Consolidated Financial Statements of Marcel Lux IV S.À R.L.

For the period from 1 January 2019 to 31 October 2019
(with the report of the Réviseur d'Entreprises agréé thereon)

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Introduction

Great technological breakthroughs are achieved by people, teams, and organizations that dare to think, act, and be different.

Together, these are the game-changers with a vision for open collaboration and transparency. Change-makers who say ‘no’ to walled gardens and ‘yes’ to creative contribution from communities.

Movers and shakers whose belief in continuous improvement propels them to transform the way things are built.

At SUSE[1], we are for the people, teams and organizations that are seeking to think, act, and be different. To do this, we set out to meet our customers, partners, and communities wherever they are – offering them unprecedented choice and flexibility, so they can be empowered to meet their full potential.

Together, we believe we can be the difference through innovation that makes a difference.

#BeTheDifference

[1] Has the meaning of Marcel Lux IV S.À R.L. (“the Company”), a company incorporated in Luxembourg, and its wholly owned subsidiaries (collectively referred to as “the Group”, “the SUSE Group” or “SUSE”). SUSE is an acronym for “*Software und System Entwicklung”* and is a registered trademark in Germany. The ultimate controlling party of the Group is EQT VIII SCSp a special limited partnership registered with the Luxembourg Register of Commerce and Companies under number B217 293.

Letter of the Chairman of the Advisory Board of Marcel Lux IV S.À R.L. (the "Advisory Board")

2019 was another great year for open source. As community-driven innovation continues to become more prevalent across every industry, the Board and I are confident that it will be SUSE who leads the charge in delivering meaningful outcomes and futures for their customers, and for the world.

As we think about open source technologies today, any company that is serious about their digital transformation considers open source software wherever possible. For instance, almost every Fortune 500 company now relies on Linux.

In terms of prevalence, Marcel LUX IV S.À R.L. (the "**Company**") and its subsidiaries' (together the "**Group**", the "**SUSE Group**" or "**SUSE**") customers represent twelve of the fifteen largest automotive vendors, nine out of ten of the largest aerospace companies, ten of the largest telecommunications carriers, and half of the world's largest supercomputers run on SUSE, to name a few.

Additionally, with IBM's acquisition of Red Hat, SUSE has an incredible market opportunity now as the largest independent open source software company in the world. Customer choice and ensuring no vendor lock-in are both a priority and prime proposition from us. This makes SUSE the only open source company that can help their customers meet their unique digital transformation goals – the only one that is 100% focused on supporting their customers' heterogeneous environments. It is this unique position to be excited about.

The Advisory Board and I strongly believe that SUSE is the only software vendor that can meet their customers on their digital transformation journey wherever they are, on their terms, with unprecedented customer-centricity paired with a set of solutions that are tailored to their individual business goals. SUSE will do this by creating a simpler path to greater efficiency, data security and economies of scale; modernizing businesses by leveraging technologies in application development, deployment, and management. Thereby SUSE will help customers scale their businesses so their products and services can be delivered faster and at a lower cost, while enabling emerging technologies like artificial intelligence, Edge computing, and cloud native applications.

Led by Melissa Di Donato, enjoying a track record of 25 years of success in the software industry, SUSE is undertaking all the right steps towards becoming a $1 billion business in the coming years. Melissa joined SUSE with a reputation for customer-centricity and developing high-performing and diverse teams. So it was no surprise that she met with 100 customers in her first 100 days as CEO to inform the Company's near and long-term business strategy, established a leadership team of industry experts with impeccable reputations for delivering against business goals, and creating world-class people programs across the organization.

I am enthusiastic about the future of SUSE, the trajectory of the Company, and how SUSE's customers will continue to make measurable impact in the world through their solutions. Going forward, all clouds including the public cloud will be powered by open source, where SUSE has a prominent position and continues to innovate.

Jonas Persson
Chairman of the Advisory Board

Chairman of the Advisory Board quote: *"SUSE has seen eight years of continuous growth. Under the leadership of Melissa Di Donato, we expect this number to continue to grow as SUSE defines its future as the world´s largest independent open source software company."* – Jonas Persson, Chairman of the Advisory Board

Welcome from our Chief Executive Officer

FY19 was a year of acceleration, memorable milestones, and new trajectories for us all at SUSE. In July of 2019, I was appointed CEO of SUSE, the world's largest independent open source company. From day one, I wanted to meet with as many customers and partners as possible to understand their business, where SUSE fits within their strategy, and how SUSE can be a more strategic partner. These meetings were instrumental in defining our short-term FY20 and our mid-term three-year strategy.

Our customers' feedback has been overwhelmingly clear: they want to simplify and optimize their applications and data in their existing IT environment, they want to modernize their business by bringing these apps and data into the modern computing world, and they want to accelerate innovation to help them improve or even transform their business models. They want SUSE to be a key part of their innovation and digitalization journeys.

True to our 28 years of open source heritage, we wholeheartedly believe in customer choice. Our conviction in openness and open collaboration is fundamental to our success, and will continue to be a bedrock on which we build our business. Some highlights of FY19 are as follows:

Outstanding performance in FY19
With eight years of continuous growth at the end of FY19, we enjoyed a strong fiscal year. Please refer to the Chief Financial Officer's Report for the statutory results, but the below are highlights:

- **Revenue (excluding deferred revenue haircut) of $271.1m** representing year-over-year growth of 5%
- **Annual Contract Value (ACV for product) of $196.4m** representing year-over-year growth of 10%
- **Total number of employees at 31 October 2019: 1,632**

Celebrating our first year of independence
On March 15, 2020, SUSE celebrated our first year of independence! Since the divestment transaction 12 months ago, we have been a standalone business. Our independence ensures our customers remain at the center of all that we do and enables SUSE to move quickly and pivot around customer requirements. With independence comes unprecedented flexibility for our customers with no vendor lock-in, as we help define what success means to them. It allows us to be fluid in response to an ever-changing industry where we are able to react quickly to improve and evolve our approach to solving business problems. This is made possible through our broad portfolio of innovative offerings that combine to form industry-leading solutions. Our independence also benefits our partners in that it ensures that SUSE remains partner agnostic and that our solutions are easier to sell, easier to implement, and easier to integrate. Being independent allows us to remain loyal to our partner ecosystem and drive success in a model that enables innovation, customer evangelists, and is backed by a community that is committed to creating better futures.

Continuing to nurture SUSE's unique culture
SUSE's focus extends beyond our customers and partners to our employees with an emphasis on continuing to develop an amazing workplace and culture. SUSE remains true to our open source ethos, where our community is fiercely collaborative and inclusive, where our employees are empowered, accountable, respectful, and act with integrity. Our employees are passionate about our customers and the solutions we are taking to market; we do not talk about actions, we deliver. Our employees are the heart of SUSE, they are our intellectual property, and we will continue to ensure SUSE remains a great place to work.

I am excited by our future and am confident that we have the right strategy and team in place to drive even more impact across our ecosystem. FY20 will be a critical year as we put our strategy into action and showcase how SUSE open source technologies are impacting businesses across the enterprise.

SUSE is well on its way to unchartered growth – and I cannot wait for what's to come.

Melissa Di Donato
Chief Executive Officer

CEO quote: *"FY19 created a strong foundation that will propel SUSE into the next phase of growth as the world's largest independent open source company. We have the right strategy and team in place to double our business in the next three years."* – Melissa Di Donato, CEO

Our Business At-A-Glance

SUSE is the world's largest independent open source company. True to our 28 years of open source heritage, we believe in customer choice, flexibility, and scalability in complex environments. SUSE delivers and supports enterprise-grade Linux and Kubernetes solutions, software defined infrastructure, and Edge solutions.

We help customers create, deploy, and manage IT workloads anywhere – on premise, hybrid, and multi-cloud – with exceptional service, value and flexibility. Our mission is to enable better futures and deliver meaningful outcomes for our customers, partners, communities, and employees through open collaboration and innovation that makes a difference.

Our vision is to be the most innovative, trusted leader in providing open source solutions and technologies for the enterprise to **simplify, modernize, and accelerate** traditional and cloud-native applications across the IT landscape in any environment.

SUSE's strength comes from our open source community and our strong business model. We power mission-critical business applications and system support requirements for customers around the world. This, paired with a subscription-based business model and community-led software innovations, we are able to withstand and succeed in global economic and health crises.

FY 19 Momentum
8 years uninterrupted growth
$196.4m Annual contract value (ACV)
+10% ACV growth vs prior period
+13% deals in excess of $1m in value vs prior period
+64% increase in cloud revenue vs prior period

Employees
1,632 employees across the world
75 nationalities across 34 countries
6.9 years average employee tenure

Customers and partners
17,000+ customers globally
60% customers on Fortune Global 500 list
5000+ global partners

CEO quote: *"SUSE's inspiration, innovation and success come from our commitment to the open source community and ethos. As the world's largest independent open source company, we are in a position to best serve customer needs, accelerate our growth and move at a speed like never before. Our customers rely on SUSE to simplify their existing IT environment so they can modernize their applications and accelerate their business in a way that uniquely fits their business."* – Melissa Di Donato, CEO

Our Customers

Asia Pacific & Japan
Upgrading legacy systems improves the top & bottom lines

Vectus Industries

Vectus Industries is India's fastest-growing manufacturer of pipes and water-storage solutions. The company produces plastic water tanks, piping systems, pressure piping, blow-molded tanks, and equipment for agricultural and household purposes. In particular, the company pioneers new blow-molding manufacturing techniques. The company operates 13 manufacturing sites in India, and 13 depot and office locations across the nation.

