329	342	177
Hardware	1 868	1 123	720
Software	2	25	
	2 199	**1 490**	**897**
Provision for obsolescence of goods	-	-	-
Total inventories	**2 199**	**1 490**	**897**

19 Trade and other receivables

See accounting policies in note 4.17 and 4.18.

Trade and other receivables

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Trade Receivables	59 017	56 723	45 442
Allowance for doubtful debt	(471)	(219)	(217)
Other receivables	918	672	2 752
Total Trade and other receivables	**59 464**	**57 176**	**47 977**

All receivables have a remaining duration of shorter than one year. The average credit period on sales of goods is 49 Days. No interest is charged on trade receivables. The Group considers that the fair value of the receivables approximates its book value, given its short-term nature.

The Group has established a financial asset impairment policy in which the expected credit loss on trade receivables are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors including an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

In general, the group has a very creditworthy customer base and historic credit losses are immaterial in amount. Actual credit losses incurred during 2018 amount to €6 thousand (2017: €22 thousand). The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Due to the immaterial impact, the Group does not disclose the matrix used to assess the credit risk.

The Group applies the rebuttable presumption that a default is incurred when a financial asset is more than 90 days past due date ("event of default"), unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The allowance of doubtful debt accounted for relates to the analysis of the individual debtors current as well as the forecast direction of conditions at the reporting date.

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

Age of receivables that are past due but not impaired:

Age of receivables that are past due but not impaired

	31/12/2018	31/12/2017
	EUR '000	EUR '000
0-30 days	6 392	6 474
31 - 60 days	709	1 011
61 -90 days	176	429
>90 days	67	136
Total	**7 344**	**8 050**

Summary of movement in the allowance for doubtful debts:

Movement in the allowance of doubtful debts

	31/12/2018 EUR '000	31/12/2017 EUR '000
Balance at the beginning of the year	**(219)**	**(217)**
Additional provision accounted for	(257)	(29)
Reversal of provision	(2)	5
Realization of provision (Actual Loss)	6	22
Foreign exchange	1	-
Balance at the end of the year	**(471)**	**(219)**

The Group refers to note 34.2.2 Financial risk management – Credit risk for the analysis of the credit risk relating to trade and other receivables.

20 Other financial assets and finance lease receivables

See accounting policies in note 4.7, 4.17 and 4.18.

Other financial assets and Finance lease receivables

Breakdown of other financial assets and finance lease receivables	31/12/2018 EUR '000	31/12/2017 EUR '000	1/01/2017 EUR '000
Finance lease receivables	1 796	889	204
Derivative financial instruments (note 21.2)	302	35	-
Loans to key management personnel	95	112	122
Loans to related parties	805	2 488	2 010
Total other financial assets and lease receivables	**2 998**	**3 524**	**2 336**
by Classification			
Non-current	1 050	127	122
Current	1 948	3 397	2 214
Total other financial assets and lease receivables	**2 998**	**3 524**	**2 336**
Amounts receivable under finance leases			
Within one year	947	889	204
In the second to fifth years inclusive	849	-	-
Total gross investment	**1 796**	**889**	**204**
Less: future finance income	(92)	(25)	(6)
Present value of minimum lease payments	**1 704**	**864**	**198**

Loans to related parties relate to a current account receivable position towards SL Holdco B.V. The Group considers that the fair value of the loan related parties approximates its book value, given its short-term nature. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of the amounts owed by related parties. Amounts receivable from SL Holdco B.V. carry interest of 0,5% to 2,5% per annum for all periods presented.

The group enters into finance leasing arrangements for certain hardware product sales. The average term of finance leases entered into is 3 years. There are no unguaranteed residual values of assets leased under finance leases at the presented reporting dates. The imputed finance costs on the receivables under finance leases were determined based on the Group's incremental borrowing rate (5,5%).

The finance lease receivables at the end of the reporting period are neither past due nor impaired. The Group refers to note 33 on financial instruments for IFRS 9 impairment analysis and Financial risk management – Credit risk for a summary of all financial instruments, including fair value hierarchy for financial instruments measured at fair value.

21 Borrowings & Other financial liabilities

See accounting policies in notes 4.7, 4.17, 4.19, 4.20 and 4.21.

Borrowings

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Unsecured - at amortized cost			
Loans from related parties	72 251	89 555	85 365
Finance lease liabilities	1 539	3 294	1 462
Other loans	63	150	-
	73 853	**92 999**	**86 827**
Secured - at amortized cost			
Bank loans		130 820	119 517
Bond	146 958	-	-
Other loans	-	202	99
	146 958	**131 022**	**119 616**
Total Borrowings	**220 811**	**224 021**	**206 443**
Current	4 680	40 151	23 065
Non-current	216 131	183 870	183 378
Total Borrowings	**220 811**	**224 021**	**206 443**

Other financial liabilities

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Held for trading derivatives that are not designed in hedge accounting relationships	41	215	100
Total other financial liabilities	**41**	**215**	**100**

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in note 34.

21.1 Summary of borrowing terms and conditions

Borrowings -terms and conditions

	Currency (*)	Type (*)	Nominal interest rate (*)	Year of maturity (*)	31/12/2018	31/12/2017	1/01/2017
					EUR '000	EUR '000	EUR '000
Unsecured - at amortized cost							
Loan from related parties (i)	EUR	Fixed	5,0%	2023	69 711	66 144	63 978
Loan from related parties (ii)	GBP	Fixed	11% - 16%	2018	-	21 211	19 337
Loans from related parties current account (iii)	EUR	Fixed	2,5% - 4%	2019	2 540	2 200	2 050
Finance lease liabilities (iv)	EUR	Fixed	3,3% - 7,8%	2019 - 2020	1 034	2 044	916
Finance lease liabilities (iv)	SEK	Fixed	3,3% - 7,8%	2019 - 2020	254	886	546
Finance lease liabilities (iv)	GBP	Fixed	3,3% - 7,8%	2019 - 2020	251	363	-
Other loans	EUR	Fixed	3,0%	2019	63	151	-
					73 853	**92 999**	**86 827**
Secured - at amortized cost							
Secured bank loan (v)	SEK	Floating	3,75% - 4,55%	2021	-	47 152	49 049
Secured bank loan (v)	EUR	Floating	3,75% - 4,55%	2022	-	50 139	52 023
Secured bank loan (v)	GBP	Floating	3,75%	2022	-	14 369	15 001
Secured bank loan (v)	EUR	Floating	3,75% - 4,25%	2022	-	19 160	3 444
Secured bond (vi)	EUR	Floating	5,50%	2023	146 958	-	-
Secured bank loan (vii)	Multi	Floating	2,50% - 3,75%	2019	-	-	-
Other loans	EUR	Fixed	3,00%	2019	-	202	99
					146 958	**131 022**	**119 616**
Total Borrowings					**220 811**	**224 021**	**206 443**

(*) For more detailed information on specific terms and conditions for the different loan agreement, reference is made to additional information provided below on the different borrowing terms and conditions, subtitle (i) to (vii)

(i) Loans from related parties (EUR)

Long term loan Amount repayable to the parent of the Group SL Midco B.V. primarily used to fund historic business combinations. Fixed Interest of 5% per annum is charged on the outstanding loan balances including capitalized interest (2017: 5%).

(ii) Loans from related parties (GBP)

This GBP denominated loan from the parent of the Group SL Midco B.V. was provided as per 31 July 2016 and was primarily used to fund the business combination of CGU Securelink UK. The applicable fixed interest rates on the shareholder bridge loan was 11 % for month 1-4, 12 % for month 5-8, 13 % for month 9-12. After one year the applicable interest rate became fixed at 16 %. The total amount of outstanding interest was capitalized after one year on 31 July 2017. The total carrying amount of this bridge loan including capitalized and accrued interest was repaid during the refinancing transaction which took place on the 6th of February 2018.

(iii) Loans from related parties current account (EUR)

The Group has a current account payable towards the parent company SL Midco B.V. which is redeemable at any given point in time. The applicable interest rate is 4% in 2017. As from 2018, the Group has implemented cash pooling. Part of the cash pool benefit is reallocated to the cash pool participants, lowering the effective interest rate charged. The loan is primarily used to fund net working capital needs.

(iv) Finance lease liabilities

The Group obtained financing from leases in different operational entities and, as a result, in different currencies. Reference is also made to note 23 obligations under finance lease for additional information on finance lease liabilities.

(v) Secured bank loans

As of 1 January 2017, the balance corresponds to the outstanding part of the syndicated loan €54 500 thousand from 2015, a syndicated loan of SEK 468 582 thousand with an effective annual interest rate of STIBOR 3,75% - 4,55%, a syndicated CAPEX facility for GBP 12 450 thousand with an effective annual interest rate of LIBOR + 3,75% and 2 syndicated revolver facilities for a total amount of €3 500 thousand with an effective annual interest rate of EURIBOR + 3,75%.

As of 31 December 2017, the balance corresponds to the outstanding part of the syndicated loan of €52 900 thousand, a syndicated loan of SEK 464 054 thousand with an effective annual interest rate of STIBOR + 3,75%-4,55%, a syndicated CAPEX facility for GBP 12 450 thousand with an effective annual interest rate of LIBOR + 3,75% and 2 syndicated revolver facilities for a total amount of €15 000 thousand with an effective annual interest rate of EURIBOR + 3,75% and SEK 40 000 thousand with an effective annual interest rate of STIBOR + 3,75% plus accrued interest.

(vi) Secured bond

On February 6th, 2018 the Company issued a €150 million senior secured bond, which is listed on both the Frankfurt and Oslo exchange identified with ISIN NO0010814189, to refinance the syndicated bank loans and a shareholder bridge loan with the purpose of creating additional financial flexibility. The bond has a duration of 5 years maturing on February 6th, 2023. The applicable interest rate on the bond contains a floating EURIBOR 3M (floored at 0 %) as the reference rate, quarterly revised in advance, plus 5,5% fixed margin. The interest rate becomes payable at the end of every quarter (in arrears).

(vii) Secured bank loan after bond issue

Within the same refinancing transaction of the bond, the Company entered into a super senior revolving credit facility for an amount of €20 million, of which no amount was utilized at 31 December 2018. Reference is made to note 34.3.2 for the unused financing facilities at the disposal of the Group.

