

Registered No: 03990481

AAREON UK LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



AAREON UK LIMITED

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AAREON UK LIMITED

COMPANY INFORMATION

Directors	Robert Griffiths Justin Hines Meriel Sommers Imad Abdallah Sabine Fischer Andre Rasquin Pascal Ugarte
Registered number	03990481
Registered office	Building 500 Abbey Park Stareton Kenilworth Warwickshire CV8 2LY
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington DE74 2UZ
Bankers	HSBC Bank plc 133-135 Daventry Road Cheylesmore Coventry CV3 5HD
Solicitors	Foot Anstey LLP 2 Glass Wharf Bristol BS2 0FR

AAREON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report for the year ended 31 December 2020.

The company is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private company which is limited by shares.

Strategic Management

Aareon UK Limited helps social housing providers to transform their business processes, reduce costs and improve customer service. With a sole focus on social housing, Aareon provides leading Housing Management Software and Digital Solutions to the UK Housing sector.

As a leading partner and driver of digital transformation to the property sector, we place our customers at the heart of everything we do and deliver best in class solutions to support our customers' plans and ambitions by improving engagement with tenants, staff and suppliers.

Business Environment

Market trends

Even before the pandemic, many of our customers were working with the reality that their own customers don't just appreciate the availability of digital offerings, they take them for granted. The pandemic has served to accelerate this development and the need for digitisation across all sectors. We are therefore working alongside all of our stakeholders to understand the challenges this creates and work to create solutions that best meet the requirements.

Our Smart World digital platform delivers a true open standards ecosystem that enables innovative ways for our Customers, partners and Aareon to deliver seamless user journeys and user experience with simple integration, faster rollouts and rapid value creation.

Principal risks and uncertainties (including financial risk management)

The company has in place a group-wide risk management system that seeks to limit adverse effects on its financial performance through early warning alerts. Risks are recorded and assessed on a quarterly basis by the management team and reviewed by the Group. These are further reviewed by Aareon's internal audit department to ensure compliance. The policies set by the directors are implemented by the company's management team.

ISO – Quality Standards

As we continue to drive quality and operational excellence through our business, we have upgraded our standards to ISO9001:2015 for Quality, ISO14001:2015 for Environmental Performance and ISO27001 Information Security to provide a common framework and encourage integration, accountability and connectivity across the business.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the management of the company.

The company's principal financial assets are bank balances, trade and other receivables. The amounts presented in the balance sheet are net of provision for any expected credit notes. Trade debt exposure is spread over a large number of customers with a relatively low credit risk.

AAREON UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Principal risks and uncertainties (including financial risk management) continued

Liquidity risk

The company has no short or long term debt and the directors feel that the company has an appropriate level of operating cash flows to fund liquidity requirements. Where required for significant investment programmes this is supported by Group funding through either injections of capital or structured Group loan financing. This debt structure ensures the company has sufficient available funds for its operations and planned capital expenditure. Actual performance, as well as short and medium term forecasts (including annual budgets), are reported to the board on a regular basis to allow a balanced assessment of the company performance.

Competition

The company operates in a highly competitive market for new software sales, particularly with regard to price and functionality. There is frequent pressure on margins and increased customers' expectations. To mitigate this, the management team constantly review pricing and discount levels through defined bid processes and regular reporting. Furthermore, regular product gap analysis is undertaken with regard to functionality to ensure customers' needs are being met. Internal developments are continuously being assessed to close any identified gaps.

Our Staff

We understand the importance of our staff to the success of our company. Our market-leading, forward-looking IT solutions set standards in our industry thanks to the specialist expertise, dedication and enthusiasm of our people.

At Aareon, supporting our staff throughout the whole of their careers is part of our corporate philosophy and a top priority. Flat hierarchies, project work, different career paths and tailor-made personal development measures guarantee diverse prospects for personal and career development within the company.

Corporate Social Responsibility

Aareon UK recognises its social, economic and environmental responsibilities to our customers, employees, suppliers and the community are integral to our business, and

- to improve our environmental performance through implementation of our sustainable development and environmental policies, particularly through our commitment to "Green consulting"
- operate an equal opportunities policy for all present and potential future employees.
- act ethically and fairly at all times in our dealings with our customers, our employees, our suppliers and the community.
- maintain internal controls to ensure standards are met.
- support and encourage our employees to help local community organisations and activities
- encourage suppliers and contractors to adopt responsible business policies and practices for mutual benefit
- offer our employees clear and fair terms of employment and provide resources to enable their continued development
- maintain forums for employee consultation business involvement.
- provide safeguards to ensure a clean, healthy and safe working environment.
- uphold the values of honesty, partnership and fairness in our relationships with others.
- ensure our contracts clearly set out the agreed terms, conditions and basis of our relationship.
- support our customers to help their local communities and promote activities in their regions.