Strategic challenge for our customer
Smart water management in India is paramount for quality of life. During the long dry periods India experiences each year, availability of stored water becomes vitally important both for human consumption and agriculture. The IT team knew that by improving the performance of its poorly functioning legacy IT systems, Vectus Industries could optimize its business and the availability of clean water.

The solutions

- SUSE Linux Enterprise Server for SAP Applications

The benefits

- Single source of truth provides transparent view across business
- Reduced manual data entry and enabled instant billing and invoices
- Improved overall operating efficiency by 60% and 80% of IT infrastructure TCO slashed

Vectus Industries has grown at an average annual rate of 35 percent during the last decade.

Quote: *"With improved asset monitoring and optimal use of resources, we can build the confidence of current stakeholders and begin to attract new investors to take the business to the next level of growth."* – Manish Sinha, Head of IT, Vectus Industries

Industry
Manufacturing
Location
India
Customer since
2015

North America
Increasing flexibility to reduce costs and boost performance

Sesame Workshop

Sesame Workshop is the nonprofit educational organization that changed television forever with the legendary Sesame Street. As the single largest informal educator of young children, local Sesame Street programs are produced in countries as diverse as South Africa, Bangladesh, and India, and are making a difference for children's education in over 120 nations.

Strategic challenge for our customer
Power and performance are crucial for every global entertainment organization that hosts interactive websites with video. As a beloved and well-known nonprofit organization with global reach, Sesame Workshop manages large volumes of media content and thousands of concurrent users with a small team, limited budget, and rented equipment.

By moving from Unix to Linux, the IT team knew they could do more with less. The newfound flexibility ensured that Sesame Workshop could get more competitive pricing from a larger ecosystem of vendors and deploy a more powerful infrastructure that improves transparency with real-time access to critical data.

The solutions

- SUSE Linux Enterprise Server

The benefits

- Reduced inventory administration time by 70%
- Lowered hardware costs by 30%
- Decreased operating costs 85% with open web infrastructure

Quote: *"Just as Sesame Workshop innovates in media and entertainment, we try to innovate in IT. SUSE gives us the tools to compete with our bigger competitors, but without the huge price tag."* – Noah Broadwater, Vice President of Information Services Sesame Workshop

Industry
Entertainment
Location
United States
Customer since
2009

EMEA
Embracing a connected future

Bosch Group
Aligning its strategy with digital transformation processes, Bosch Group is focusing on innovative, service-based business models and the Internet of Things (IoT). To offer new services, the company needed the ability to integrate with business applications that support real-time analytics. To achieve this, Bosch deployed the SAP HANA in-memory database using SUSE® Linux Enterprise Server for SAP Applications on IBM Power Systems in combination with SUSE Manager to boost automation and productivity.

Bosch Group (Robert Bosch GmbH) is a leading global supplier of technology and services headquartered in Stuttgart, Germany. The company offers solutions in four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. Bosch employs more than 400,000 people in 60 countries and reports annual sales of EUR 78.1 billion.

To keep delivering innovative products for an increasingly connected world, Bosch focuses on the Internet of Things (IoT) and develops IoT solutions for smart homes, cities, connected mobility, and Industry 4.0.

The solutions:

- SUSE Linux Enterprise High Availability Extension
- SUSE Linux Enterprise Live Patching
- SUSE Linux Enterprise Server for SAP Applications
- SUSE Manager

Results:

- Reduces time spent on routine administration tasks substantially despite doubling the number of instances
- Streamlines SAP HANA operations with integrated management and support
- Maximizes availability and business continuity of SAP HANA environments through innovative technology solutions

Quote: *"And since we had been using SUSE Linux Enterprise Server for SAP Applications for many years, we were convinced that the outstanding stability and reliability of this operating system – specifically optimized for SAP software – would help us to expand our service portfolio while keeping the administration workload low."* – Volker Fischer, Senior Manager Server Services, Bosch Group

Industry
Manufacturing
Location
Germany
Customer since
2016

Our Market

Make the difference

The digital economy is creating new business opportunities for organizations that can quickly adapt their business models by leveraging the power of technology. A new generation of IT platforms is enabling innovation all the way from the core, to the cloud, and at the edge.

Implementing these new IT platforms will enable organizations to:

- Improve the efficiency of IT by simplifying the architecture through a higher degree of standardization, containerization and security,
- Enable IT to better respond to business requirements by modernizing the way applications are being developed, deployed and managed, and
- Accelerate the creation of business value with excellent user experiences based on the latest technologies such as artificial intelligence, machine learning, analytics and edge computing.

With these innovations, businesses can now make better data-driven decisions more quickly. This is the new normal and SUSE provides the IT infrastructure to make it happen. The offerings from SUSE help customers in these key areas of IT challenges:

1. Run a stronger IT infrastructure, from core to cloud to edge

Achieve nonstop IT

Organizations need to run and manage IT free of interruptions and unplanned downtime. A converged infrastructure with business-critical Linux, scalable automation, and data replication turns this desire into reality. Business-critical continuity is maintained with technology such as Live Patching, enabling customers to keep systems up to date without downtime.

Examples of growth cases

- **Retail:** Downtime is the enemy of retailers. Their multi-channel presence – inventory, point-of service, mobile, web, and in-store applications – must never fail, even when demand is highest during the holiday shopping season.
- **Healthcare:** Hospitals and other healthcare facilities rely on multiple applications for patient safety, including online emergency response applications. Simply put, if these facilities do not have high availability systems, patients will be impacted.

Scale with containers

Leading organizations need the ability to manage multiple Kubernetes clusters across any infrastructure in order to help legacy workloads run alongside cloud-native applications in the digital enterprise. Containers level the playing field and empower traditional environments to behave like digital natives – re-architecting their operations as business needs change.

Examples of growth cases

- **Financial Services:** Containers allow financial institutions to stay relevant in a market full of disruptions by helping legacy and new applications to run side by side, providing IT with the speed needed to make data-driven decisions.
- **Government:** Governments are piloting containers for various big data scenarios, including public health research, detection of fraud in mortgage lending, and streamlining immigration processes.

Reliably run SAP solutions

Companies need reliable and high performance infrastructure to run the latest SAP solutions. As SAP's innovation partner, SUSE is the leading Linux and containers partner helping SAP customers to run SAP S/4HANA, SAP HANA and many more leading-edge SAP solutions.

Examples of growth cases

- **Cross-industry:** More and more SAP customers switch from older systems to SAP S/4HANA, SAP HANA and other SAP solutions to best master the digital disruption and become intelligent enterprises.

2. Empower IT to respond more effectively to business requirements

Deliver applications faster

Organizations need to introduce new digital capabilities faster and more frequently to create deeply engaging customer experiences. Automated application deployment shrinks cycle times while accelerating the delivery of traditional, cloud-native and re-factored applications. A single management environment from SUSE enables them to seamlessly control different application types running on multiple cloud platforms.

Examples of growth cases

- **Media & Entertainment:** Container and cloud-native technology boosts agility and drives innovation for these content intensive organizations.
- **Healthcare:** Improving patient outcomes and lowering delivery costs are both top of mind, and containers are valuable in getting application improvements to market more quickly and efficiently.

Succeed with hybrid cloud solutions

Companies need a choice in where their solutions run. From the data center to different clouds, they need portability and scalability coupled with robust tools to run converged container and virtual infrastructure across cloud environments.

Examples of growth cases

- **Financial Services:** Reduce total cost of ownership with cloud deployments for compliance, risk management, analytics, and operations.
- **Manufacturing:** Deploy and manage clusters for engineering design, application management, and operations. The flexibility, power and control optimize total cost of ownership.

Guide the data upsurge

Organizations want cost-effective data management and software-defined storage that provide real-time data for faster, better decision-making.

Examples of growth cases

- **Banking & Financial Services:** Reduce the cost of enterprise data storage (capital and operational) and better manage data for running risk analytics.
- **Manufacturing:** Collect, curate and transmit an overwhelming amount of data in a controlled and cost effective manner.

Power artificial intelligence and analytics

Organizations need a powerful platform to run and manage high performance artificial intelligence, machine learning and analytics applications. SUSE eliminates the complexity with a holistic approach that spans from tools to services to infrastructure and support.

Examples of growth cases

- **Retail:** Leverage advanced analytics to provide the data needed to identify new strategies for increasing brand loyalty and lifetime customers.
- **Automotive:** Make quick decisions for autonomous driving and operations based on weather and road conditions, driving style, and sensor data from the vehicle. In addition, artificial intelligence helps with leaner supply chains and increased employee productivity.