The facility is sub divided into two parts:

One part of €12 million relates to a Revolving Credit Facility, or short-term loan facility. This facility allows the Group to enter into short term loans in different currencies, depending on the specific net working capital needs (EUR, USD, GBP, SEK, NOK and DKK). The loans have a minimum duration of one month and can be rolled-over at the end of their term. The loans are priced on the date of request and contain a 3,50 % fixed margin + floating Interbank Base Reference Rate of the applicable currency and the applicable duration. (E.g. EURIBOR1M, USD LIBOR1M, …). A commitment fee (unutilized fee) is due for this facility of 1,2250 % per annum on the total available non-utilized commitment of the facility.

The other part of €8 million relates to an ancillary (overdraft) facility and is linked to the bank accounts of SL Group Services N.V. acting as the central treasury entity for the Group cash pooling. This facility allows the Group to cover short term cash deficits at the cost of a fixed margin between 2,50 % - 3,75 % (based on the currency) and the applicable 1-month Interbank Lending rate on the date of the overdraft. An availability fee is due for this facility of 1,25 % per annum on the total facility amount of €8 million regardless of the amount utilized.

At 31 December 2018, no amount has been used of this credit line, which is the reason why the carrying amount presented in the table equals zero. Reference is made to note 34.3.2 on unutilized financing facilities available for the Group.

21.2 Summary of financial assets and liabilities measured at fair value

Financial assets and liabilities measured at fair value

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Included in other financial assets (note 20)			
Held for trading derivatives that are not designed in hedge accounting relationships (i)	10	19	-
Other forward exchange contracts (ii)	186	-	-
Interest rate swaps (iii)	106	16	-
	302	**35**	**-**
Included in other financial liabilities (note 21)			
Held for trading derivatives that are not designed in hedge accounting relationships (i)	41	215	100
	41	**215**	**100**

(i) The amount presented is the fair value of the derivative financial instruments at the respective balance sheet dates relating to cash flow hedges, without applying cash flow hedge accounting (accounted at fair value through profit or loss). The notional principal amounts of the outstanding FX forward contracts are disclosed in note 34.1.1c on financial risk management.

(ii) Other forward exchange contracts

The Group has entered into two cross- currency Interest rate swaps to denominate €37,5 million of the secured Bond in SEK and €16 million in GBP to align debt structure with operational cash-flows in foreign currencies and to create a natural hedge between operational cash flows and interest payments in foreign currencies. The cross-currency interest rate swaps are active as from 6 August 2018 for a duration of 3 years. The applicable interest rates and payment terms of the financial instruments are aligned with the bond terms and the cross-currency interest rate swaps both fixes the exchange rate as well as the interest rate for the duration of the contract (not dependent on changes of LIBOR3M and STIBOR3M).

On the 31st of December the fair value of the cross – currency interest rate swaps amounted to €186 thousand.

(iii) interest rate cap

As per 31 December 2018, the secured bond has a floating interest component (EURIBOR 3M). In order to mitigate the risk of a possible significant EURIBOR rate increase, the Group has bought an interest rate cap with a strike at 0,50 %. The interest rate cap is active as from 6 August 2018 with termination date of 6 August 2021. The applicable interest rate payment terms of the financial instrument are aligned with the bond terms.

On the 31st of December 2018 the fair value of the interest rate cap amounted to €106 thousand.

As per 31 December 2017 and as per 1 January 2017, the secured bank loans had floating interest components (EURIBOR, LIBOR, STIBOR) depending on the applicable currency and duration of the bank loans as disclosed in note 21.1. In order to mitigate the risk of a possible significant EURIBOR and STIBOR rate increase, the Group has bought interest rate caps with strikes at 0,85% for both EURIBOR and STIBOR. Changes in LIBOR were not hedged, given the limited amount outstanding and interest payment at risk. The applicable interest rate payment terms of the financial instruments were aligned with the secured bank loans. The financial instruments were closed during the refinancing transaction.

For a sensitivity analysis of the impact of a 100 bp increase in EURIBOR, LIBOR, STIBOR on the net income and equity, net of tax of the Group, reference is made to note 34.1.2b.

21.3 Covenants

In 2017, in relation to the secured bank loan financing agreements, the Group had to comply with financial covenants relating debt leverage and cashflow cover ratios. The refinancing transaction which took place in 2018 has created additional financial flexibility. The new bond terms do not include any financial maintenance covenants and contain no obligation to repay principal amounts before the maturity date in 2023.

Together with the refinancing transaction, the Group also secured a super senior revolving credit facility of €20 million to manage potential liquidity requirements following swings in net working capital. At the end of 2018, the Company has to comply with one financial covenant relating to the super senior revolving credit facility, i.e. a minimum Adjusted EBITDA requirement of €15 million. At yearend 2018, the Group does not make use of the revolving credit facility and the Group is not in breach, or, has never been in breach of its covenant.

21.4 Secured loans

All assets of the group have been pledged to secure the bond and the super senior revolving credit facility. As per 31 December 2017 and 1 January 2017 all assets of the group were pledged to secure the bank loans.

21.5 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing activities

in thousands of euro	Opening balance	Financing cash flows (i)	Other financial cost paid (ii)	Non-cash Changes: Fair value adjustment	Non-cash Changes: Foreign currency translation	Non-cash Changes: Change in capitalized refinancing cost	Non-cash Changes: Change in interest accrual / capitalization	Closing balance
2018								
Loans from related parties	89 555	(21 670)	-	-	362	-	4 004	72 251
Finance lease liabilities	3 294	(1 708)	-	-	(47)	-	-	1 539
Other loans	352	(268)	-	-	(21)	-	-	63
Bank loans	130 820	(132 298)	-	-	(940)	2 828	(410)	-
Bond	-	150 000	(5 164)	-	-	814	1 308	146 958
Revolving credit facility	-	-	-	-	-	-	-	-
Total Borrowings	**224 021**	**(5 944)**	**(5 164)**	**-**	**(646)**	**3 642**	**4 902**	**220 811**
Held for trading derivatives that are not designed in hedge accounting relationships	215	(812)	-	638	-	-	-	41
Total other financial liabilities	**215**	**(812)**	**-**	**638**	**-**	**-**	**-**	**41**
	224 236	**(6 756)**	**(5 164)**	**638**	**(646)**	**3 642**	**4 902**	**220 852**
2017								
Loans from related parties	85 365	33	-	-	(1 712)	-	5 869	89 555
Finance lease liabilities	1 462	1 847	-	-	(15)	-	-	3 294
Other loans	99	250	-	-	3	-	-	352
Bank loans	119 517	13 493	-	-	(2 029)	(226)	65	130 820
Total Borrowings	**206 443**	**15 623**	**-**	**-**	**(3 753)**	**(226)**	**5 934**	**224 021**
Held for trading derivatives that are not designed in hedge accounting relationships	100	-	-	115	-	-	-	215
Total other financial liabilities	**100**	**-**	**-**	**115**	**-**	**-**	**-**	**215**
	206 543	**15 623**	**-**	**115**	**(3 753)**	**(226)**	**5 934**	**224 236**

(i) The financing cash flows presented in the overview reconciles with the net amount of proceeds from lease liabilities, repayments of lease liabilities, proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) The majority of the other financial cost paid during 2018 is related to legal and advisory cost paid for refinancing the existing bank loans with a secured bond, accounted for at amortized cost and included in this overview. Other cost of financing not presented in this overview of €412 thousand (2017: €609 thousand) mainly relate to unutilized fees paid for the revolving credit facilities available but not used during 2017 and 2018.

22 Provisions

See accounting policies in note 4.16.

Provisions

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Other provisions (see below)	-	80	80
Balance at the end of the year	**-**	**80**	**80**

Other provisions

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Balance at the beginning of the year	**80**	**80**
Reductions in provision due to cash outflows	(80)	
Balance at the end of the year	**-**	**80**

23 Obligations under finance lease

See accounting policies in notes 4.7.

23.1 Leasing arrangements

The group leased certain office equipment, hardware and back-to-back purchased maintenance contracts under finance leases. The average lease term is 3-5 years. The group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are unsecured.

All lease obligations are denominated in euro. For further specification on the currency and interest rates applicable on the lease arrangements, reference is made to note 21.

23.2 Finance lease liabilities

Finance lease liabilities

	Minimum lease payments		
	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
No later than one year	1 286	2 084	882
Later than one year and not later than five years	253	1 207	578
Later than five years	-	3	-
Total amounts payable under finance lease	**1 539**	**3 294**	**1 460**
Less: future finance charges	(52)	(143)	(66)
Present value of minimum lease payments	**1 487**	**3 151**	**1 394**

Included in the consolidation as:

Current borrowings (Note 21)	1 286	2 084	882
Non-current borrowings (Note 21)	253	1 210	578
Total finance lease liabilities	**1 539**	**3 294**	**1 460**

The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (5,5%).

Reference is made to note 2, impact on new IFRS 16 requirements, in which the impact is disclosed of IFRS 16 on the lease liability over 2018. The Group has not early adopted IFRS 16 in the financial statement. The group will adopt IFRS 16 as from 1 January 2019.

24 Trade and Other Payables

Trade and other payables

	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Trade payables	61 795	54 578	45 879
Payroll	7 597	6 840	5 842
Social security charges	1 785	1 658	1 717
Taxes (other than income taxes)	5 795	4 324	1 713
Accrued expenses	3 921	3 068	3 040
Other	776	2 028	4 559
Total trade and other payables	**81 669**	**72 495**	**62 750**

All trade and other payables have a remaining duration of less than one year.

Trade payables and accruals principally comprise amounts outstanding for trade purchases of licences, hardware, software and vendor maintenance contracts. These payables do not accrue interest and are not secured. The Group considers that the fair value of trade and other payables approximate its book value, given its short-term nature of these liabilities and the fact that they are non-interest bearing. The Group has financial risk management policies and procedures in place to ensure that payables are paid within the pre-agreed credit terms. Reference is made to note 34.1.1a on the exposure to currency and note 3.4.3.1on the exposure to liquidity risks.

25 Issued share capital and share premium

See accounting policies in note 4.19

25.1 Share capital and share premium

At 31 December 2018, authorized and issued share capital is represented by 2 053 ordinary shares with a nominal value of €2 053. Share Premium amounts to €142 144 thousand at the end of 2018. The company has one class of ordinary shares which carry no right to fixed income and all shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

The changes in share capital and share premium of the entity are as follows:

Issued capital and share premium

	Number of Shares	Share capital	Share Premium
		EUR	EUR
Ordinary shares issued and fully paid as per 01/01/2017	**1**	**1**	**136 144 390**
Share issued during the period	2 052	2 052	6 000 000
Ordinary shares issued as of 31/12/2017	**2 053**	**2 053**	**142 144 390**
Share issued during the period	-	-	-
Ordinary shares issued as of 31/12/2018	**2 053**	**2 053**	**142 144 390**

25.2 Issue of ordinary shares

In 2017 share capital increased with 2 052 new shares with a nominal value of €2 052 paid in cash as disclosed in the proceeds from issue of share and other equity instruments in the consolidated statement of cash flows. The €6 000 thousand increase in share premium in 2017 relates to the rollover founder investment relating to the acquisition of iT-Cube Systems A.G. in 2017.