AAREON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Business Performance

Financial Performance and key performance indicators

The financial performance of the business is discussed in the Directors' Report, and highlighted in detail in the financial statements and notes on pages 11 to 28 of this Annual Report. During 2020 the Intra-company loan of £2.239m was repaid to Aareon AG. This amount was then returned to Aareon UK by way of capital contribution increasing the financial strength of the company in terms of both net assets and net current assets.

The directors of Aareon AG manage the group's operations on a group-wide basis. For this reason, the directors of the company believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The development, performance and position of Aareon AG, which includes the company, is discussed in the management report of Aareon AG's 2020 Annual Report which does not form part of this report but can be obtained as detailed in note 24 to the financial statements.

Outlook for 2021 – investing in the future

The business continues to invest heavily in research and development and bringing substantial improvement to its product range through the launch of:

- QLNG – next generation of the Aareon UK ERP solution;
- Enhancing the range of digital solutions and products available
- Committing to complete cloud based and hosted offerings

This continued commitment investment in solutions for our customers will sustain the financial development of the business over the medium term.

Going concern

The level of commitment to enhancing the solutions available to our customers noted above will require significant levels of funding over the next 12-18 months. In support of this Aareon UK has:

- secured a further capital injection of £2m into the company in August 2021 from Aareon AG which has been received in cash post year end;
- agreed with Aareon AG for the availability of structured future loan financing to complete the remaining investment through legally binding Intercompany loans and further capital injection commitments

As a result of the above, along with the forecasted profit and cash flows for the business over the coming 12 – 18 months the Directors fully believe that the cash requirements of the investment programme is fully covered and it is therefore appropriate to prepare the financial statements on a going concern basis.

AAREON UK LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

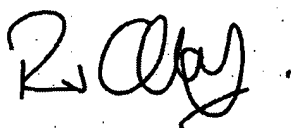
Section 172 statement

The Directors understand the business and the evolving environment in which we operate. This includes the impact on the business and the market place of the Covid-19 pandemic – against the backdrop of which the business has demonstrated resilience and ability to adapt to the changes required.

Delivering on our strategy requires strong mutually beneficial relationships with customers, suppliers, employees and government bodies. It also requires that we continually assess the impact on our community and the environment, including through initiatives such as green consulting. This is highlighted above in our corporate social responsibility approach.

The Directors consider the course of action to deliver our strategy in a long-term sustainable approach that takes into consideration the impact on all of our stakeholders.

This report was approved by the board and signed on its behalf by:



R Griffiths
Director
29 September 2021

AAREON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and the audited financial statements for Aareon UK Limited (the "company") for the year ended 31 December 2020.

Principal activities

The principal activity of the company is the development and provision of computer software and associated services.

Results and dividends

The profit for the financial year amounted to £36,393 (2019: £381,354).

The directors did not pay a dividend in 2020 (2019: £433,228).

Directors

The directors of the company who were in office in the year and up to the date of signing the financial statements were:

Robert Griffiths
Justin Hines (appointed 03/09/2020)
Meriel Sommers
Sabine Fischer
Imad Abdallah (appointed 03/03/2020)
Andre Rasquin (appointed 03/03/2020)
Pascal Ugarte (appointed 03/03/2020)
Geraint Griffiths (resigned 30/09/2020)
Christian Schmahl (resigned 03/03/2020)
Manfred Alflen (resigned 03/03/2020)
Amanda Sin Man Lee-Bennett (resigned 10/07/2020)

Future developments

The company will continue its policy of heavy investment in its product set and services, and anticipates that employee numbers in key areas will steadily increase.

The company is confident that it has the correct product sets and excellence in its employees to meet future growth plans and maintain its success in the market sector it operates.

Whilst the economic outlook for the business sectors that Aareon UK Limited's customers operate in continue to be challenging the continuing trend for seeking efficiency driven business solutions by both established and new customers should ensure that Aareon UK Limited will maintain its success through the involvement of its products and services as a key element of these business solutions.

Financial risk management

The financial risk management of the company is discussed in the Strategic Report.

Qualifying third party and pension scheme indemnity provisions

No qualifying third party indemnity provision and/or qualifying pension scheme indemnity provision (whether made by the company or otherwise) is in place for the benefit of any director.