3. Digitally transform products for superior customer experience

Innovate at the edge

Organizations are digitizing their products – from cars to medical devices to consumer products – to make them more intelligent, and to delight customers. Edge computing helps improve the compute power of the actual products, allowing decisions and analytics to take place where data is originating, avoiding high-latency data transfers, driving better experiences, and enabling faster business outcomes.

Examples of growth cases

- **Healthcare:** Processing critical care data reliably and in real-time, enables more innovative treatments and better outcomes.
- **Energy & Utilities:** Process sensor data from rig equipment to optimize operations and reduce damage incidents. Analytics at the edge helps simplify management of remote systems such as wind farms, oil rigs, utility companies, and data center equipment.

Enable secure and connected edge systems

Companies seek to benefit from connected edge devices to provide new insights via concepts such as swarm intelligence. To achieve this, a highly distributed network with highest security standards is needed to connect all edge devices.

Examples of growth cases

- **Security:** Because it's necessary to respond to threats within seconds, security surveillance systems benefit from edge computing technology. Security systems can identify potential threats and alert users to unusual activity in real-time.
- **Retail:** Targeted ads and information for retail organizations are based on key parameters, such as demographic information and set on-field devices. Edge computing can help protect user privacy while executing consumer-targeted advertising.

Corporate social responsibility

SUSE's Values

In 2019, we launched our company values. Known as LOVE, Living Our Values Everyday, these values were developed by our employees, for our employees, and represent the ethos of the entire team at SUSE. Our values are our North Star and will serve as our guide as we enter our next stages of growth. They include:

- ***We are SUSE***
    - *Open Source is in our DNA. We have the freedom to innovate with expertise, passion, fun and ambition, and through the exceptional power of Open Source we will change the World.*
- **We are empowered & accountable**
    - We are empowered to be bold. We take responsibility, are accountable for our actions and are supported to learn from our mistakes to succeed.
- ***We are collaborative***
    - We collaborate as one unified SUSE; with openness and honesty, valuing all contributions, and learning from each other through challenge and curiosity.
- ***We are passionate about customers***
    - Our customers are at the heart of everything we do. We are driven by innovation to best serve our customers.
- ***We are respectful & inclusive***
    - We embrace our global community by listening and debating, and having an open mind to deliver and give back everyday
- ***We are trustworthy and act with integrity***
    - We are authentic, honest, fair, and trusted to do what we say for our employees, customers, partners, and communities.

These values are actively supporting the Group's priorities, encouraging consistent behaviours across the Group.

Policies & Procedures

The Group is committed to ensuring compliance with all local laws and regulations in the jurisdictions within which we operate.

Our Code of Conduct sets out the standards of conduct expected, without exception, of everyone who works for SUSE in any of its worldwide operations. SUSE expects all employees, contract workers, and third parties to apply the highest ethical standards in making business decisions; raise any concerns about breaches of the Code of Conduct and promote the standards and behaviours expected amongst colleagues. The Code of Conduct includes specific policies concerning the following:

- *Anti-bribery and corruption*
- *Gifts and Hospitality*
- *Charitable Donations and Political Activities*
- *Anti-Money Laundering and Proceeds of Crime*
- *Fraud prevention*
- *Tax evasion*
- *Conflicts of interest*
- *International Trade*
- *Data protection*

The Environment

In 2019, SUSE started investing in sustainability initiatives with a focus on the environment.

Lewis Pugh sponsorship and employee engagement

SUSE was proud to sponsor Lewis Pugh, United Nations Patron of the Oceans and world-renowned endurance athlete, as he successfully swam one kilometer across a supra-glacial lake in East Antarctica, to create Marine Protected Areas (MPAs) around Antarctica. In conjunction with Lewis' swim, we launched an employee endurance challenge where for every hour our employees completed a workout of their choice, SUSE would donate $1 to the Lewis Pugh Foundation. To date, our team has raised over $2,000 and that number is continuing to rise.

Created the "GoGreen" employee group

This inclusive network of employees who promote, collaborate, and execute on pro-environment ideas and sustainability initiatives across SUSE. Since the group's inception, in our Nuremberg office, we have changed all plastic bottles to glass, and have changed our office's energy source to green energy, reducing our emissions by 1625 tons of CO_2 a year. We are now looking to replicate similar initiatives across our offices worldwide.

Our People

Our employees remain a top priority as we continue to develop and nurture our unique culture at SUSE. The below is a snapshot of the work we are doing to ensure SUSE remains an amazing place to work.

SUSE employee engagement pulse survey

In January, we released a pulse survey designed to assess our team's perspective about working at SUSE, where our strengths lie, and where we need to improve. We had an 80 percent response rate with over 12,000 comments to the 44 questions we asked, and received a Net Promoter Score that is in the mid-range of the tech company benchmark.

SUSE Hack Week

We recently completed our 19th Hack Week, a SUSE tradition for our engineering teams to learn, innovate, and collaborate on a topic of their choice. For the first time ever, all SUSE employees were able to participate regardless of team, and we had two corporate sponsors (Google and Amazon Web Services). In five days, over 600 participants worked on 259 open source projects.

Focus on diversity

For the first time ever, SUSE has passed the threshold of 20% women in leadership positions.
We have also launched the Women in Technology employee group, and the membership of the group continues to grow from both women and men, as one in every five employees is a member of this employee group.

Statements forming part of the Management Report as required by Luxembourg Law

The Company is obliged to prepare a Management Report in accordance with Article 1720-1 of the Luxembourg Company Law. The Company has fulfilled these requirements as set out in the following statements; Principal risks and uncertainties, SUSE Advisory Board and Leadership Team, Key Performance Indicators and the Managers' Financial and Operating Report.

Principal risks and uncertainties

Our business model, future performance, solvency, liquidity and reputation are exposed to a variety of risks and uncertainties. The risks identified below are those management considers to be the most relevant to the Group in relation to their potential impact on the achievement of its strategic objectives. All of the risks set out on these pages could materially affect the Group, its businesses, future operations and financial condition and could cause actual results to differ materially from expected or historical results. These risks are not the only ones that the Group will face. Some risks are not yet known and some currently not deemed to be material could become so.

RISK: End market risks	
Description	Products must continue to meet the requirements of customers. An effective Go-To-Market strategy is required so that the Group meets revenue and growth targets
Potential Impact	If products do not meet the requirements of customers, they will seek alternative solutions, resulting in the loss of new revenue and the cancellation of existing contracts. The success of the Group will be limited if the Group targets the wrong customers using the wrong product offerings.
Mitigation	Experienced technical staff knowledgeable in the application of our products

RISK: People & Culture	
Description	The retention and recruitment of highly skilled and motivated employees is critical to the success and future growth of the Group.
Potential Impact	Failure to attract and retain skilled employees will have an adverse impact on the Group to action strategic plans.
Mitigation	Internal focus on talent development and training Roll-out of the SUSE Values – 'Living our values everyday'

RISK: Complex and changing regulatory environment	
Description	The Group operates across a number of jurisdictions. Compliance with national and regional laws and regulations is essential to successful business operations.
Potential Impact	Failure to comply with local laws and regulations could result in civil or criminal sanctions, legal proceedings, fines, loss of revenue and reputational damage
Mitigation	Experienced internal legal function

RISK: Macro Economic Environment	
Description	The Group sells its product offering globally and is therefore subject to risks arising from the economic and political conditions in one or more of these markets.
Potential Impact	Adverse economic conditions could affect the revenues of the business.
Mitigation	Geographic diversification of revenues

RISK: IT systems and information	
Description	The operations of the Group are dependent on maintaining and protecting the integrity and security of the IT systems and management of information. Risk of hacking or other cybersecurity threat leading to data loss and/or disruption to business.
Potential Impact	Disruption to the IT systems could adversely affect the operations of the Group including an adverse impact in the event that they cannot resume business operations. Data loss could harm relationships with customers and suppliers and/or the perception of the effectiveness of the Group's product offering.
Mitigation	Physical and IT control systems security, access and training Cyber risks integrated into wider risk-management structure

RISK: Carve-out of the SUSE Group	
Description	The Group has operated as a standalone business since March 2019 having being acquired at that time as part of a carve-out process. The operations of the Group are dependent on meeting the needs of our customers and maintaining appropriate IT systems.
Potential Impact	Disruption to our operations could results in additional implementation costs.
Mitigation	Project management team in place to plan and execute all aspects of the carve-out process.

RISK: 2020 COVID-19 Crisis	
Description	The operations of the Group may be subject to disruption as a result of the “COVID-19” crisis.
Potential Impact	The current crisis could result in disruption to our operations globally. This may include an adverse impact on the results of the Group.
Mitigation	There is a business continuity plan in place to support the operations of the Group. This includes supporting employees to be able to work from home. Over the coming weeks and months, the Group will monitor this crisis and make the necessary revisions to the business continuity plan. The performance of the Group to Q2 2020 remains on budget and having assessed the impact on cash flows remain satisfied that Goodwill and non-Current assets are wholly recoverable. Additionally, we have considered the impact of COVID 19 on financial covenants on borrowings and are satisfied that there is no adverse impact.