26 Other reserves

See accounting policies disclosed in notes 4.8, 4.10, 4.19 and 4.21.

Other reserves consist of the following reserves:

Other reserves	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Foreign exchange translation reserve	(4 232)	(2 269)	(453)
Remeasurement of defined benefit obligation	5	22	-
Total other reserves	**(4 227)**	**(2 247)**	**(453)**

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The company does not apply hedge accounting, so the effective portion of any foreign currency difference arising from hedges of a net investment in a foreign operation is not included in the foreign exchange translation reserve.

27 Accumulated losses and dividends on equity instruments

The following overview summarizes the movements in accumulated losses:

Accumulated losses and dividends on equity instruments	31/12/2018	31/12/2017
	EUR '000	EUR '000
Balance at the beginning of the year	**(44 679)**	**(32 843)**
Loss attributable to owners of the Company	(18 357)	(11 836)
Balance at the end of the year	**(63 036)**	**(44 679)**

In Article 14 of the company's articles of association it is presented that the appropriation of the result is at the disposal of the General Meeting. In anticipation of a resolution being passed to that effect at the General Meeting to be held to consider and adopt the financial statements for the year ended December 31, 2018 the loss for the year has been carried forward.

The financial statements reflect this proposal.

28 Non-controlling interests

See accounting policies in note 4.2.

The below table summarizes the changes in non-controlling interest:

Non-controlling interests

	31/12/2018 EUR '000	31/12/2017 EUR '000
Balance at the beginning of the year	**144**	**100**
Share of profit for the year attributable to non-controlling interests	24	44
Balance at the end of the year	**168**	**144**

29 Audit fees

Deloitte The Netherlands was appointed as auditor of the Group during the year ended 31 December 2018. Fees included in legal and accounting expenses related to Deloitte, the external independent auditor of the Group, are summarized as follows:

Auditor's remuneration

	Deloitte Accountants B.V.		Other Deloitte network	
	31/12/2018 EUR '000	31/12/2017 EUR '000	31/12/2018 EUR '000	31/12/2017 EUR '000
Audit of the financial statements	173	144	182	203
Other audits	184	-	-	6
Tax advisory services	4	-	2	24
Other non-audit services	6	79	-	-
Total remuneration	**367**	**223**	**184**	**233**

30 Acquisition of subsidiary

Reference is made to significant accounting policies as set out in note 4.3 business combinations and the IFRS 1 optional exemption applied for business combinations which took place before the first adoption date as described in note 4.1.3.

30.1 Acquisition of iT-Cube Systems

On 1 January 2017, the Group acquired 100% of the shares and voting interests in iT-Cube Systems, a German based company specialized in cyber security products and services. As a result, a change of control has taken place. Taking control of iT-Cube Systems enables the group to further develop and strengthen the pan-European footprint in one of the most attractive European cyber security markets.

30.1.1 Business overview

iT-Cube systems is a leading full-service provider for IT security solutions. The company was founded in 2001 and has since then accompanied customers with its extensive know-how throughout the entire projects, in all steps from project planning to implementation and operations. The company provides the following products and services:

- Consulting and training including security assessments, security strategy development, infiltration testing, system integration etc.
- Product sales relating to best-in-breed security products from a wide range of technology partners (e.g. for network & endpoint security, SIEM, encryption etc.) and own developed software Agile SI.
- Maintenance contracts for security products
- Managed security services delivered from the own advanced, highly automated security monitoring platform with fast attach detection based on machine learning

The acquisition of iT-Cube added revenues of €26,9 million in 2018 (2017: €19,6 million) and approximately 69 full time equivalent employees ("FTE") at year end 2018 (2017: 70 FTE).

30.1.2 Consideration transferred

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

Consideration transferred

	1/01/2017
	EUR '000
Cash	20 018
Equity instruments (in-kind share payment - see note 25.2)	6 000
Total consideration transferred	**26 018**

30.1.3 Acquisition related cost

The Group incurred acquisition-related costs of €753 thousand on legal fees and due diligence costs. These costs have been included in 2017 in legal and accounting cost.

30.1.4 Identifiable assets acquired, and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Identifiable assets acquired and liabilities assumed

	1/01/2017
	EUR '000
Other intangible assets	13 290
Property, plant and equipment	317
Investments	33
Deferred tax assets	373
Prepayments	3 593
Trade and other receivables	5 307
Inventories	553
Cash and bank balances	1 499
Provisions including retirement benefit obligation	(303)
Deferred tax liabilities	(4 282)
Trade and other payables	(4 196)
Contract liabilities	(4 574)
Borrowings	(459)
Current tax liabilities	(78)
Total identifiable net assets acquired	**11 073**

Business combinations are accounted for using purchase accounting which requires acquired assets and liabilities, including identifiable intangible assets that satisfy the recognition criteria, to be included in the acquirer's consolidated balance sheet at fair value as at the acquisition date. The approaches and methods used were the following:

1) Based on the business plan used in the context of the transaction, a reconciliation of the purchase price was performed and a validation of the discount rate (internal rate of return) was achieved.

2) Tradename, customer relationships and intellectual property have been identified as intangible assets that are to be recognized at fair market value separately from goodwill. The valuation of those assets is based on the following methods:

   - **Tradenames:** using the relief from royalty method, estimating the value of future forgone royalty payments over the life of the asset by virtue of owning the asset.
   - **Customer relationships:** using Multi-period excess earnings method, in which the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) are deducted from the business after tax operating earnings.
   - **Intellectual property:** using Multi-period excess earnings method, in which the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) are deducted from the business after tax operating earnings.

Valuation date is 1 January 2017.

30.1.5 Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Goodwill arising from the acquisition

	1/01/2017
	EUR '000
Consideration transferred (note 30.1.2)	26 018
Less: fair value of identifiable net assets (note 30.1.4)	(11 073)
Goodwill	**14 945**

The goodwill is attributable mainly to the skills and technical talent of iT-Cube Systems work force and the synergies expected to be achieved from integrating the company into the Group's existing cybersecurity business. None of the goodwill recognized is expected o be deductible for tax purposes.

30.1.6 Reconciliation of payments for acquisition of subsidiary, included in the statement of cash flows

Reconciliation of payments for aquisition of subsidiary, net of cash acquired

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Cash consideration transferred for the iT-Cube systems business combination	-	20 018
Less: Cash and bank balances acquired	-	(1 499)
Transaction cost paid	-	753
Remaining cash consideration accrued in 2016 for acquisitions of Nebulas (UK) and Coresec (Nordics), paid in 2017	-	1 556
Total	**-**	**20 828**

31 Notes to the statement of cash flows

31.1 Cash and bank balances

Cash and bank balances	31/12/2018 EUR '000	31/12/2017 EUR '000	1/01/2017 EUR '000
Bank balances	20 401	23 847	20 223
Petty cash	2	3	2
Cash in transit		7	10
Total cash and bank balances	**20 403**	**23 857**	**20 235**
Of which restricted cash:	**75**	**75**	**20**

The restricted cash relates to bank warranties provided to the lessors of office buildings which are leased by the Group.

31.2 Non-cash transactions

In the consolidated statement of cash flows as at 31 December 2017, the rollover investments from previous shareholders are presented in net in cash flow from financing activities and cash flow from investing activities, given that the transactions did not generate any cash movement. Subsequent conversion of those rollover investments into shares of the company also did not generate any cash movements within the cash flows from financing activities and therefore they are also presented in net in the consolidated statement of cash flows. The total amount of share contribution of 2017 amounts to €6 million (see note 25 on issued share capital and share premium).

31.3 Changes in liabilities arising from financing activities

A reconciliation is prepared of changes in liabilities arising from financing activities in note 21.5, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

32 Operating leases

See accounting policies in note 4.7.

The Group leases a number of offices and company cars under operating leases. The company car leases typically run over a period of 3-5 years and some have an option to renew for 1 year. The Group is not likely to renew these contracts. The office leases typically run over a period of 5-10 years and have an option to renew the contract. The Group occasionally exercises the option to renew these lease contracts, depending on the location and the capacities of the leased offices to facilitate the growing workforce.

The Group does not sub-lease any of its leased properties.

The future minimum lease payments under non-cancellable leases were payable as follows:

Future aggregate minimum lease payments under the operating lease agreements

Payment period	31/12/2018	31/12/2017
	EUR '000	EUR '000
Not later than one year	5 488	4 487
Later than one year and not later than 5 years	10 115	8 872
More than 5 years	555	2 429
Total	**16 158**	**15 788**

The amounts recognized in profit or loss relating to non-cancellable operating leases were as follows:

Operational lease arrangements

Expenses in the year recognized relating to operating leases	31/12/2018	31/12/2017
	EUR '000	EUR '000
Related to office and facilities	2 366	1 913
Related to vehicles	2 951	2 793
Total	**5 317**	**4 706**

IFRS 16 has not been early adopted. Reference is made to disclosure note 2 for the impact assessment of IFRS 16 on the financial information presented for the period ending 31 December 2018.

33 Financial instruments

See accounting policies in note 4.17.