AAREON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Going Concern

As noted in the Strategic Report these financial statements have been prepared on the Going Concern basis. Given the funding in place, the Directors agree that this is the appropriate basis for preparation.

Post balance sheet events

During 2021 the UK Government announced that the planned reduction to corporation tax from 19% to 17% would not go ahead as planned and that from April 2023 the rate would increase to 25%. This would not have a material impact on the taxation balances included within these financial statements. During August 2021 the company also received a capital contribution of £2m to finance the software developments as noted in the strategic report.

Auditors

Following the retendering of the audit at the ultimate parent undertaking it is proposed that PwC will not be reappointed as auditors and that KPMG are due to be appointed as auditors following the completion of this year's audit.

AAREON UK LIMITED

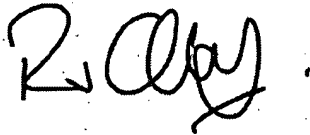
**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)**

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R Griffiths', followed by a period.

R Griffiths
Director
29 September 2021

Independent auditors' report to the members of Aareon UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aareon UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

AAREON UK LIMITED

Independent auditors' report to the members of Aareon UK Limited (continued)

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraud within revenue recognition (through inappropriate journal entries being used to increase reported revenues), inappropriate treatment of significant or unusual one off transactions and manipulation of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries through adopting a risk-based approach, with a focus on unusual account combinations impacting revenue or journals posted by unexpected persons within the company. Testing was also performed to validate completeness of the population of transactions subject to our procedures;

Independent auditors' report to the members of Aareon UK Limited (continued)

- Testing the underlying data on which the significant management estimates were made, the validity of the estimates (through performing look-back tests as well as testing of events and transactions post year end), the accuracy of the calculations made by management and adoption of the stated accounting policies;
- Tested items included within Other Operating income back to source documents and third-party documentation (where available);
- Reviewed the financial statements for appropriate disclosures being made in relation to the requirements of the Companies Act and FRS 101; and
- Discussions with management regarding any known / suspected frauds or non-compliance with applicable laws and regulations. To ascertain the validity of management's representations we reviewed board minutes, inspected VAT / PAYE / Corporation Tax returns and considered other evidence obtained during our audit for inconsistencies.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Dymond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
29 September 2021

AAREON UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020	2019
	Note	£	£
Turnover	4	11,238,923	10,675,312
Cost of Sales		(903,966)	(658,312)
Gross Profit		10,334,957	10,017,000
Administrative Expenses		(10,701,113)	(9,930,646)
Other Operating Income		547,526	519,360
Operating Profit	5	181,370	605,714
Interest receivable and similar income	9	6,278	9,342
Interest payable and similar expenses	9	(53,356)	(113,092)
Profit before taxation		134,292	501,964
Tax on Profit	10	(97,899)	(120,610)
Profit and total comprehensive income for the financial year		36,393	381,354

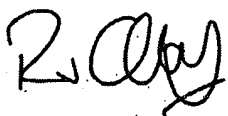
The notes on pages 15 to 29 form part of these financial statements.

AAREON UK LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	5,838,021	4,770,473
Goodwill	12	-	-
Tangible assets	13	137,424	169,746
Right-of-use assets	14	<u>663,056</u>	<u>894,674</u>
		6,638,501	5,834,893
Current assets			
Debtors	15	6,765,988	6,295,728
Cash at bank and in hand	16	<u>1,131,054</u>	<u>1,763,238</u>
		7,897,042	8,058,966
Creditors: amounts falling due within one year	17	<u>(6,729,251)</u>	<u>(8,090,175)</u>
Net current assets/(liabilities)		1,167,791	(31,209)
Total assets less current liabilities		7,806,292	5,803,684
Creditors: amounts falling due after more than one year	18	(454,459)	(740,189)
Provisions for liabilities			
Deferred taxation	19	<u>(322,572)</u>	<u>(310,063)</u>
		(777,031)	(1,050,252)
Net assets		7,029,261	4,753,432
Capital and reserves			
Called up share capital	20	2,200,000	2,200,000
Capital Reserve		2,239,436	-
Profit and loss account	21	<u>2,589,825</u>	<u>2,553,432</u>
Total shareholders' funds		7,029,261	4,753,432

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



R Griffiths
Director
29 September 2021

The notes on pages 15 to 29 form part of these financial statements.