SUSE Advisory Board, Company Board of Managers, and Leadership Team

SUSE Advisory Board

1. **Jonas Persson** **Chairman of the Advisory Board**
2. **Franck Cohen**
3. **Nora M. Denzel**
4. **Anand Krishnan**
5. **Alex Pinchev**
6. **Johannes Reichel**

Board of Managers of the Company[1]

1. **EQT Luxembourg Management S.À R.L.**
2. **Joshua Stone**

The Board of Managers of the Company is responsible for the preparation of the Consolidated Financial Statements and Management Report as prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**") and Luxembourg Law.

Leadership Team[1]

1. **Melissa Di Donato**
   Chief Executive Officer
   Proven track record in sales, business operations and leadership focused on high growth and transformation. Prior to SUSE, Melissa was COO and CRO for SAP S/4HANA.

2. **Enrica Angelone**
   Chief Financial Officer
   Wealth of experience in leading finance functions in PE-backed businesses. Enrica has been a CFO for more than 13 years, most recently at Octo Group. She managed a range of corporate activities, including M&A and company exits, as well as transformational change and operational leadership.

3. **Paul Devlin**
   Chief Customer Officer
   Significant track record of growing software businesses, both on premise and in the cloud. Over 25 years of leadership experience in sales and consulting. Held various executive leadership positions globally, having held senior roles with SAP, SAS, Teradata and MicroStrategy, before joining SUSE.

4. **Ivo Totev**
   Chief Product and Marketing Officer
   A 25-year veteran in the IT industry. Prior to SUSE, Ivo led LoB Marketing at SAP where he defined the marketing vision and execution for all of the lines of business, including

Platform Technology. Ivo was also the CMO and Head of Cloud Business at Software AG, as well as the CMO of Unit4.

5. **Sander Huyts**
   Chief Operations Officer
   Over 20 years of experience in Global IT Management. At SUSE he led sales growth in EMEA, and previously, global Customer Renewal Sales. With his significant knowledge and expertise of the SUSE business, Sander was appointed as the first Chief Operations Officer of SUSE in late 2018.

6. **Steve Gilliver**
   Chief HR Officer
   Over 20 years of HR experience in the IT, media, aerospace and construction business. Previous roles included VP of HR and Head of Talent for Micro Focus. He also led positions at leading media companies and at Dell.

7. **Dr Thomas Di Giacomo**
   President, Engineering and Innovation
   20 years of experience in IT, serving in various global leadership roles in engineering and product innovation, with expertise in open source platforms, development, and support of global information systems and technologies. Thomas holds a PhD in Computer Science from the University of Geneva.

8. **Felix Imendoerffer**
   SVP, Legal and General Counsel
   Graduated in Law at the University of Bayreuth. After three years working as a lawyer in an IP law firm, Felix joined SUSE in 2001. Since joining, he is accompanying SUSE through this exciting journey, based on his sales- and solution-oriented approach.

9. **Michael Miller**
   President, Corporate Development and Strategic Alliances
   Over 20 years of experience in global leadership roles, including positions in engineering, product management, marketing, sales, corporate development, and alliances. Michael holds an MBA from the University of Baltimore.

10. **April Moh**
    Chief Communications Officer
    April has spent over a decade of her career in the technology space shaping the world's perceptions of companies small and large. Prior to SUSE, April was VP and Global Head of Communications for SAP. She has also managed communications for Microsoft and Concur.

11. **Claudia Hogan**
    Chief of Staff
    Growth strategist for B2B and B2C technology companies. Previously leading Uber's

Driver business in UK & Ireland. Successful internet entrepreneur, and former CMO at Zalora.com, a Rocket Internet company in South East Asia. Harvard graduate and McKinsey alumna.

12. **Bruno Ferreira**
    President, Global Field Sales
    Wealth of experience from AI RPA market Leader UiPath as Managing Director for the UKI. Bruno led Enterprise global sales teams in multiple companies, including SAP, Oracle and IDC. Bruno holds an MBA from the University of Chicago Booth School of Business.

[1] *Key management of the Group*

Key performance indicators

The Company uses key performance indicators ("KPIs") internally to monitor the performance of the business against our strategy. The two primary KPIs used are "Revenue" and Annual Contract Value ("ACV").

Revenue

	10 month period to 31 October 2019 US$'m [1]
Revenue before deferred revenue haircut	271.1
Unwinding of the fair value adjustment to acquired deferred revenue	(24.7)
Total Revenue	**246.4**

Further details regarding the Group's revenue is set out in the Chief Financial Officer's Report.

Annual Contract Value ('ACV')

ACV measures the first 12 months revenues of the booking of a given period. ACV removes the impact of multi-year Total Contract Value ("TCV") which can be more volatile depending on the duration of the contracts, therefore allows a like for like comparison on the performance of the business. Where subscription term is less than 12 months, all of the subscription TCV billing is included in the ACV measure.

	10 month period to 31 October 2019 US$'m [1]
Core products	192.9
Emerging products	3.5
Total ACV performance	**196.4**

ACV is a key metric for the Group. ACV for the 10-month period to 31 October 2019 was US$196.4 million.

[1] *Results for the 10-month period to 31 October 2019 are audited.*

Group performance

Revenue for the 10-month period to 31 October 2019 was US$246.4 million and gross profit was US$226.9 million, a margin of 92%. Headline[2] operating profit before depreciation and amortization for the same period amounted to US$44.8 million, a margin of 18%.

Included within revenue is a charge of US$24.7 million in respect of the unwinding of the fair value adjustment to acquired deferred revenue. Revenue excluding this adjustment for the period was US$271.1 million resulting in a gross profit of US$251.6 million and a gross profit margin of 93%. Headline operating profit before depreciation and amortization, excluding this adjustment, was US$69.5 million, a margin of 28%.

Items reported separately in the Consolidated Financial Statements for the 10-month period to 31 October 2019 were US$22.8 million (31 October 2018: $nil). Further details are set out in Note 7 to the Consolidated Financial Statements.

Net finance costs for the 10-month period to 31 October 2019 were US$46.7 million. Finance costs predominantly relate to interest payable on external borrowings, amortization of capitalized transactions and loss on derivatives. Further details are set out in Note 10 to the Consolidated Financial Statements.

The Group’s reported tax charge for the 10-month period to 31 October 2019 was a total credit of US$27.3 million. Further details are set out in Note 11 to the Consolidated Financial Statements. As a result, the headline loss for the period was US$65.7 million whilst the total loss for the period was US$80.8 million.

Share capital

At 31 October 2019, the share capital of Marcel LUX IV S.À R.L. amounted to $14,000, represented by 1,400,000 shares fully paid-up with a nominal value of $0.01.

Principal risks and uncertainties

A description of the principal risks and uncertainties of the Group is set out in the “principal risks and uncertainties” section in this report.

Financial Risk Management

A description of the financial risk management of the Group is set out in Note 5 ‘Financial Risk Factors’ and Note 27 ‘Financial instruments’ of the Consolidated Financial Statements which details management’s consideration of market risk, credit risk and liquidity risk.

Subsequent events

Details of subsequent events including an impact assessment of COVID-19 are set out in Note 32 to the Consolidated Financial Statements.

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[2] “Headline” refers to operating performance in the normal course and excludes one-off significant transactions. Refer to note 3(C) in the Consolidated Financial Statements for further details.

Non-financial information
Non-financial information, such as The Environment, Our People and Our Values is set out in the Corporate Social Responsibility Section.

Outlook for the Group
FY19 has been a transformational year for SUSE and we are very pleased to report our strong finance performance for the period. We have had a positive start to FY20 and whilst we are conscious of the current macro-economic risks, we look forward to making further progress in the year ahead.

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Joshua Stone
Manager, Marcel LUX IV S.À R.L.

DocuSigned by:
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Emilie Rouillon
On behalf of EQT Luxembourg Management S.À R.L.
Manager, Marcel LUX IV S.À R.L.

DocuSigned by:
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Cristian Ona
On behalf of EQT Luxembourg Management S.À R.L.
Manager, Marcel LUX IV S.À R.L.

28 May 2020

Chief Financial Officer's Report

Introduction

The financial reporting period relevant to the Group is 1 January 2019 to 31 October 2019. The results within that period reflect the business from 15 March 2019 to 31 October 2019.

On 15 March 2019, Marcel LUX IV S.À R.L. and its subsidiaries, the SUSE Group (together referred to as the "**Group**" or "**SUSE**") became an independent stand-alone group following the completion of the sale by Micro Focus International plc (the "**Vendor**") to Marcel Bidco GmbH, a newly incorporated, wholly-owned subsidiary of Marcel LUX IV S.À R.L.