33.1 Categories of financial instruments

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The fair value of financial assets and financial liabilities for which the carrying amount is a reasonable approximation of the fair value, the fair value is assessed equal to the carrying value of these financial assets and financial liabilities. This is typically the case for current, non-interest-bearing financial assets and financial liabilities.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Summary of financial instruments as at 31 December 2018:

Summary of financial instruments

	Notes	Carrying amount				Fair value			
31 December 2018 *Presented in thousands of euro*		Fair value - Hedging instruments	Mandatory at FVTPL - others	At amortized cost	TOTAL	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value									
Interest rate swaps used for hedging	21.2	106	-	-	**106**	-	106	-	**106**
Held for trading derivatives that are not designed in hedge accounting relationships	21.2	10	-	-	**10**		10	-	**10**
Other forward exchange contracts	21.2	-	186	-	**186**	-	186	-	**186**
		116	**186**	**-**	**302**	**-**	**302**	**-**	**302**
Financial assets not measured at fair value									
Finance lease receivables	20	-	-	1 796	**1 796**	-	1 704	-	**1 704**
Loans to key management personnel	20	-	-	95	**95**	-	90	-	**90**
Short term loans to related parties	20	-	-	805	**805**	-	805	-	**805**
Trade and other receivables (gross)	19	-	-	59 935	**59 935**	-	59 935	-	**59 935**
Cash and bank balances	31	-	-	20 403	**20 403**	-	20 403	-	**20 403**
		-	**-**	**83 034**	**83 034**	**-**	**82 937**	**-**	**82 937**
Financial liabilities measured at fair value									
Held for trading derivatives that are not designed in hedge accounting relationships	21.2	(41)	-	-	**(41)**	-	(41)	-	**(41)**
		(41)	**-**	**-**	**(41)**	**-**	**(41)**	**-**	**(41)**
Financial liabilities not measured at fair value									
Secured bank loans	21	-	-	-	**-**	-	-	-	**-**
Secured Bonds	21	-	-	(146 958)	**(146 958)**	-	(143 289)	-	**(143 289)**
Loans from related parties	21	-	-	(72 251)	**(72 251)**	-	(67 438)	-	**(67 438)**
Financial lease liabitlities	23	-	-	(1 539)	**(1 539)**	-	(1 487)	-	**(1 487)**
Trade and other payables	24	-	-	(81 669)	**(81 669)**	-	(81 669)	-	**(81 669)**
		-	**-**	**(302 417)**	**(302 417)**	**-**	**(293 883)**	**-**	**(293 883)**

Summary of financial instruments as at 31 December 2017:

Summary of financial instruments

31 December 2017 *Presented in thousands of euro*	Notes	Carrying amount: Fair value - Hedging instruments	Carrying amount: Mandatory at FVTPL - others	Carrying amount: At amortized cost	Carrying amount: TOTAL	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: TOTAL
Financial assets measured at fair value									
Interest rate swaps used for hedging	21.2	16	-	-	**16**	-	16	-	**16**
Held for trading derivatives that are not designed in hedge accounting relationships	21.2	19	-	-	**19**	-	19	-	**19**
Other forward exchange contracts	21.2	-	-	-	**-**	-	-	-	**-**
		35	**-**	**-**	**35**	**-**	**35**	**-**	**35**
Financial assets not measured at fair value									
Finance lease receivables	20	-	-	889	**889**	-	864	-	**864**
Loans to key management personnel	20	-	-	112	**112**	-	106	-	**106**
Short term loans to related parties	20	-	-	2 488	**2 488**	-	2 488	-	**2 488**
Trade and other receivables (gross)	19	-	-	57 395	**57 395**	-	57 395	-	**57 395**
Cash and bank balances	31	-	-	23 857	**23 857**	-	23 857	-	**23 857**
		-	**-**	**84 741**	**84 741**	**-**	**84 710**	**-**	**84 710**
Financial liabilities measured at fair value									
Held for trading derivatives that are not designed in hedge accounting relationships	21.2	(215)	-	-	**(215)**	-	(215)	-	**(215)**
		(215)	**-**	**-**	**(215)**	**-**	**(215)**	**-**	**(215)**
Financial liabilities not measured at fair value									
Secured bank loans	21	-	-	(130 820)	**(130 820)**	-	(130 820)	-	**(130 820)**
Secured Bonds	21	-	-	-	**-**	-	-	-	**-**
Loans from related parties	21	-	-	(89 555)	**(89 555)**	-	(85 378)	-	**(85 378)**
Financial lease liabitlities	23	-	-	(3 294)	**(3 294)**	-	(3 151)	-	**(3 151)**
Trade and other payables	24	-	-	(72 495)	**(72 495)**	-	(72 495)	-	**(72 495)**
		-	**-**	**(296 164)**	**(296 164)**	**-**	**(291 845)**	**-**	**(291 845)**

Summary of financial instruments as at 1 January 2017:

Summary of financial instruments

1 January 2017 *Presented in thousands of euro*	Notes	Carrying amount				Fair value			
		Fair value - Hedging instruments	Mandatory at FVTPL - others	At amortized cost	TOTAL	Level 1	Level 2	Level 3	TOTAL
Financial assets not measured at fair value									
Finance lease receivables	20	-	-	204	**204**	-	198	-	**198**
Loans to key management personnel	20	-	-	122	**122**	-	115	-	**115**
Short term loans to related parties	20	-	-	2 010	**2 010**	-	2 010	-	**2 010**
Trade and other receivables (gross)	19	-	-	48 194	**48 194**	-	48 194	-	**48 194**
Cash and bank balances	31	-	-	20 235	**20 235**	-	20 235	-	**20 235**
		-	**-**	***70 765***	***70 765***	**-**	***70 752***	**-**	***70 752***
Financial liabilities measured at fair value									
Held for trading derivatives that are not designed in hedge accounting relationships	21.2	(215)	-	-	**(215)**	-	(215)	-	**(215)**
		(215)	**-**	**-**	**(215)**	**-**	**(215)**	**-**	**(215)**
Financial liabilities not measured at fair value									
Secured bank loans	21	-	-	(119 517)	**(119 517)**	-	(119 517)	-	**(119 517)**
Secured Bonds	21	-	-	-	**-**	-	-	-	**-**
Loans from related parties	21	-	-	(85 365)	**(85 365)**	-	(80 974)	-	**(80 974)**
Financial lease liabitlities	23	-	-	(1 462)	**(1 462)**	-	(1 394)	-	**(1 394)**
Trade and other payables	24	-	-	(62 750)	**(62 750)**	-	(62 750)	-	**(62 750)**
		-	**-**	**(269 094)**	**(269 094)**	**-**	**(264 635)**	**-**	**(264 635)**

33.2 Measurement of fair values

The following table show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant inputs used.

Measurement of fair values

	Financial assets/Financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	**Interest rate swaps used for hedging (note 21.2)**	*Swap models:* The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing intrest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable	Not applicable
	Held for trading derivatives that are not designed in hedge accounting relationships and other forward exchange contracts (note 21.2)	*Forward pricing:* The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable	Not applicable
FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE	**Finance lease receivables and payables, secured bank loans and long term loans from related parties including loans to key management personnel (note 21, note 22 and note 23)**	*Discounted cash flows:* The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Not applicable	Not applicable
	Trade and other receivables (gross), short term loans to related parties, cash and bank balances and trade and other payables (note 19, note 20, note 31 and note 24)	Given the nature of these financial instruments, the Group assesses that the carrying amounts are a reasonable approximation of the fair values.	Not applicable	Not applicable
	Secured bonds (note 21)	*Quoted market price:* The fair value of the secured bonds is directly derived from the quoted prices (unadjusted) in active markets of the bond with ISIN NO0010814189	Not applicable	Not applicable

34 Financial risk management

The Group is exposed to a variety of risks and uncertainties which may have a financial impact on the Group and which also impact the achievement of social, economic and environmental objectives. These risks include strategic, business, commercial, operational and financial risks and are further categorized into risks areas to facilitate consolidated risk reporting across the Group.

The Group's corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group has exposure to the following risks arising from financial instruments:

- Market risk (see note 34.1)
- Credit risk (see note 34.2)
- Liquidity risk (see note 34.3)
- Capital risk (see note 34.4)

34.1 Market risk management

Market risk is the risk that changes in market prices (primarily foreign exchange rates and interest rates) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return.

The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest risk including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of IT equipment, licences and back-to-back maintenance contracts in USD, with outgoing invoicing primarily in the group functional currency and SEK.
- Interest rate swaps to mitigate the risk of rising interest rates
- Cross currency swaps to better align debt structure with foreign exchange operational cash flows

34.1.1 Foreign currency risk management

a. *Exposure to currency risk*

The Group principally purchases IT hardware and licenses which are typically priced in US dollars.
A proportion of the Group's costs, mainly payroll expenses, are incurred in the entity's local currencies. Accordingly, the Group's financial results may be affected by exchange rate fluctuations between the US dollar and the domestic local currencies. The Group purchases forward dollars to manage its foreign currency risks.

The group does not apply hedge accounting as set out in Note 4.21 and the Group does not hedge its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months in foreign currency. However, prior to the refinancing transaction, the Group had third party secured bank loans in SEK and GBP to create a natural hedge between the operational cash flow from legal entities denominated in SEK and GBP and interest and capital repayments on the SEK and GBP secured bank loans.

In the refinancing transaction which took place on the 6th of February 2018, the existing bank loans at that time were refinanced by a EUR denominated secured bond. To align debt structure and interest payments with foreign exchange operational cash flows, the company entered into a cross currency swap EUR – SEK and EUR-GBP for a portion of the bond debt. Other than the cross-currency swap transaction, there has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured during 2018.

The fair value of the cross-currency swap per 31 December 2018 amounts to €186 thousand (2017: nil), see note 21.2, other forward exchange contracts.

The group's exposure to foreign currency risk at the end of the reporting period is as follows:

Exposure to foreign currency risk

	USD	DKK	NOK	SEK	GBP	CNY
31 December 2018	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Trade and other receivables	19 147	44 619	18 135	74 700	6 166	503
Borrowings third party (including leases)	(873)	-	-	(2 606)	(233)	-
Trade and other payables	(33 518)	(17 965)	(10 003)	(120 904)	(7 455)	(655)
Net statement of financial position exposure	**(15 244)**	**26 654**	**8 132**	**(48 810)**	**(1 522)**	**(152)**
31 December 2017						
Trade and other receivables	13 140	26 381	11 420	78 554	6 754	141
Borrowings third party (including leases)	(1 902)	-	-	(464 054)	(12 770)	-
Loans with related parties	-	-	-	-	(18 850)	-
Trade and other payables	(30 239)	(2 179)	(640)	(114 829)	(9 146)	(1 207)
Net statement of financial position exposure	**(19 001)**	**24 202**	**10 780**	**(500 329)**	**(34 012)**	**(1 066)**
1 January 2017						
Trade and other receivables	4 713	24 623	14 435	83 734	-	-
Borrowings third party (including leases)	-	-	-	(468 578)	(12 784)	-
Loans with related parties	-	-	-	-	(16 479)	-
Trade and other payables	(25 442)	(3 425)	(9 529)	(37 449)	(6 351)	-
Net statement of financial position exposure	**(20 729)**	**21 198**	**4 906**	**(422 292)**	**(35 614)**	**-**

b. Sensitivity analysis

The Group undertakes transactions denominated in foreign currencies and consequently, exposures to exchange rate fluctuations arise. A reasonably possible strengthening (weakening) of the USD, SEK and GBP against EUR at the presented balance sheet dates would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The Group expects that the effect of changes of other currencies would not have a material impact on the equity and profit or loss.