AAREON UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up Share Capital £	Other Reserve £	Profit and loss account £	Total shareholders' funds £
At 1 January 2020	2,200,000	-	2,553,432	4,753,432
Comprehensive income for the year				
Profit for the financial year	-	-	36,393	36,393
Capital Contribution from Group	-	2,239,436	-	2,239,436
Total Comprehensive income for the year	-	2,239,436	36,393	2,275,829
At 31 December 2020	2,200,000	2,239,436	2,589,825	7,029,261

During October 2020, the loan balance due to group undertakings was settled in full via a capital contribution from the parent company, Aareon AG. This is recorded in the "Other Reserve"

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share Capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2019	2,200,000	2,586,670	4,786,670
IFRS 16 Opening balances	-	18,636	18,636
At 1 January 2019	2,200,000	2,605,306	4,805,306
Comprehensive income for the year			
Profit for the financial year	-	381,354	381,354
Interim Dividend	-	(433,228)	(433,228)
Total Comprehensive income for the year	-	(51,874)	(51,874)
At 31 December 2019	2,200,000	2,553,432	4,753,432

The notes on pages 15 to 29 form part of these financial statements.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Aareon UK Limited (the "company") is engaged in the development and provision of computer software and associated services.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom.

The address of its registered office is Building 500, Abbey Park, Stareton, Kenilworth, Warwickshire, CV8 2LY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The functional currency of the company is GBP and the financial statements are rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The company meets its day-to-day working capital requirements through its cash reserves. However due to enhanced investment in new products additional funding is required.

A capital injection of £2m was received from Aareon AG in August 2021, with agreement to provide structured future loan financing to complete the remaining investment.

Whilst the loan facility is non-legally binding, the Directors fully believe that the investment programme is fully covered and it is therefore appropriate to prepare the financial statements on a going concern basis.

The following principal accounting policies have been applied consistently throughout the year:

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Changes in Accounting Policies

The Company opted for early adoption of the amended definition of materiality in line with IAS 1 and IAS 8; this did not have any effect on the company's financial statements. Initial application is mandatory for accounting periods beginning on or after 1 January 2020.

2.4 Turnover

Turnover represents the value of work done during the financial year in respect of software sales, consultancy work and maintenance and support contracts and is stated net of value added tax. All turnover arises within the United Kingdom, from the company's principal activity.

Under IFRS15 revenue is recognised when the performance obligation is satisfied or when the customer obtains control of the goods. On successful delivery and installation of software, the company has fulfilled its contractual obligations and recognises 100% of the software sale. Any necessary provisions are made upon recognition of the sale whilst awaiting final customer acceptance in accordance with the terms of customer contracts.

Consultancy work is recognised on a daily basis as it is performed.

Revenue on maintenance and support contracts is recognised evenly over the period of the contract.

Deferred income arises from pre-paid consultancy days and maintenance and support contracts.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.5 Intangible assets

Directly attributable costs to development of software are capitalised as part of the development costs intangible asset. This includes related employee costs and an appropriate portion of relevant overheads.

Software licences purchased for use by the company are capitalised at cost.

After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation of intangible assets is included within administrative expenses.

The estimated useful lives range as follows:

Development costs	10 years
Licenses	10 years
Computer software	4 years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to statement of comprehensive income during the period in which they are incurred.

Depreciation is charged in order to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 4 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any expected credit loss. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments.

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company classifies trade receivables, contract assets, other financial assets as well as financial liabilities as held-to-collect. Therefore they are recognised at amortised cost. The company does not exercise its option to recognise them at fair value.

Impairment provisions for financial assets are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15 Government Grants

Grants received are recognised under the performance model.

In 2020 claims were made under the Corona Virus Job Retention (CJRS) scheme. A total of £107,564 was claimed under the scheme. This is recognised under other income in the Statement of Comprehensive Income.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

2. Accounting policies (continued)

2.17 New or amended standards in issue but not yet effective

A number of new accounting standards and interpretations were also published; however, these are not mandatory for reporting periods beginning on or after 31 December 2020 and were not adopted early by the company. The effects of these new rules on the current and future reporting periods as well as on foreseeable future transactions are not deemed to be material.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of intangible and tangible assets

The annual depreciation charge for software and equipment is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of trade receivables and accrued income

The company makes an estimate of the recoverable value of trade receivables and accrued income. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of balances and expected credit loss based on historical experience.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Employee Costs	7,225,966	6,526,574
Depreciation of tangible assets	78,459	91,142
Amortisation of intangible assets	731,946	569,035
Amortisation of right of use assets	235,199	286,768
Losses on disposal of tangible assets	2,441	
CJRS Grant	(107,564)	
Exchange differences	11,269	5,471