Marcel LUX IV S.À R.L. (the "**Company**") was incorporated on 20 June 2018 and the financial statements for the period to 31 December 2018 represent the inaugural period of the Company. The period end of the Company was subsequently amended to 31 October on 3 April 2019.

These are the first Consolidated Financial Statements of SUSE as an independent Group.

A significant effort is ongoing to ensure that within the agreed timeframe, the operations will be completely independent of the Vendor and the costs are included in our results. Major milestones of independence are the new IT infrastructure and the completion of the corporate functions.

The results for the period ending on 31 October 2019 include the accounting of a number of assets and liabilities which were not recognised in 2018, which are the result of the new group structure.

Results for the period

	10 month period to 31 October 2019 $'m [1]
Revenue	**246.4**
ACV [2]	*196.4*
Cost of sales	(19.5)
Gross profit	**226.9**
Operating expenses	(182.1)
Operating profit before depreciation, amortisation and separately reported items	**44.8**
Separately reported items[4]	(22.8)
Operating profit before depreciation and amortisation	**22.0**
Depreciation – Property, plant and equipment	(2.2)
Depreciation – Right of use assets	(8.3)
Amortisation of intangible assets	(71.5)
Headline operating loss [3] [4]	**(37.3)**
Operating loss	**(60.1)**
Headline loss before tax [3] [4]	**(85.3)**
Loss/(profit) before tax	**(108.1)**
Taxation	27.3
Headline loss after tax [3] [4]	**(64.5)**
Loss/(profit) after tax	**(80.8)**
Net debt [4] [5]	**925.1**

[1] *Results for the 10-month period to 31 October 2019 are audited.*
[2] *Monthly total contract value summing the values of the first 12 months on a straight-line basis. If TCV is less than 12 months, 100% of value is included in ACV.*
[3] *"Headline" refers to operating performance in the normal course and excludes one-off significant transactions. Refer to note 3(C) in the Consolidated Financial Statements for further details.*
[4] *Defined in the Glossary of Key Terms*
[5] Excludes capitalized debt arrangement fees.

Headline operating profit before depreciation and amortization

Headline operating profit before depreciation and amortization, reported separately on the face of the Group Income Statement, is calculated as operating profit before separately reported items, depreciation of property, plant and equipment and the amortization of intangible assets.

Headline operating profit before depreciation amortization for the 10-month period to 31 October 2019 was US$44.8 million. Included within the 2019 headline operating profit before depreciation and amortization is the unwinding of the fair value adjustment to acquired deferred revenue of US$24.7 million. Headline operating profit before depreciation and amortization (excluding deferred revenue adjustment) for the 10-month period to 31 October 2019 was US$69.5 million.

Separately reported items

Transaction and other costs for the 10-month period to 31 October 2019 were US$22.8 million. These comprise transaction costs (US$20.8 million) and severance costs associated with the closure of a loss-making operation (US$2.0 million). Further details of the items are set out in Note 7 to the Consolidated Financial Statements.

Depreciation

Depreciation of property, plant and equipment for the 10-month period to 31 October 2019 was US$2.2 million. Further details are set out in Note 14 to the Consolidated Financial Statements.

Depreciation of right of use assets for the 10-month period to 31 October 2019 was US$8.3 million. Further details are set out in Note 22 to the Consolidated Financial Statements.

Amortization of intangible assets

Amortization of intangible assets includes intangibles acquired by SUSE as part of the Purchase Price Allocation in 2019, which include IP Rights and Customer Relationships. Further details are set out in Note 13 to the Consolidated Financial Statements.

Net finance costs

Net finance costs for the 10-month period to 31 October 2019 were US$46.7 million. Finance costs predominantly relate to interest payable on external borrowings, amortization of capitalized transactions and loss on derivatives. Further details are set out in Note 10 to the Consolidated Financial Statements.

Taxation

The Group's reported tax charge for the 10-month period to 31 October 2019 was a credit of US$27.3 million. Further details are set out in Note 11 to the Consolidated Financial Statements.

Enrica Angelone
Chief Financial Officer
28 May 2020

KPMG

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To the Shareholders of
Marcel Lux IV S.à r.l.
26A, Boulevard Royal
L-2449 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Marcel Lux IV S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 October 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 01 January 2019 to 31 October 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2019 and of its consolidated financial performance and its consolidated cash flows for the period from 01 January 2019 to 31 October 2019 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

— Obtain 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

— Conclude on the appropriateness of the Board of Managers' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated 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 report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 29 May 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Christelle Bousser
Partner

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Income Statement

For the period from 1 January 2019 to 31 October 2019

		For the period from 1 January 2019 to 31 October 2019		
	Notes	**Headline US$'000**	**Separately Reported items US$'000**	**Total US$'000**
Revenue	**6**	246,422	-	246,422
Cost of sales		(19,560)	-	(19,560)
Gross profit		**226,862**	**-**	**226,862**
Selling and distribution costs		(88,447)	(433)	(88,880)
Research and development costs		(54,560)	(2,004)	(56,564)
Administrative expenses		(39,095)	(20,385)	(59,480)
Operating profit/(loss) before depreciation and amortisation		**44,760**	**(22,822)**	**21,938**
Amortisation of intangible assets	**13**	(71,454)	-	(71,454)
Depreciation – Property, plant and equipment	**14**	(2,203)	-	(2,203)
Depreciation – Right of use assets	**22**	(8,336)	-	(8,336)
Operating loss	**7,8**	**(37,233)**	**(22,822)**	**(60,055)**
Share of losses on associate	**16**	(1,377)	-	(1,377)
Finance costs	**10**	(52,711)	-	(52,711)
Finance income	**10**	6,036	-	6,036
Net finance costs	**10**	**(46,675)**	**-**	**(46,675)**
Loss before tax		**(85,285)**	**(22,822)**	**(108,107)**
Taxation	**11**	20,757	6,551	27,308
Loss for the period		**(64,528)**	**(16,271)**	**(80,799)**
Attributable to:				
Equity shareholders of the parent		**(64,528)**	**(16,271)**	**(80,799)**
Non-controlling interests		-	-	-
Loss for the period		**(64,528)**	**(16,271)**	**(80,799)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Other Comprehensive Income

For the period from 1 January 2019 to 31 October 2019

	Notes	For the period from 1 January 2019 to 31 October 2019 Headline US$'000	Separately reported Items US$'000	Total US$'000
Loss for the period		**(64,528)**	**(16,271)**	**(80,799)**
Other comprehensive income / (expense):				
Items that will not be reclassified to income statement				
Re-measurement of long-term pension assets and retirement benefit obligations	**24**	(2,781)	-	(2,781)
Tax relating to items not reclassified	**11, 24**	559	**-**	559
Items that may be subsequently reclassified to income statement				
Currency translation differences		10,102	-	10,102
Cash flow hedge – effective portion of changes in fair value	**27(e)**	(12,945)	-	(12,945)
Cash flow hedge – reclassified to income statement	**27(e)**	984	-	984
Tax related to items that may be subsequently reclassified	**11**	2,984	-	2,984
Other comprehensive income / (expense) for the period		**(1,097)**	**-**	**(1,097)**
Total comprehensive income / (expense) for the period		**(65,625)**	**(16,271)**	**(81,896)**
Attributable to:				
Equity shareholders of the parent		**(65,625)**	**(16,271)**	**(81,896)**
Non-controlling interests		-	-	**-**
Total comprehensive income / (expense) for the period		**(65,625)**	**(16,271)**	**(81,896)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Financial Position

As at 31 October 2019

	Notes	As at 31 October 2019 US$'000
Non-current assets		
Goodwill	**12, 13**	2,134,881
Intangible assets	**13**	606,754
Property, plant and equipment	**14**	10,098
Right of use assets	**22**	19,227
Investment in associate	**16**	18,623
Derivative asset	**27(e)**	50
Long-term pension assets	**24**	1,552
Other receivables	**11**	25,167
Deferred tax assets	**11**	90,159
Contract related assets	**18**	10,698
		2,917,209
Current assets		
Trade and other receivables	**17**	96,716
Current tax receivables	**11**	445
Deferred tax assets	**11**	200
Cash and cash equivalents	**19**	38,197
Contract related assets	**18**	9,139
		144,697
Total assets		**3,061,906**
Current liabilities		
Trade and other payables	**20**	67,785
Borrowings	**21**	3,600
Lease liabilities	**22**	10,090
Provisions	**23**	6,981
Current tax liabilities	**11**	9,168
Deferred tax liabilities	**11**	9,408
Deferred income – contract liabilities	**26**	221,649
		328,681
Non-current liabilities		
Borrowings	**21**	919,391
Lease liabilities	**22**	11,271
Provisions	**23**	3,483
Non-current tax liabilities	**11**	22,758
Deferred tax liabilities	**11**	54,488
Retirement benefit obligations	**24(b)(ii)**	7,539
Share-based payments	**25**	3,553
Deferred income – contract liabilities	**26**	169,842
Derivative liabilities	**27(e)**	17,692
		1,210,017
Total liabilities		**1,538,698**
Net assets		**1,523,208**

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Financial Position

As at 31 October 2019

		As at 31 October 2019 US$'000
Equity		
Share capital	**28**	14
Share premium	**28**	1,604,251
Retained losses	**28**	(80,037)
Capital contribution reserve	**25(b)**	839
Hedging reserve	**27(e)**	(11,961)
Foreign currency translation reserve	**28**	10,102
Total equity		**1,523,208**

The accompanying notes are an integral part of these Consolidated Financial Statements.