The analysis includes only outstanding foreign currency denominated monetary items, as disclosed in note 34.1.1a, and adjusts their translation at the year-end for a percentage of change in foreign currency rates, calculated as the max spread in exchange rate against the euro during the reporting period.

A positive number below indicates an increase in profit or in other equity.

Sensitivity analysis of financial instruments in foreign currency at balance sheet date

	Profit or Loss		Equity	
Presented in thousands of euro	Strenghtening	Weakening	Strenghtening	Weakening
31 December 2018				
USD (9,9% movement)	(986)	986	(986)	986
SEK (8,7% movement)	28	(28)	(413)	413
GBP (4,9% movement)	(115)	115	(82)	82
	(1 072)	**1 072**	**(1 481)**	**1 481**
31 December 2017				
USD (13,9% movement)	(1 650)	1 650	(1 650)	1 650
SEK (6,0% movement)	49	(49)	(3 034)	3 034
GBP (10,3% movement)	(166)	166	(3 925)	3 925
	(1 767)	**1 767**	**(8 609)**	**8 609**
1 January 2017				
USD (10,4% movement)			(1 539)	1 539
SEK (8,6% movement)			(3 820)	3 820
GBP (19,1% movement)			(7 967)	7 967
			(13 326)	**13 326**

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the refinancing transaction which took place on the 6th of February 2018, in which all GBP and SEK denominated secured bank loans were repaid and replaced by a EUR denominated secured bond (see note 21.1). However, given that the group does not hedge its operational cash flow projections in foreign currencies and the SEK and GBP denominated loans in the past formed a natural cash-flow hedge, the Group entered into a cross currency swap EUR - SEK and EUR - GBP for a portion of the bond debt as set out above.

Caution has to be applied when interpreting the above schedule as the sensitivity analysis is based on the year-end exposure and is not per definition representative for the exposure during the financial years presented.

c. *Foreign exchange forward contracts*

The group enters into Forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of IT equipment, licences and back-to-back maintenance contracts in USD, with outgoing invoicing primarily in the group functional currency, SEK, GBP and also USD. The Group only hedges transactions in foreign currency which are certain to take place (i.e. when the sales order is placed) and does not enter into foreign exchange forward contracts to manage the foreign currency risk associated with budgeted sales and purchase transactions.

The Group closely monitors the effectiveness of the transactional hedges by monthly comparing (un)realized foreign exchange effect on the accounts receivable and accounts payable balances in foreign currency and the (un)realized foreign exchange effect on the forward contracts closed to mitigate the foreign exchange risk.

The main sources of hedge ineffectiveness relate to the deviation of expected timing of cash in/outflows compared to the actual timing of cash in/outflows in foreign currency.

The following tables detail the foreign currency forward contracts outstanding at the end of each reporting years, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line held for trading derivatives in note 21.2 relating to line items other financial assets and other financial liabilities in the consolidated statement of financial position. To align debt structure and interest payments with foreign exchange operational cash flows, the company entered into a cross currency swap EUR - SEK and EUR - GBP for a portion of the bond debt. The cross-currency interest rate swap is included in the below table as contract type “XCCY IRS”.

FX forward contract commitments 31/12/2018

Counterpart	Amount as per 31 December 2018						Contract type	Maturity
	EUR	USD	SEK	DKK	NOK	GBP		
	'000	'000	'000	'000	'000	'000		
Buy								
Financial institution	775	7 494	10 000	-	-	-	Flat Forward	Jan 2019
Financial institution	250	8 412	-	-	-	-	Flat Forward	Feb 2019
Financial institution	-	-	5 759	-	-	256	XCCY IRS	Feb 2019
Financial institution	-	1 864	-	-	-	-	Flat Forward	Mar 2019
Financial institution	-	-	5 571	-	-	251	XCCY IRS	Apr 2019
Financial institution	183	-	-	-	-	-	Flat Forward	May 2019
Financial institution	182	-	-	-	-	-	Flat Forward	Aug 2019
Financial institution	-	-	5 759	-	-	256	XCCY IRS	Aug 2019
Financial institution	180	-	-	-	-	-	Flat Forward	Nov 2019
Financial institution	-		5 759	-	-	256	XCCY IRS	Nov 2019
Total Exposure	**1 570**	**17 770**	**32 848**	**-**	**-**	**1 019**		
Sell								
Financial institution	(3 978)	(110)	(31 721)	(3 482)	(6 677)	-	Flat Forward	Jan 2019
Financial institution	(2 680)	(219)	(39 412)	(5 641)	(1 563)	-	Flat Forward	Feb 2019
Financial institution	(752)	-	-	-	-	-	XCCY IRS	Feb 2019
Financial institution	(724)	-	(9 093)	(127)	-	-	Flat Forward	Mar 2019
Financial institution	(727)	-	-	-	-	-	XCCY IRS	Apr 2019
Financial institution	-	(219)	-	-	-	-	Flat Forward	May 2019
Financial institution	-	(219)	-	-	-	-	Flat Forward	Aug 2019
Financial institution	(752)	-	-	-	-	-	XCCY IRS	Aug 2019
Financial institution	-	(219)	-	-	-	-	Flat Forward	Nov 2019
Financial institution	(752)	-	-	-	-	-	XCCY IRS	Nov 2019
Total Exposure	**(10 366)**	**(985)**	**(80 227)**	**(9 250)**	**(8 241)**	**-**		

FX forward contract commitments 31/12/2017

Counterpart	Amount as per 31 December 2017						Contract type	Maturity
	EUR	USD	SEK	DKK	NOK	GBP		
	'000	'000	'000	'000	'000	'000		
Buy								
Financial institution	20	10 876	19 168	7 034	-	-	Flat Forward	Jan 2018
Financial institution	241	9 275	18 793	-	1 103	-	Flat Forward	Feb 2018
Financial institution	-	618	25 544	4 376	-	-	Flat Forward	Mar 2018
Financial institution	-	444	-	-	-	-	Flat Forward	Apr 2018
Financial institution	-	219	-	-	-	-	Flat Forward	Jun 2018
Financial institution	-	219	-	-	-	-	Flat Forward	Aug 2018
Financial institution	-	419	-	-	-	-	Flat Forward	Nov 2018
Financial institution	-	219	-	-	-	-	Flat Forward	Feb 2019
Financial institution	-	219	-	-	-	-	Flat Forward	May 2019
Financial institution	-	219	-	-	-	-	Flat Forward	Aug 2019
Financial institution	-	419	-	-	-	-	Flat Forward	Dec 2019
Total Exposure	**261**	**23 146**	**63 505**	**11 410**	**1 103**	**-**		
Sell								
Financial institution	(2 950)	(3 284)	(38 403)	(15 234)	(4 963)	-	Flat Forward	Jan 2018
Financial institution	(1 229)	(2 409)	(58 435)	(5 152)	(1 521)	-	Flat Forward	Feb 2018
Financial institution	(42)	(3 791)	(309)	(3 595)	-	-	Flat Forward	Mar 2018
Financial institution	-	-	-	(2 755)	-	-	Flat Forward	Apr 2018
Financial institution	(183)	-	-	-	-	-	Flat Forward	Jun 2018
Financial institution	(182)	-	-	-	-	-	Flat Forward	Aug 2018
Financial institution	(181)	-	-	-	-	(150)	Flat Forward	Nov 2018
Financial institution	(180)	-	-	-	-	-	Flat Forward	Feb 2019
Financial institution	(179)	-	-	-	-	-	Flat Forward	May 2019
Financial institution	(178)	-	-	-	-	-	Flat Forward	Aug 2019
Financial institution	(176)	-	-	-	-	(149)	Flat Forward	Dec 2019
Total Exposure	**(5 480)**	**(9 484)**	**(97 147)**	**(26 736)**	**(6 484)**	**(299)**		

34.1.2 Interest rate risk management

a. Exposure to interest rate risk

The Group has financial liabilities which are exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in note 21.

b. Interest rate sensitivity analysis

The group has financing instruments which are priced at floating interest rates for the outstanding secured bond loans as per 31 December 2018, as well as for the secured bank loans outstanding as per 1 January 2017 and 31 December 2017. Reference is made to the summary of borrowing terms and conditions as presented in note 21.1

To cover for this risk, the Group has entered into an interest rate cap agreement. Reference is made to note 21.2 on the terms and conditions of the Interest rate caps.

A potential change of 100 bp in EURIBOR, LIBOR and STIBOR for the floating interest loans in the different currencies held by the Group during 2017 and 2018 would results in the following profit or loss and Equity, net of tax effect:

Interest rate sensitivity analysis

	Profit or loss		Equity, net of tax	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR '000	EUR '000	EUR '000	EUR '000
Variable interest rate instruments	(791)	(653)	(791)	(653)
Interest rate caps	169	-	169	-
Cash flow sensitivity (net)	**(622)**	**(653)**	**(622)**	**(653)**

In making this analysis, the Group did not present a change to the fair value of the interest rate caps applicable, when the assumed EURIBOR, LIBOR, STIBOR +1% does not exceed the strikes defined in the respective interest rate cap contracts (for instance, if the STIBOR6M +1% equals 0,63% and the strike of the relating interest rate cap is defined in the contract as 0,85% the Group would not show an increase in the fair value of the financial instrument in the above analysis). This presentation is more conservative as it shows a gloomier scenario, given that fair value of the interest rate caps would slightly increase when closing in on the strike rate.

The Group does not have any equity securities at fair value through other comprehensive income and does not have an equity price risk on listed equity investments. As such, the equity impact in the analysis equals the effect on profit or loss.

c. Interest rate swap contracts

Reference is made to note 21.2 (ii) for a description of the interest rate swap contracts. Both the GBP as the SEK cross currency interest rate swaps are based on the interest rate paid on the bond and are fixed.

In the EUR - GBP Cross Currency Interest Rate swap, the Group has swapped €16 million into GBP 14 million with a fixed exchange rate on maturity. In the contract, the Group has agreed to receive 5,50% fixed interest rate remuneration on its euro deposit and therefore it has to pay a fixed interest rate of 7,21% on its GBP receipt.

In the EUR - SEK Cross Currency Interest Rate swap, the Group has swapped €37.5 million into SEK 382 million with a fixed exchange rate on maturity. In the contract, the Group has agreed to receive 5,50 % fixed interest rate remuneration on its euro deposit and therefor it has to pay a fixed interest rate of 5,91 % on its SEK receipt.