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2020 £	2019 £
Fees for the audit of the company	52,296	48,500

7. Employee

Staff cost, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	5,915,345	5,336,981
Social security costs	686,314	617,128
Other pension costs	624,307	572,465
	7,225,966	6,526,574

The average monthly number of employees, including the directors, during the year was as follows:

	2020 Number	2019 Number
Operations	95	99
Sales and marketing	15	15
Administration	10	9
	120	123

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	606,040	324,383
Company contributions to money purchase pension schemes	114,262	68,100
	<u>720,302</u>	<u>392,483</u>

During the year retirement benefits were accruing to 5 directors (2019: 4) in respect of money purchase schemes.

The highest paid director received remuneration of £283,402 (2019: £146,588). No share options were exercised.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £63,450 (2019: £48,559).

Compensation for loss of office was paid to 1 director in the year totalling £77,642 (2019: nil).

The emoluments of 6 directors are paid by the parent company which makes no recharge to the company. It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the 6 directors. The total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

Directors' floats

	2020 £	2019 £
Geraint Griffiths	-	2,500
Amanda Lee-Bennett	-	1,500

The float balances have been issued to directors in order to finance out of pocket business expenses. The figures also represent the maximum float amount at any time during the year. No interest was charged on the floats during the year.

9. Interest receivable and similar income

	2020 £	2019 £
Interest receivable	<u>6,278</u>	<u>9,342</u>
	2020 £	2019 £
Interest Payable	<u>53,356</u>	<u>113,092</u>

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

10. Tax on profit

	2020 £	2019 £
Corporation Tax		
Current tax on profits for the year	77,789	99,767
Adjustments in respect of prior years	7,600	13,628
Total current tax	85,389	113,365
Deferred tax		
Current year	(59,570)	(53,241)
Changes to tax rates	31,855	1,899
Adjustments in respect of prior years	40,225	55,617
Total deferred tax	12,510	7,245
Tax on profit	97,899	120,610

Factors affecting tax charge for the year

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £	2019 £
Profit before tax	134,292	501,964
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19%)	25,515	95,373
Effects of:		
Adjustments in respect of prior years	40,225	69,245
Expenses not deductible	304	5,432
Income not taxable	-	(51,339)
Tax rate changes	31,855	1,899
Total tax charge for the year	97,899	120,610

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015, then to 19% with effect from 1 April 2017. Any deferred tax balances have been stated at a rate of 19%.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

11. Intangible assets

	Computer Software £	Development Costs £	Licenses £	Total £
Cost				
At 1 January 2020	214,132	6,069,689	800,000	7,083,821
Additions	-	1,799,921	-	1,799,921
Disposals	(1,282)	-	-	(1,282)
At 31 December 2020	212,850	7,869,610	800,000	8,882,460
Accumulated amortisation				
At 1 January 2020	133,086	1,540,261	640,000	2,313,347
Charge for the year	10,793	641,153	80,000	731,946
Disposals	(854)	-	-	(854)
At 31 December 2020	143,025	2,181,414	720,000	3,044,439
Net book value				
At 31 December 2020	69,825	5,688,196	80,000	5,838,021
At 31 December 2019	81,048	4,529,427	160,000	4,770,473

12. Goodwill

	Total £
Cost	
At 1 January and 31 December 2020	2,125,985
Accumulated Amortisation	
At 1 January and 31 December 2020	2,125,985
Net book value	
At 31 December 2020 and 31 December 2019	-

13. Tangible assets

	Computer Equipment £	Fixtures and Fittings £	Total £
Cost			
At 1 January 2020	550,716	415,130	965,846
Additions	45,660	2,491	48,151
Disposals	(6,465)	(2,433)	(8,898)
At 31 December 2020	589,911	415,188	1,005,099
Accumulated Depreciation			
At 1 January 2020	481,751	314,349	796,100
Charge for the year	48,304	30,155	78,459
Disposals	(4,867)	(2,017)	(6,884)
At 31 December 2020	525,188	342,487	867,675
Net book value			
At 31 December 2020	64,723	72,701	137,424
At 31 December 2019	68,965	100,781	169,746

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

14. Right-of-use assets

The company is a lessee for its 3 office properties and company cars for staff and directors.