The financial statements were approved and authorised for issue by the Board of Managers on 28 May 2020 and signed on their behalf by:

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Joshua Stone
Manager, Marcel LUX IV S.À R.L.

DocuSigned by:

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Emilie Rouillon
On behalf of EQT Luxembourg Management S.À R.L.
Manager, Marcel LUX IV S.À R.L.

DocuSigned by:

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Cristian Oña
On behalf of EQT Luxembourg Management S.À R.L.
Manager, Marcel LUX IV S.À R.L.

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Changes in Equity

For the period from 1 January 2019 to 31 October 2019

	Notes	Share capital US$'000	Share premium US$'000	Retained losses US$'000	Capital contribution reserve US$'000	Hedging reserve US$'000	Foreign currency translation reserve US$'000	Total equity US$'000
As at 01 January 2019		**14**	**-**	**-**	**-**	**-**	**-**	**14**
Loss for the period		-	-	(80,799)		-	-	**(80,799)**
Other comprehensive income/(expense) for the year		-	-	762	-	(11,961)	10,102	**(1,097)**
Total comprehensive income/(expense) for the year		**-**	**-**	**(80,037)**	**-**	**(11,961)**	**10,102**	**(81,896)**
Transactions recorded in equity:								
Contribution of capital	**28**	-	1,604,251	-	-	-	-	**1,604,251**
Equity settled share based payments	**25**	-	-	-	839	-	-	**839**
Total transactions with owners		**-**	**1,604,251**	**-**	**839**	**-**	**-**	**1,605,090**
At 31 October 2019		**14**	**1,604,251**	**(80,037)**	**839**	**(11,961)**	**10,102**	**1,523,208**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Cash Flows

For the period from 1 January 2019 to 31 October 2019

		For the period from 1 January 2019 to 31 October 2019 US$'000
Loss for the period		**(80,799)**
Net finance costs	**10**	46,675
Taxation	**11**	(27,308)
Share of losses on associate	**16**	1,377
Operating loss		**(60,055)**
Addback:		
Depreciation – Property, plant and equipment	**14**	2,203
Depreciation – Right of use assets	**22**	8,336
Amortisation of intangible assets	**13**	71,454
Amortisation of contract related assets	**18**	2,723
Contract liabilities - fair value haircut	**26**	24,722
Share based payments expense	**25**	4,392
Foreign exchange movements	**8**	2,741
Restructuring costs	**7**	2,023
Bad debt expense	**17**	443
Movements:		
Movements in trade receivables	**17**	8,354
Movements in other receivables	**17**	(7,461)
Movements in trade payables	**20**	1,139
Movements in other payables	**20**	14,666
Movements in other pensions	**24**	(246)
Movements in provisions	**23**	(6,235)
Movements in contract related assets	**18**	(22,560)
Movements in contract liabilities	**26**	31,959
Cash generated from operations		**78,598**
Interest paid	**10**	(37,487)
Interest received	**10**	102
Tax paid	**11**	(2,615)
Net cash inflow from operating activities		**38,598**
Cash flow from investing activities		
Purchase of property, plant and equipment	**14**	(2,694)
Purchase of intangible assets	**13**	(2,789)
Acquisition of a business, net of cash acquired	**12**	(2,518,434)
Net cash outflow from investing activities		**(2,523,917)**
Net cash outflow before financing activities		**(2,485,319)**

Marcel LUX IV S.À R.L. and its subsidiaries

Consolidated Statement of Cash Flows

For the period from 1 January 2019 to 31 October 2019

		For the period from 1 January 2019 to 31 October 2019 US$'000
Cash flows used in financing activities		
Proceeds from contribution of capital and share premium	**28**	1,604,265
Proceeds from bank borrowings	**21**	989,354
Payment of arrangement fees	**21**	(38,559)
Repayment of bank borrowings	**21**	(21,800)
Payment of interest rate swap premia	**27**	(984)
Lease payments	**22**	(8,901)
Net cash inflow from financing activities		**2,523,375**
Net increase in cash and cash equivalents		**38,056**
Foreign exchange movements		141
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	**19**	**38,197**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. General information

Marcel LUX IV S.À R.L. (the "**Company**") is a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg, with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B225816. The Company together with its wholly owned subsidiaries (the "**Group**" or the "**SUSE Group**") collectively represent the operations of the SUSE Group.

The principal activity of the Group is that of an enterprise software company. The Group is a pioneer in open source software which develops, markets and supports an enterprise grade *Linux* operating system, open source software defined infrastructure and application delivery solutions that give enterprises greater control and flexibility over their IT systems.

The Company was incorporated on 20 June 2018 and the financial statements for the period from incorporation to 31 December 2018 represent the inaugural financial period of the Company which was prior to the acquisition of a business as detailed in note 12. The Company subsequently changed its financial reporting date to 31 October. As a consequence, the Consolidated Financial Statements are prepared in respect of the 10-month period to 31 October 2019. In future periods, the Group expects to prepare financial statements annually to 31 October. These Consolidated Financial Statements present the results of the Group as a whole. Details of the financial statements of the Company can be obtained at their registered office and at the Luxembourg Register of Commerce and Companies.

These Consolidated Financial Statements were authorised for issuance on 28 May 2020. Information presented in the notes to these Consolidated Financial Statements have been presented in a systematic manner and typically following the order of the line items in Consolidated Income Statement and Consolidated Statement of Financial Position.

2. Basis of preparation

A. Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS" or "IFRS"). The Consolidated Financial Statements have been prepared under the historical cost basis except for the following items:

Items	**Measurement basis**
Derivative financial instruments	Fair value through profit and loss ("**FVTPL**")
Cash-settled share-based payments liabilities	FVTPL
Retirement benefit obligations	Plan assets and similar arrangements measured at fair value through other comprehensive income ("**FVOCI**") less the present value of the defined benefit obligation measured under the projected unit method ("**actuarial basis**")

On 15 March 2019, Marcel Bidco GmbH *(formerly Blitz 18-679 GmbH incorporated in the Federal Republic of Germany),* a wholly owned subsidiary of the Company, acquired the assets and liabilities of the SUSE Group (the "**Group**") from Micro Focus International plc (the "**Vendor**").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed below in Note 3 'Critical accounting estimates and assumptions'.

The principal accounting policies adopted by the Group in the preparation of the Consolidated Financial Statements are set out below in Note 4 'Significant accounting policies'.

B. Basis of consolidation

The Consolidated Financial Statements include the Company and its subsidiary undertakings together with the Group's share of the results and net assets of equity accounted investments.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an entity where the Group is exposed to, or has rights to, variable returns from its involvement within the entity and it has the power over the entity to effect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. Control is presumed to exist when the Group owns more than half of the voting rights (which does not always equal percentage ownership) unless it can be demonstrated that ownership does not constitute control. The results of subsidiaries are consolidated from the date on which control passes to the Group. The results of disposed subsidiaries are consolidated up to the date on which control passes from the Group.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

An associate is an entity that is neither a subsidiary nor a joint venture, over who's operating and financial policies the Group exercises significant influence. Significant influence is presumed to exist where the Group has between 20% and 50% of the voting rights, but can also arise where the Group holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

Associates are accounted for under the equity method, where the consolidated statement of comprehensive income and the consolidated financial position includes the Group's share of their profits and losses and net assets, less any impairment in value. Associates recorded as a result of an acquisition are recorded initially at cost. Unrealized gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent there is no evidence of impairment.

C. Going concern

The Groups' Board of Managers and Leadership Team ("**Management**") consider that the Company and its subsidiaries have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these accounts. This assessment was made with due regard to an impact assessment of the ongoing COVID-19 (“**Coronavirus**”) pandemic as set out in Note 32. Accordingly, they continue to adopt a going concern basis in preparing the Consolidated Financial Statements of the Group.

D. Functional and presentational currency

The financial statements are presented in thousands of US Dollars (“**US$**”), which is the functional currency of the Company in addition to several principal subsidiaries of the Group.