34.2 Credit risk management

Note 34.2.2 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due (without taking into account the fair value of any guarantee or pledged assets); and by non-compliance by the counterparties in transactions in cash, which is limited, to balances deposited in banks and accounts receivable at the balance sheets date. To manage this risk, the Group deposits its surplus funds in highly-rated financial institutions, establishes conservative credit policies and constantly evaluates the conditions of the market in which it conducts its activities. Consequently, the Group does not expect to incur significant losses on account of credit risk.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Group's counterparties whose added risk exposure is significant to the Group's total credit exposure.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Concentration of credit risk related to the largest customer of the group did not exceed 10% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 10% of gross monetary assets at any time during the year. The concentration of credit risk is very limited due to the fact that the customer base is large and unrelated.

34.2.1 Collateral held as security and other credit enhancements

The group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

34.2.2 Overview of the Group's exposure to credit risk

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Summary of financial assets

	Notes	31/12/2018			31/12/2017			1/01/2017		
		Gross value	Impair ment	Net value	Gross value	Impair ment	Net value	Gross value	Impair ment	Net value
Presented in thousands of euro										
Financial assets measured at fair value										
Interest rate swaps used for hedging (i)	21.2	106	-	**106**	16	-	**16**	-	-	**-**
Held for trading derivatives that are not designed in hedge accounting relationships (i)	21.2	10	-	**10**	19	-	**19**		-	**-**
Other forward exchange contracts (i)	21.2	186		**186**	-		**-**	-		**-**
		302	**-**	**302**	**35**	**-**	**35**	**-**	**-**	**-**
Financial assets not measured at fair value										
Finance lease receivables (ii)	20	1 796	-	**1 796**	889	-	**889**	204	-	**204**
Loans to key management personnel (iii)	20	95	-	**95**	112	-	**112**	122	-	**122**
Short term loans to related parties (iii)	20	805	-	**805**	2 488	-	**2 488**	2 010	-	**2 010**
Trade and other receivables (iv)	19	59 935	(471)	**59 464**	57 395	(219)	**57 176**	48 194	(217)	**47 977**
Cash and bank balances (i)	31	20 403	-	**20 403**	23 857	-	**23 857**	20 235	-	**20 235**
		83 771	**(471)**	**82 563**	**84 741**	**(219)**	**84 522**	**70 765**	**(217)**	**70 548**
Total		**84 073**	**(471)**	**82 865**	**84 776**	**(219)**	**84 557**	**70 765**	**(217)**	**70 548**

(i) Cash and bank balances and derivative financial instruments:

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(ii) Finance lease receivables mainly relate to receivables towards 1 customer. There have never been any issues with collection of these receivables and given that the customer is governmental in nature, the Group does not expect any credit losses on the receivable going forward

(iii) Loans to management and related parties relate to an immaterial amount of loans granted to management personnel and a current account with SL Holdco B.V. The Group assesses that the receivable does not need to be credit impaired.

(iv) Trade and other receivables:

For trade and other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 19 includes further details on the loss allowance for trade receivables.

In general, the group has a very healthy receivable aging client portfolio and very limited actual write-offs of accounts receivables occurred in the past. For 2018, the amount of actual write-off due to payment default amounted to €6 thousand (2017: €22 thousand). Given the very strong track record in collecting payments and the very immaterial amount of actual credit losses incurred, no provision has been set up, based on the expected credit loss method. Material overdue balances at period end are reviewed on a case-by-case basis and if non-payment is more than probable, a bad debt allowance is accounted for.

The additional credit loss allowance as at 31 December 2018 compared to 31 December 2017 solely relates to the individual assessment of overdue customers. For a summary of customers overdue not impaired at period end, reference is made to note 19.

34.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's sort, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of the additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out in section 34.3.2 of this note.

34.3.1 Exposure to liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. In this table, the remaining contractual maturities of financial liabilities at the respective reporting dates are included. The amounts are gross and undiscounted and include contractual interest payments. The expected cash in- and outflows relating to derivative financial instruments is included in note 34.1.1c.

Liquidity risk

	Carrying value	Less than 3 months	3 months to 1 year	1-5years	5+ years	Total Expected cash flow
		Expected cash outflows				
31 December 2018	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Non interest bearing						
Trade and other payables	81 669	(81 323)	(346)	-	-	(81 669)
Interest bearing						
Other loans	63	(9)	(7)	(57)	-	(73)
Loans from related parties (i)	72 251	-	-	-	(92 213)	(92 213)
Finance lease liabilities	1 539	(223)	(926)	(407)	-	(1 556)
Secured bond (ii)	146 958	(2 063)	(6 188)	(176 125)	-	(184 376)
Total	**302 480**	**(83 618)**	**(7 467)**	**(176 589)**	**(92 213)**	**(359 887)**
31 December 2017						
Non interest bearing						
Trade and other payables	72 495	(72 149)	(173)	(173)	-	(72 495)
Interest bearing						
Other loans	352	(72)	(217)	(83)	-	(372)
Loans from related parties (i)	89 555	-	-	-	(114 297)	(114 297)
Finance lease liabilities	3 294	(521)	(1 563)	(1 476)	-	(3 560)
Secured bank loans (iii)	130 820	(35 796)	(7 233)	(113 955)	-	(156 984)
Total Exposure	**296 516**	**(108 538)**	**(9 186)**	**(115 687)**	**(114 297)**	**(347 708)**
1 January 2017						
Non interest bearing						
Trade and other payables	62 750	(62 750)	-	-	-	(62 750)
Interest bearing						
Other loans	99	(25)	(74)	-	-	(99)
Loans from related parties (i)	85 365	-	-	-	(108 950)	(108 950)
Finance lease liabilities	1 462	(129)	(387)	(1 146)	-	(1 662)
Secured bank loans (iii)	119 517	(20 133)	(6 781)	(121 287)	-	(148 201)
Total Exposure	**269 193**	**(83 037)**	**(7 242)**	**(122 433)**	**(108 950)**	**(321 662)**

(i) The shareholder loans are interest bearing and interest is capitalized. Shareholder loans are subordinated to the secured loans and can only be repaid when the secured loans are paid back. The capitalized interest will not lead to a cash out in the coming five years and as such, the Group has presented no interest cashflow during the first 5 years. The amount repaid in >5years include undiscounted cash flows of the nominal amount of the carrying value and 5 years of capitalized interest.

(ii) The amount of expected cash outflows 1-5years included for the secured bond in the above schedule relates to interest payments prior to the maturity date of €26 125 thousand and €150 000 thousand relating to the repayment of the principal amount of the secured bond loan. The maturity date of the bond is February 6th, 2023. The interest payments for this variable interest rate bond reflects market forward interest rates at the reporting date and these amounts may change as market interest rate changes.

(iii) The amount of expected cash outflows relating to the secured bank loans has not been adapted to the refinancing transaction. The amounts presented are based on the expected cash outflows in case the refinancing transaction did not occur to maintain comparability year over year of the future expected cash outflows and the impact that the refinancing transaction has had on the liquidity of the Group. By refinancing the existing bank debt prior to February 6th, 2018, the Group has managed to significantly decrease the liquidity risk and increased financial flexibility by effectively repaying all short-term loans received from credit facilities and replacing those loans with a secured bond maturing on February 6th, 2023.

34.3.2 Financing facilities

The table below summarizes the additional undrawn credit facilities at the disposal of the Group to further reduce liquidity risk:

Unused financing facilities	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Revolving credit facility	12 000	1 000	-
Ancillary facility	8 000	-	-
Total	**20 000**	**1 000**	**-**

Together with the refinancing transaction of existing bank loans, the Group entered into a super senior revolving credit facility for an amount of €20 000 thousand. During 2018, €8 000 thousand of the revolving credit facility has been replaced by an ancillary facility. At 31 December 2018, cash and bank balances amounted to €20 403 thousand and no amount was used from the financing facilities.

34.4 Capital risk management

The Group believes that the monitoring of capital is relevant to the understanding of the Group's financial performance. The Group monitors capital using a ratio of 'adjusted equity' to total equity and liabilities (as shown in the statement of financial position). Adjusted equity comprises all components of equity and includes loans from related parties.

The Group seeks to maintain a healthy balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

The Group's total equity and liabilities to adjusted equity ratio at 31 December 2018 was as follows:

Total equity and liabilities to adjusted equity ratio	31/12/2018	31/12/2017	1/01/2017
	EUR '000	EUR '000	EUR '000
Equity	75 051	95 364	102 949
Add: loans from related parties	72 251	89 555	85 365
Total adjusted equity	**147 302**	**184 919**	**188 314**
Total Equity and liabilities	**457 156**	**474 959**	**449 344**
total equity and liabilities to adjusted equity ratio	**32%**	**39%**	**42%**

On February 6th, 2018, the Group has successfully completed a bond placement of €150 million, refinancing all existing bank loans prior to that date. The new financing has created additional financial flexibility which enables the Group to implement the strategic five-year plan going forward which was the main purpose of the refinancing transaction. On the downside, the total refinancing exercise has resulted in a decrease of the total equity and liabilities to adjusted equity ratio. The new bond terms do not include any financial covenants and contain no obligation to repay principal amounts before the maturity date in 2023. Reference is made to note 21.3 on covenants. The Group is not subject to any externally imposed capital requirements.

35 Related-Party Transactions

35.1 Trading transactions

There were no trading transactions (sale of goods and purchase of goods) with related parties which are not members of the Group.

35.2 Related parties – amounts outstanding

The following amounts were outstanding at the reporting date:

Related parties - Amounts outstanding at the reporting date	Notes	Receivable			Payable		
		31/12/2018	31/12/2017	1/01/2017	31/12/2018	31/12/2017	1/01/2017
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans with related parties (i)	21.1	-	-	-	69 711	87 355	83 315
Current accounts with related parties	20, 21.1	805	2 488	2 010	2 540	2 200	2 050
Loans to key management personnel	20	95	112	122	-	-	-
Total		**900**	**2 600**	**2 132**	**72 251**	**89 555**	**85 365**

(i) The loans with related parties are granted by the parent company SL Midco B.V. and are subordinated loans without any securities granted or guarantees given by the Group in respect of these related party balances. The interest rates of the loans with related parties (shareholder loans) has been disclosed in note 21.1. The nature of these loans is primarily the funding of past business combinations.

The current accounts with related parties are primarily used to cover for net working capital needs.

No securities are granted or guarantees given by the Group for any of the related party loans listed in the above overview. No provision has been made for doubtful debts in respect of the amounts owed by related parties as disclosed in note 34.2.2.