	Buildings £	Vehicles £	Total £
Cost or valuation			
At 1 January 2020	1,068,517	112,925	1,181,442
Disposals		(97,293)	(97,293)
At 31 December 2020	1,068,517	15,632	1,084,149
Accumulated Depreciation			
At 1 January 2020	216,250	70,518	286,768
Charge for the year	191,444	43,755	235,199
Disposals		(100,874)	(100,874)
At 31 December 2020	407,694	13,399	421,093
Net book value			
At 31 December 2020	660,823	2,233	663,056
At 31 December 2019	852,267	42,407	894,674

Lease liabilities are due as follows:

	2020 £	2019 £
Not later than one year	236,468	214,556
Between one and five years	434,459	641,308
Later than five years	20,000	98,881
	690,927	954,755

Weighted average discount rate applied was 11% (2019: 10%).

The total cash outflow for leases was £246,845 (2019: £284,748).

Contractual undiscounted cashflows are as follows:

	2020 £	2019 £
Not later than one year	243,425	288,409
Between one and five years	477,435	666,899
Later than five years	21,041	101,041
	741,901	1,056,349

The following amounts in respect of leases, where the company is a lessee, have been recognised in profit:

	2020 £	2019 £
Interest expense on lease liabilities	17,339	68,303

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

15. Debtors

	2020	2019
	£	£
Trade debtors	3,184,633	2,824,460
Amounts owed by group undertakings	39,088	234,794
Other debtors	62,458	65,600
Prepayments and accrued income	3,479,809	3,157,052
Corporation tax	-	13,822
	<u>6,765,988</u>	<u>6,295,728</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.
Trade debtors are stated after provisions for impairment of £168,061 (2019: £94,461).

16. Cash at bank and in hand

	2020	2019
	£	£
Cash at bank and in hand	<u>1,131,054</u>	<u>1,763,238</u>

17. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	190,806	481,230
Amounts owed to group undertakings	443,947	2,724,878
Other taxation and social security	1,009,434	723,334
Other creditors	76,802	92,700
Accruals and deferred income	4,696,234	3,853,467
Lease Liabilities	236,468	214,566
Corporation tax	75,560	-
	<u>6,729,251</u>	<u>8,090,175</u>

Amounts owed to group undertakings in 2019 included a loan of £2,239,436 between Aareon UK Ltd and 1st Touch Ltd for the book value of the trade and assets of 1st Touch Ltd due to the hive up on 1 June 2018.

Interest was charged on this balance at 2% and it was repayable on demand. During October 2020, the loan balance due to group undertakings was settled in full via a capital contribution.

All other amounts owed to group undertakings are interest free and repayable on demand.

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

18. Creditors: Amounts falling due after more than one year

	2020	2019
	£	£
Lease Liabilities	<u>454,459</u>	<u>740,189</u>

19. Deferred taxation

	Deferred Taxation
	£
At 1 January 2020	310,062
Charged to the profit and loss	<u>12,510</u>
At 31 December 2020	<u>322,572</u>

The provision for deferred taxation is made up as follows:

	2020	2019
	£	£
Accelerated capital allowances	350,562	349,285
Other timing differences	<u>(27,990)</u>	<u>(39,223)</u>
	<u>322,572</u>	<u>310,062</u>

20. Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
2,200,000 (2019: 2,200,000) ordinary shares of £1 (2019: £1) each	<u>2,200,000</u>	<u>2,200,000</u>

No dividend is proposed for 2020 (2019 £433,228)

21. Profit and Loss Account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

22. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £624,307 (2019: £572,465).

AAREON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

23. Related Party Transactions

During the year, Aareon UK Ltd contracted with a company with a common director to recharge disbursements. The total value was £7,070. (2019: £28,144). The amount included in receivables at 31st December 2020 is £71,905 (31st December 2019: £60,645).

24. Parent undertaking and ultimate controlling party

The immediate parent undertaking is Aareon AG a company registered in Germany. This is the smallest group for which consolidated financial statements are prepared. Copies of the financial statements of Aareon AG can be obtained from Isaac-Fulda-Allee 6, 55124 Mainz, Germany.

The ultimate controlling party and parent company of the largest group which includes the company and for which group financial statements are prepared is Aareal Bank AG, a company incorporated in Germany. Copies of consolidated financial statements of the largest group can be obtained from Paulienstrasse 15, 65189 Wiesbaden, Germany.

25. Post balance sheet events

During 2021 the UK Government announced that the planned reduction to corporation tax from 19% to 17% would not go ahead as planned and that from April 2023 the rate would increase to 25%. This would not have a material impact on the taxation balances included within these financial statements. During August 2021 the company also received a capital contribution of £2m to finance the software developments as noted in the strategic report.