E. Adoption of new and revised International Financial Reporting Standards

(i) New standards adopted

In this, the inaugural period of preparation of Consolidated Financial Statements, the Group has adopted all effective IFRS standards, interpretations and amendments as relevant to the financial reporting period commencing on or after 1 January 2019. This includes the adoption of IFRS 16 *Leases* which replaces IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a new definition of a lease, with a single lessee accounting model eliminating the previous distinction between operating and finance leases. Refer to Note 22 for further details. Other newly effective EU-endorsed standards adopted by the Group during the period were:

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9)
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015–2017 Cycle (various standards)

(ii) Interpretations and amendments to existing standards not yet effective

The following interpretations and amendments to existing standards are not yet effective and have not been adopted early by the Group:

- *Amendments to References to Conceptual Framework* (various standards)*
- *Definition of ‘Material’* (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (*Amendments to IFRS 9, IAS 39 and IFRS 7)*
- *Definition of a ‘Business’*(Amendments to IFRS 3)
- IFRS 17 *Insurance Contracts*
- *Classification of liabilities as current or non-current* (Amendments to IAS 1)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 14 *Regulatory Deferral Accounts*

*** *Denotes available for early adoption.***

Management do not believe that the future impact of the amendments and interpretations to existing standards listed above will have a material impact on the Consolidated Financial Statements.

3. Critical judgements and sources of estimation uncertainty

In preparing these Consolidated Financial Statements, management has made critical judgements and estimates in respect of assets and liabilities that are inherently uncertain. The Group regularly reviews these estimates and updates them as required. Revisions to estimates are recognised prospectively. The following estimates are those which management view as critical and therefore could result in a material adjustment to the carrying amount of assets and liabilities in the next financial period should actual results differ:

A. Identification and measurement of assets and liabilities acquired in a business combination

Goodwill and other intangible assets such as intellectual property and customer relationships are subject to allocation adjustments under the acquisition method accounting for business combinations. Management evaluate the best available evidence for the allocation and measurement of intangible assets. For instance, intellectual property recognised was determining in reference to the contractually agreed price with the Vendor, a market participant. The fair value of customer relationships was identified using an independent specialist by applying an income approach valuation methodology as there is a lack of comparable market given specific nature of these assets.

Similarly, there is estimation uncertainty involved in the measurement of liabilities identified as part of a business combination. The recognition of acquired deferred revenue involved a step down adjustment to reflect its fair value based on the cost to deliver the related service ("the Haircut" to deferred revenue). The process involved a 'bottom up approach' where the costs needed to fulfil the performance obligation are added to an appropriate profit margin. The costs to fulfil are reflective of those that market participants would incur to fulfil the service and do not include costs such as marketing, recruiting, and training, which are incurred prior to the business combination

B. Potential impairment of goodwill and intangible assets

The carrying value of goodwill and intangible assets is tested annually or whenever there are changes in circumstances indicating that the carrying amounts may not be recoverable. These tests, performed on a value in use basis, require the use of estimates such as the discount rate applied to each cash generating unit, operating margin, and the long-term growth rate of net operating cash flows.

C. Separately reported items

The Group has adopted a columnar presentation in its presentation of the Consolidated Income Statement in order to disaggregate items of specific importance from operations in the normal course (referred to as "**Headline**"). In doing so, Management considers that this gives a better indication of the underlying results of the ongoing business. Such items are those which are expected to be nonrecurring, have standalone significance and are typically confined to a single financial reporting period. In determining this format, the Group notes IAS 1 *Presentation of Financial Statements* provides no definitive guidance as to the format of the income statement, but states key lines, which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity's financial performance.

D. Calculation of provisions

A provision is a liability of uncertain timing or amount. The Group holds provisions in respect of loss making operations, a restructuring programme, future dilapidation costs, litigation and onerous leases (presented as an impairment to right-of-use assets in accordance with IFRS 16 *Leases*). Provisions are made for the expected amounts payable in respect of known or probable costs as at each reporting date. Provisions are measured at present value where the time value of money is deemed significant.

E. Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes including structuring activities undertaken by the Group and the application of complex transfer pricing rules. The Group recognises liabilities for anticipated settlement of tax issues based on judgements of whether additional taxes will be due. Significant issues may take several periods to resolve. In making judgments on the probability and amount of any tax charge, management takes into account:

- Status of the unresolved matter;
- Strength of technical argument and clarity of legislation;
- External advice;
- Resolution process, past experience and precedents set with the particular taxing authority;
- Agreements previously reached in other jurisdictions on comparable issues; and
- Statute of limitations.

The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the financial statements in the period in which such determination is made.

Most of the Group's uncertain tax provisions are inherited as part of a business combination and therefore are subject to indemnification. The recoverability of related indemnification assets is itself a judgement.

F. Recoverability of Deferred tax assets

The recoverability of deferred tax assets recognised by the Group is dependent on the future generation of taxable profits. Prior to acquisition, the SUSE Group had proven record of sustained taxable profits and Management are satisfied that losses generated in the current period are substantially as a result of the costs the acquisition transaction (Note 12) and other costs of integration.

G. Fair value of Share-based payments

Measuring the fair value of share-based payment transactions requires the estimation and judgement in selecting an appropriate valuation model, determining reasonable parameters within that model and predicting the pattern and ultimate number of instruments that will vest over the life of a scheme.

Instruments that have the characteristics of an option are valued with an option model deemed most appropriate to the underlying conditions. The fair value of share options or equivalent instruments subject to market conditions are measured using a Monte-Carlo Simulation, which estimates a liability by pricing in the expected volatility of future share prices until the end of the expected option term.

For cash-settled share-based payment transactions, the liability is re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

H. Fair value of financial derivatives

The fair value of financial derivatives is determined using significant inputs based on observable market data and is usually derived from forward interest rates based on yield curves observable at the balance sheet date together with the contractual interest rates.

4. Significant accounting policies

Set out below are the significant accounting policies of the Group as applied in its inaugural financial reporting period (as a group) to 31 October 2019:

A. Revenue Recognition

The Group derives its revenues from a suite of subscription services it offers to its customers under various software solutions including Enterprise Linux, Run SAP, Container and Application Platforms, Infrastructure Management, High Availability, Multi-Cloud Infrastructure, Storage and High Performance Computing. Customer subscriptions are usually 12, 24, 36 or 60 months in term and are billed in advance. Occasionally income is derived from fees collected retrospectively for service already provided. The Group also generates ancillary revenues from training and consulting contracts.

Revenue is recognised when benefits arising from contractual performance obligations are transferred to a customer for an amount that reflects the consideration the Group expects to receive as set out in each customer contract.

(i) Application of the five-step model

IFRS 15 *Revenue from Contracts with Customers* establishes a five-step model of recognising revenue from customer contracts that requires revenue to be recognised when control over goods and services are transferred to the customer. The Group applies the following five steps in recognising revenue:

1. Identify the contract with a customer

The Group determines that it has a contract with a customer when the contract is approved, the party's rights regarding the products and services to be transferred can be identified, the payment terms for the products and services are identified, the customer's ability to pay can be determined and the contract has commercial substance. Judgement is used to assess the customer's ability and intent to pay, which is based upon factors including the customer's historical payment experience or credit and financial information pertaining to the customer.

2. Identify the performance obligations in the contract

The Group's performance obligations are identified based on the products and services that will be transferred to the customer that are both capable of being distinct and are distinct in the context of the contract. They consist of (i) software, (ii) technical support and (iii) consulting services. Owing to the intrinsic nature of the software, software and technical support are combined into one single performance obligation. Performance obligations in relation to consulting are distinct and depend on the terms and conditions of the specific customer contract.

3. Determine the transaction price

The Group determines the transaction price based on the consideration expected to be received in exchange for transferring performance obligations to the customer. In determining the transaction price, variable consideration, if any, would be considered if, in Management's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Rebates paid to resellers as part of a contracted programme are accounted for as a reduction to the transaction price. Rebates are measured in accordance with the contractual terms as agreed with the customer and are variable on account of sales volume within a period.

The Group's contracts do not contain significant financing components. The Group does not typically extend customer payment terms beyond a standard 30 day term. Rebates paid to partners as part of a contracted programme are netted against revenue where the rebate paid is based on the achievement of sales targets made by the partner.

4. Allocate the transaction price to performance obligations in the contract

When a contract contains a single performance obligation, the entire transaction price is allocated to that one performance obligation. As detailed in note 6, the majority of revenue earned is delivered as part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("**SSP**"). The Group determines the SSP based on the observable price when the Group sells the subscriptions or consulting services separately.

5. Recognise revenue when or as the performance obligation is satisfied

Revenue is recognised at the time the related performance obligation is satisfied by transferring the promised subscription and service offerings to a customer. For each performance obligation, a determination is made as to whether the control is transferred over time or at a point in time. For performance obligations satisfied over time, a method to measure progress towards complete satisfaction is selected, based upon the most faithful depiction of performance. The selected method for each performance obligation type is applied consistently to similar contracts.

(ii) Contract related assets

The Group accounts for costs associated with revenue as follows:

(a) Cost of obtaining customer contracts

The Group capitalises sales commission costs when they are incremental and, if expected to be recovered, they are amortised over the customer life or pattern of revenue for the related contract. The Group applies a practical expedient to expense sales commission's costs as incurred where the related benefit is one year or less.

(b) Cost of consideration payable to a customer

Certain payments to customers such as rebates are treated as a reduction of the transaction price and are included in the revenue. Other payments made to customers relate to instances where the Group acts as agent rather than principal.