35.3 Remuneration of key management personnel

The remuneration of directors (including both remuneration for services rendered as executive management if applicable, and as board member) and the group leadership team, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related party disclosures.

Remuneration of key management personnel

Expenses recognized in the year	31/12/2018	31/12/2017
	EUR '000	EUR '000
Short-term employee benefits	1 477	749
Post-employment benefits	37	20
Total	**1 514**	**769**

36 Events after the reporting period

On the 6th of February 2019, the company successfully listed it's 150 million euro senior secured bond with ISIN NO0010814189 on the Oslo Børs, (the Oslo Exchange).

On the 29th of January 2019, Marco Barkmeijer has stepped back from his position as director of SL Bidco B.V. and has been succeeded by Pieter Mesker.

On the 7th of May 2019, Orange S.A. signed an agreement to acquire all the shares of SL Bidco B.V. Orange is making this acquisition as part of its Strategy to rapidly expand its presence in the Cybersecurity market. This transaction will also provide access for SecureLink to an expanded international customer base. The sale of the shares of SL Bidco B.V. is expected to complete by the end of Q2, beginning of Q3 2019, after all regulatory approvals have been obtained. An estimate of the financial effect of this transaction cannot be made by management.

37 Approval of financial statements

The board of directors confirm, to the best of their knowledge, that the consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with IFRS as adopted by the EU, and that the information gives a true and fair view of the Group's assets, liabilities, financial position and results for the period. The board of directors also confirms that, to the best of their knowledge, the presented information provides a true and fair overview of important events that have occurred during the period and their impact on the financial statements, key risks and uncertainties that the Group is facing. The financial statements were approved by the board of directors and authorised for issue on 10 May 2019.

Company only financial statements of SL Bidco B.V. 2018

Company only statement of profit or loss and other comprehensive income for the year ended 31 December 2018

Company only statement of profit or loss and other comprehensive income for the year ended 31 December 2018	Notes	31/12/2018	31/12/2017
		EUR '000	EUR '000
Revenue		14 882	15 515
Raw materials and consumables used		(11 809)	(13 501)
Employee benefits		(516)	(53)
Office and facilities		(5)	(1)
Travel		(180)	(51)
Vehicles		-	(3)
Telecommunication and IT		(659)	(375)
Legal and accounting		(1 150)	(2 408)
Marketing		(34)	14
Other income/(expense)		(441)	(1)
Amortization, depreciation and impairment		(159)	(86)
Finance cost (net)	13	(9 016)	(4 085)
Profit / (loss) before tax		**(9 087)**	**(5 035)**
Income tax	14	1 083	656
Share in result of investments in subsidiaries	5	(10 353)	(7 457)
PROFIT / (LOSS) FOR THE YEAR		**(18 357)**	**(11 836)**
Other comprehensive income / (loss), net of income tax			
Items that will not be reclassified subsequently to profit or loss, net of tax:			
Remeasurement of defined benefit obligation	9.1	(17)	22
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translating foreign operations	9.1	(1 963)	(1 816)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF INCOME TAX		**(1 980)**	**(1 794)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**(20 337)**	**(13 630)**

Company only statement of financial position for the year ended 31 December 2018

Company only statement of financial position for the year ended 31 December 2018	Notes	31/12/2018	31/12/2017
		EUR '000	EUR '000
ASSETS			
Non-current Assets			
Goodwill	3	128 856	128 856
Other intangible assets	4	573	766
Investments in subsidiaries	5	35 367	45 123
Other financial assets	6	74 762	35 121
		239 558	**209 866**
Current Assets			
Other financial assets	6	1 082	2 113
Trade and other receivables	7	4 300	3 623
Prepayments		548	395
Cash and bank balances	8	-	137
		5 930	**6 268**
TOTAL ASSETS		**245 488**	**216 134**
Capital and reserves			
Share capital	9	2	2
Share premium	9	142 144	142 144
Other reserve	9	(66 139)	(47 261)
Legal reserve	9	(1 124)	335
TOTAL EQUITY		**74 883**	**95 220**
Non-current liabilities			
Borrowings	10	145 675	70 090
		145 675	**70 090**
Current liabilities			
Trade and other payables	12	3 186	1 600
Current tax liabilities		143	-
Borrowings	10	21 601	49 224
		24 930	**50 824**
TOTAL LIABILITIES		**170 605**	**120 914**
TOTAL EQUITY AND LIABILITIES		**245 488**	**216 134**

1 Corporate information

SL Bidco B.V. (hereinafter the "Company") is incorporated on 9 December 2015 as a Limited Company and registered in The Netherlands with registered number 64720756. The Company has its registered office in Amsterdam and its operational location is Trapezium 224, Sliedrecht, Netherlands.

The Company financial statements are part of the report on the annual accounts for the period ended January 1, 2018 until December 31, 2018. SL Bidco B.V. cost mainly comprise of management and headquarter activities of which part is recharged to other companies of the Group.

2 Significant accounting policies

The company only financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements of the 'Raad voor de Jaarverslaggeving'. The Company uses the option provided in section 2:362 (8) of the Dutch Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as the significant accounting policies) of the company only financial statements are the same as those applied for the consolidated financial statements. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to note 4 of the consolidated financial statements for the significant accounting policies which also apply to the company only financial statements.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value (based on the same significant accounting policies of the consolidated financial statements).

Subsidiaries with a negative net equity value are valued at nil. This likewise takes into account other long-term interests that should effectively be considered as part of the net investment in the associated company. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively, to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Where no significant influence is exercised, associated companies are valued at cost and, if applicable, less impairments in value.

Upon initial recognition the receivables on and loans to associated companies and other receivables are valued at fair value and then valued at amortized cost, which equals the face value, after deduction of any provisions.

3 Goodwill

The changes of the cost and accumulated impairments of goodwill can be summarized as follows.

Goodwill

	EUR '000
Cost	
At 1 January 2018	**128 856**
Additional amounts recognized from business combinations occurring during the year	-
Derecognized on disposal of a subsidiary	-
Effect of foreign currency exchange differences	-
At 31 December 2018	**128 856**
Accumulated impairment losses	
At 1 January 2018	**-**
At 31 December 2018	**-**
Carrying amount	
At 1 January 2018	**128 856**
At 31 December 2018	**128 856**

Goodwill relates to the initial acquisition in 2015 of CGU's Belgium and The Netherlands by SL Bidco B.V. Reference is made to note 12.2 of the consolidated financial statements for the carrying value of goodwill per CGU.

4 Other intangible assets

Other intangible assets

	Patents and other rights	Internally generated software	Total
	EUR '000	EUR '000	EUR '000
2018			
Cost			
Balance at 1 January 2018	**796**	**56**	**852**
Additions	23	-	23
Disposals	-	(56)	(56)
Effect of foreign currency exchange differences	-	-	-
Balance at 31 December 2018	**819**	**-**	**819**
Amortization			
Balance at 1 January 2018	**(86)**	**-**	**(86)**
Additions	(160)		(160)
Disposals	-	-	-
Effect of foreign currency exchange differences	-	-	-
Balance at 31 December 2018	**(246)**	**-**	**(246)**
Net Book value at 31 December 2018	**573**	**-**	**573**

The internally generated software has been transferred to another group entity.

5 Investments in subsidiaries

Changes in the carrying value of investments in subsidiaries can be summarized as follows:

Investments in subsidiaries	EUR '000
At 1 January 2018	**45 123**
Share in result of investments in subsidiaries	(4 754)
Associated company dividends	(3 022)
Effect of foreign currency exchange differences	(1 963)
Effect of remeasurement of defined benefit obligation	(17)
At 31 December 2018	**35 367**

An overview of the information on principal subsidiary undertakings required under articles 2:379 of the Dutch Civil Code is given in note 16 of the consolidated financial statements.

The difference between the share in result of investments in subsidiaries of minus €4 754 thousand and the and the share in result of investments in subsidiaries recorded in the company only statement of profit or loss and other comprehensive income of minus €10 353 thousand amounts to €5 599 thousand relates to the negative net equity value of the investment in associates, more specifically to the net equity value of the SL Bidco UK Ltd. subconsolidation. The amount has been accounted for in minus of the related party receivable from SL Bidco UK Ltd.

Reference is made to the significant accounting policy relating to the valuation of investments in Group companies described in note 2 of the company only financial statements.

6 Other financial assets

Other financial assets		
	31/12/2018	31/12/2017
Breakdown of other financial assets	EUR '000	EUR '000
Derivative financial instruments (i)	292	16
Receivables on group entities (ii)	75 551	37 217
Total other financial assets	**75 843**	**37 233**
by Classification		
Non-current	74 761	35 120
Current	1 082	2 113
Total other financial assets	**75 843**	**37 233**

(i) The terms and conditions of the derivative financial instruments are disclosed in note 21.2 (ii) and (iii) of the consolidated financial statements.

(ii) Receivables on group entities are disclosed in note 11.1 of the company only financial statements.

7 Trade and other receivables

Trade and other receivables		
	31/12/2018	31/12/2017
	EUR '000	EUR '000
VAT receivable	53	-
Accrued income	4 247	3 623
Total Trade and other receivables	**4 300**	**3 623**

All receivables and accrued income have a remaining duration of shorter than one year. These receivables do not accrue interest. The fair value of the receivables reasonably approximates to the book value, due to their short-term character

8 Cash and bank balances

Cash and bank balances	31/12/2018 EUR '000	31/12/2017 EUR '000	1/01/2017 EUR '000
Bank balances	-	137	364
Total cash and bank balances	**-**	**137**	**364**
Of which restricted cash:	**-**	**-**	**-**

Cash balances are at fee disposal of the Company.

9 Equity

9.1 Changes in equity

The changes in equity can be summarized as follows:

Company only statement of changes in equity for the year ended 31 December 2018

	Share Capital	Share Premium	Legal Reserve for non distributable results in subsidiaries		Legal reserves	Other reserves	TOTAL
			Equity-settled employee benefits reserve	Software capitalization	Foreign currency translation reserve		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 31 December 2017	**2**	**142 144**	**22**	**2 582**	**(2 269)**	**(47 261)**	**95 220**
Profit / (loss) for the year	-	-	-	-	-	(18 357)	(18 357)
Other comprehensive income for the year, net of income tax	-	-	(17)	-	(1 963)	-	(1 980)
Capitalization software	-	-	-	937	-	(937)	-
Amortization software	-	-	-	(416)	-	416	-
Balance at 31 December 2018	**2**	**142 144**	**5**	**3 103**	**(4 232)**	**(66 139)**	**74 883**

Under the Dutch guidelines for financial reporting which apply to the Company only statement of financial position, a legal reserve for non-distributable results of subsidiaries must be maintained as presented in the above schedule.

9.2 Share capital and share premium

Reference is made to note 25 of the consolidated financial statements.

9.3 Appropriation of result for the financial year 2018

Reference is made to note 11 of the consolidated financial statements.

10 Borrowings

Borrowings	31/12/2018	31/12/2017
	EUR '000	EUR '000
Unsecured - at amortized cost		
Loans due to related parties and participants (i)	20 294	53 999
Other loans	2	-
	20 296	**53 999**
Secured - at amortized cost		
Bank loans (ii)	22	65 315
Bond (ii)	146 958	-
	146 980	**65 315**
Total Borrowings	**167 276**	**119 314**
Current	21 601	49 224
Non-current	145 675	70 090
Total Borrowings	**167 276**	**119 314**

(i) Reference is made to note 11.1 of the company only financial statements for a summary of related party balances

(ii) As of 31 December 2017, the secured borrowings balance corresponds to the to the outstanding part of the syndicated loan of €54 500 thousand from 2015 with an outstanding balance of €50 945 thousand (including accrued interest) and a syndicated CAPEX facility of GBP 12 450 thousand with a corresponding value of €14 370 thousand (including accrued interest), of which the terms and conditions are disclosed in note 21.1 (v) of the consolidated financial statements.

As of 31 December 2018, the secured borrowings balance relates to the secured bond for an amount of €149 980 thousand, of which the terms and conditions are disclosed in note 21.1 (vii) and to the accrued interest on the super senior revolving credit facility for an amount of €22 thousand of which the terms and conditions are disclosed in note 21.1 (vii) of the consolidated financial statements. Reference is made to note 21.3 and note 21.4 for the applicable covenants and securities that have been granted for the secured loans.

For more information on how the Group manages its financial risks, reference is made to note 34 of the consolidated financial statements

11 Related party balances and transactions

11.1 Related party balances

The related parties are companies owned or controlled by the main shareholder of the parent company. The Group had the following related-party balances and transactions during as per 31 December 2018 and 31 December 2017:

Related party balances

	Other Financial assets		Borrowings	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	EUR '000	EUR '000	EUR '000	EUR '000
Loans from participants				
SL Holdings S.à.r.l.	-	-	-	21 211
Loans with related parties				
Securelink Bidco UK Ltd.	29 678	35 104	-	-
SL Acquisition B.V.	-	-	-	32 788
SL Holdco B.V.	-	2 113	-	-
SLCS Systems AB	45 869	-	-	-
Securelink group services NV	4	-	20 294	-
Total	**75 551**	**37 217**	**20 294**	**53 999**

11.2 Remuneration of (former) directors of the Group

For an overview of the remuneration of directors charged to SL Bidco B.V. No distinction has been made between remuneration of executive and non-executive directors, since this is reducible to a single natural person:

Remuneration of (former) directors of the Group

Expenses recognized in the year	31/12/2018	31/12/2017
	EUR '000	EUR '000
Short-term employee benefits	814	147
Post-employment benefits	17	-
Total	**831**	**147**

12 Trade and other payables

Trade and other payables

	31/12/2018	31/12/2017
	EUR '000	EUR '000
Trade payables	281	149
Payroll	350	-
Taxes (other than income taxes)	-	99
Accrued expenses	2 554	1 352
Total trade and other payables	**3 185**	**1 600**

Trade payables and accrued expenses are mainly for the administrative service providers. Payroll liabilities relate to remunerations of key management personnel. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

All current liabilities, accruals and deferred income have a remaining duration of shorter than one year.

13 Finance cost (net)

The finance income and cost can be summarized as follows:

Finance cost (net)

	31/12/2018 EUR '000	31/12/2017 EUR '000
Finance cost		
Interest on secured bank loans	(10 310)	(3 405)
Interest on loans from related parties	(593)	(83)
Interest on loans from participants	(391)	(2 704)
	(11 294)	**(6 192)**
Finance income		
Interest on loans from related parties	5 453	2 393
Other financial income / (cost)	(3 175)	(286)
Total Finance cost (net)	**(9 016)**	**(4 085)**

14 Income tax

Income tax recognized in profit or loss

	2018 EUR '000	2017 EUR '000
Current tax	1 083	656
Total income tax income / (expense)	**1 083**	**656**

15 Events after the reporting period

On the 6th of February 2019, the company successfully listed it's 150 million euro senior secured bond with ISIN NO0010814189 on the Oslo Børs, (the Oslo Exchange).

On the 29th of January 2019, Marco Barkmeijer has stepped back from his position as director of SL Bidco B.V. and has been succeeded by Pieter Mesker.

On the 7th of May 2019, Orange S.A. signed an agreement to acquire all the shares of SL Bidco B.V. Orange is making this acquisition as part of its Strategy to rapidly expand its presence in the Cybersecurity market. This transaction will also provide access for SecureLink to an expanded international customer base. The sale of the shares of SL Bidco B.V. is expected to complete by the end of Q2, beginning of Q3 2019, after all regulatory approvals have been obtained. An estimate of the financial effect of this transaction cannot be made by management.

Signing of the report on the annual accounts for the period January 1, 2018 until December 31, 2018

SL Bidco B.V.

Thomas Fetten

Executive board member

Andrea Davis

Non-executive board member

Ruud Kroon

Non-executive board member

Pieter Mesker

Non-executive board member

The prepared financial statements were signed on May 10th, 2019

Other information

Independent auditor's report

Reference is made to the auditor's report included hereinafter.

Appropriation of result

In Article 14 of the company's articles of association is presented that the appropriation of the result is at the disposal of the General Meeting.

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Independent auditor's report

To the shareholders and audit committee of SL Bidco B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2018 of SL Bidco B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of SL Bidco B.V. as at December 31, 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of SL Bidco B.V. as at December 31, 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2018.

2. The following statements for 2018: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2018.

2. The company profit and loss account for 2018.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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We are independent of SL Bidco B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 2,200,000. The materiality is based on a qualitative analysis in which revenue is the primary factor. We have also taken into account misstatements and/or possible misstatements that in our opinion could be material for the users of the financial statements.

We agreed with the audit committee that misstatements in excess of € 110,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SL Bidco B.V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of SL Bidco B.V.

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

We have performed audit procedures ourselves at operations in the Netherlands. Furthermore, we performed audit procedures on group level on areas such as consolidation, disclosures, goodwill and intangible assets. Specialists were involved amongst others in areas of accounting, pensions and valuation.

For selected component audit teams, the group team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, contained detailed significant audit areas and information obtained centrally relevant to the audit of individual components including awareness for risk related to management override of controls. Furthermore, we developend a plan for overseeing each component audit team based on its relative significant to the Company and certain other risk characteristics. This includes procedures such as visiting components (United Kingdom, Belgium and Germany) during the year, performing file reviews, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed. For smaller components we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidende about the group’s financial information to provide an opinion on the consolidated financial statements, resulting in the following coverage:

- Revenues: 87% full audit scope coverage
- Assets: 90% full audit scope coverage
- Net result: 83% full audit scope coverage

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By performing the procedures mentioned above at group entities, together with additional procedures that have been performed at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Description of the key audit matter	*How we have audited this key audit matter*
As described in note 12 the Group had € 258 million of goodwill as at December 31, 2018. As disclosed in note 4.14 to the financial statements, the Group tests its CGUs containing goodwill for impairment at the end of the reporting period. This is performed by comparing the recoverable amounts of the individual CGUs, being the higher of value-in-use and fair value less costs of disposal, to the carrying amounts. Our key audit matter focused on the goodwill allocated to the Securelink UK Limited ("SL UK") CGU which amounts to € 32 million of the total goodwill recognized. Our focus was primarily driven by the results of SL UK in the past years. We considered valuation of goodwill to be a key audit matter due to the significant judgment involved in estimating the recoverable amounts. The recoverable amounts of the CGUs were based on value-in-use. Such amounts are based on cash flow forecasts that include management's estimate of key value driver inputs such as inflation, volume growth and discount rates applied.	Our procedures included, among others, evaluation of the assumptions and methodologies used in the annual impairment test prepared by the company, an assessment of the mathematical accuracy of the calculations and a reconciliation to the 2018 five year outlook as approved by the Management Board. We have challenged management, primarily on their assumptions applied to which the outcome of the impairment test is the most sensitive, in particular, the projected revenue growth, margin developments and discount rates. We assessed the adequacy of the company's disclosures in note 12 to the consolidated financial statements and in particular the key assumptions to which the outcome of the impairment test is most sensitive as well as the disclosure of the recognized impairment loss. Based on our procedures, we consider management's key assumptions to be within a reasonable range of our own expectations and the related disclosures in note 12 to the financial statements to be adequate. We furthermore agree with the recognized impairment loss for SL UK amounting to € 9 million.

Cut-off revenue

Description of the key audit matter	*How we have audited this key audit matter*
There is an inherent risk around the cut-off of revenue recorded. Due to the seasonality of the business, which historically resulted in an increase of revenues at the end of each quarter and especially at the end of the year, we see a cut-off risk in the last quarter of the year. This cut-off risk mainly applies to the revenue streams products and maintenance services.	Our procedures included test of design and implementation of the internal controls regarding cut-off of revenue. The substantive procedures performed included test of details on the recognition of revenue in the correct period, based on supporting documentation such as contracts, with a particular focus to revenue recorded in the last months of the reporting period and the month following after the reporting period. As a result of our audit procedures, we noted no cut-off errors.

First time adoption EU-IFRS

Description of the key audit matter	*How we have audited this key audit matter*
The company adopted EU-IFRS for the first time in its financial statements 2018. There is a risk of a material error in the transition from Dutch GAAP to EU-IFRS. Focus areas of the transition were IFRS 3 and new accounting standards IFRS 9 and 15.	Procedures performed included the test of design and implementation of the conversion process performed at group level. Both management and audit team involved IFRS specialists in this conversion process. The financial statements were tested for compliance with EU-IFRS. Based on our audit procedures, we conclude the financial statements are in compliance with EU-IFRS.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

- Management Board's Report.
- Report of the Audit Committee.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the audit committee as auditor of SL Bidco B.V. on December 7, 2016 for the audit for the year 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and audit committee for the financial statements

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

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

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, May 10, 2019

Deloitte Accountants B.V.

Signed on the original: M.R. van Leeuwen