(c) Rebillable expenses

The Group reports gross expenses that are recharged to customers, such as travel and accommodation, as a component of consulting revenue.

(iii) Deferred revenue – contract liabilities

Under the IFRS 15 based policies, the Group presents deferred revenue separately as a contract liability. Rights to consideration from customers are only presented as accounts receivable if the rights are unconditional.

B. Cost of Sales

Cost of sales includes costs of the consulting business, helpline support and royalties payable to third parties.

C. Pension obligations and long-term pension assets

The Group operates various pension schemes, including defined contribution and defined benefit pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

(i) Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Defined benefit plans

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement. This is usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Certain long-term pension assets do not meet the definition of plan assets as they have not been pledged to the plan and are subject to the creditors of the Group. Such assets are recorded separately in the Consolidated Statement of Financial Position as long-term pension assets and as measured as Fair Value through Other Comprehensive Income ("**FVOCI**"). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to mature approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the Group Income Statement.

The current service cost of the defined benefit plan, recognized in the consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

Long-term pension assets relate to the reimbursement right under insurance policies held in the Group with guaranteed interest rates that do not meet the definition of a qualifying insurance policy as they have not been pledged to the plan and are subject to the creditors of the Group. Such reimbursement rights assets are recorded in the consolidated statement of financial position as long-term pension assets. These contractual arrangements are measured at fair value through other comprehensive income. Fair value of the reimbursement right asset is deemed to be the present value of the related obligation because the right to reimbursement under the insurance policies exactly matches the amount and timing of some or all of the benefits payable under the defined benefit plan.

D. Share based payments

(i) Equity-settled transactions

The Management Investment Participation Program ("**MIPP**") is an equity-settled group share based payment arrangement under which certain members of management have rights to subscribe for ordinary shares of an intermediary parent company as a means of profit participation in return for services rendered to the Group. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. As a group share based payment arrangement, the cost is recognised in employee expense with a corresponding increase in the capital contribution. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(ii) Cash-settled transactions

The Virtual Share Option Programme ("**VSOP**") is a cash-settled phantom option scheme in which certain employees can participate in the future share appreciation rights of the Group's equity until an exit event. A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially at the date of grant and at each reporting date up to and including the settlement date, with changes in fair value recognised as an employee expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. Fair value is determined using valuation techniques as appropriate to the conditions of the options issued. The approach used to account for modifications and cancellations when measuring equity-settled transactions also applies to cash-settled transactions.

E. Foreign currency

(i) Functional and presentation currency

The presentation currency of the Group is US dollars (“**US$**”). Items included in the financial statements of each of the Group’s entities are measured in the functional currency of each entity.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position.
- Income and expenses for each consolidated statement of profit or loss items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.
- All resulting exchange difference are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) Exchange rates

The most significant foreign currencies for the Group are the Euro (“**€**”) and Pound Sterling (“**£**”). The exchange rates used as at 31 October 2019 (“**Closing**”) and for the 10-month period then ended (“**Average**”) are as follows:

	Average	**Closing**
£1 = $	1.26	1.29
€1 = $	1.11	1.12

F. Business combinations and goodwill

Business combinations are accounted for using the acquisition method when control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs, not related to the issuance of debt, are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date, if it meets the definition of a financial instrument. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash-generating unit ("**CGU**") within the Group being the lowest level of independently functioning components capable of generating cashflow.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

G. Intangible assets

(i) Purchased software

Purchased software comprises computer software licences which are capitalised based on the costs incurred to acquire and bring into use. Purchased software is amortised using the straight-line method over their estimated useful lives, usually ranging from six to twelve months.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and include customer relationships and intellectual property. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful life of each intangible assets, details of which are set out in Note 13. Intangible assets are amortised from the date they are available for use.

H. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

- Leasehold improvements	three to 10 years
- Fixtures and fittings	two to seven years
- Computer equipment	one to five years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the consolidated statement of comprehensive income.

I. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being cash-generating units. Any non-financial assets other than goodwill, which have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date. Assets that are subject to amortisation and depreciation are also reviewed for any possible impairment at each reporting date.

J. Trade receivables

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost less provisions for impairment based upon an expected credit loss methodology. The Group applies the IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The current financial period represents the inaugural period for the Group, and at present, there is limited historical information available an expected credit loss assessment for individual customers. Loss rates applied are based on forecasted credit loss for individual customers based on the current financial period alone.

K. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

L. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the Effective Interest Method ("**EIR**") with the interest expense recognised in the Consolidated Income Statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

When a financial liability (or part of a liability) is extinguished or transferred to another party, the difference between the carrying amount of the transferred financial liability (or part of a liability) and the consideration paid, including any non-cash assets transferred or liabilities assumed, to be recognised in the Consolidated Income Statement.

Where the net present value of the cash flows under the new terms is less than 10% different from the discounted present value of the remaining cash flows of the original debt instrument, such modification does not result in extinguishment of the liability. The amortised cost of the financial liability should be recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial instrument's original EIR. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

M. Leases

The Group assesses at contract inception whether a contract is or contains a lease under IFRS 16 *Leases* and to establish if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee, the Group applies a single recognition and measurement approach for all leases and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use); for lease contracts acquired in a business combination the respective right-of-use assets are recognized the first time at the business combination date with the present value of the remaining lease payments Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office buildings	one to six years
- Office equipment	three to six years
- Motor vehicles	three to four years
- Leased software	six to eighteen months

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. Lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Onerous lease contracts to which the Group is unavoidably committed represents the present value of future lease payments to be made on vacant property and is recorded as a net impairment to the right-of-use asset.

N. Taxation

Income tax expense represents the sum of current and deferred taxes.

Current tax payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognises provisions for uncertain tax positions when it has a present obligation as a result of a past event and Management judge that it is probable that there will be a future outflow of economic benefits to settle the obligation. The Group recognises indemnity assets in respect of acquired provisions only, where the liability in question is recoverable under contractual obligation by the Vendor and when the asset is deemed recoverable.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities, which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

O. Share capital, share premium and dividend distribution

Incremental cost not forming part of an acquisition and directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised the entity has an obligation to make the payment and the amount to be paid can be determined reliably.

P. Financial assets and financial liabilities

(i) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss; it is held within a business model whose objective is to hold assets to collect contractual cashflows an its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through profit or loss or through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost of FVOCI are measured at Fair Value through profit or loss. Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognised in the Consolidated Income Statement.

*(iii) Expected credit losses ("**ECLs**")*

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost such as trade receivables which are always measured at amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk of a financial asset has increased if it is more than 30 days past due and considers a financial asset to be in default when the financial asset is more than 90 days past due.

(iv) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 *Financial Instruments*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

(v) Derivative financial instruments and hedge accounting

Group uses interest rate swap to hedge its interest rate risk. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Q. Cash flow hedges

The Group uses interest rate swap to hedge its exposure to interest rate risk in its floating rate borrowing agreement. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income ("**OCI**") in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as finance income or expense. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

For the interest rate cash flow hedge, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

R. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

5. Financial risk factors

Refer to Note 27 Financial risk management, for details of financial risk factors relevant to the Group as at 31 October 2019 and for the period then ended.

6. Revenue

(a) Geographical analysis

The Group's total revenue from external customers by geographical location is detailed below:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Revenue	
Europe, Middle East and Africa	121,367
North America	82,197
Asia, Pacific and Japan	36,147
Latin America	6,711
Total revenue	**246,422**

(b) Analysis of revenue from contracts with customers

	For the period from 1 January 2019 to 31 October 2019 US$'000
Recognised over time:	
- Subscription revenue	236,938
Recognised at point in time:	
- Consulting revenue	3,367
- Subscription revenue	6,117
Total revenue	**246,422**

Subscription revenue is recognised as a single performance obligation over the contractual term of a contract as detailed in accounting policy note 4(a). In determining the transaction price, the Group considers the effects of reseller rebates to be the main source of variable consideration where certain customers are entitled to rebates on the basis of volume of unit sales generated within a period.

(c) Analysis of revenue by product type

The Group derives the majority of revenue subscription software solutions which includes product offerings such as Enterprise Linux, Run SAP, Container and Application Platforms, Infrastructure Management, High Availability, Multi-Cloud Infrastructure, Storage and High-Performance Computing. Other revenue streams such as consulting revenue are ancillary (refer to note 6(b) for details). Revenue is presented net of amortisation of contract-related assets of US$0.4 million. Contract-related assets capitalised under IFRS 15 are detailed in Note 18.

(c) Contract liabilities - Haircut

As part of the acquisition, the Group acquired contract liabilities with a fair value of US$334.8 million (Note 12). The following table shows the impact of the acquisition accounting adjustment of the contract liability haircut on recognised revenues:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Recognised revenue before contract liability haircut	271,144
Impact of unwinding of contract liability haircut	(24,722)
Total revenue	**246,422**

7. Separately reported items

	For the period from 1 January 2019 to 31 October 2019 US$'000
Transaction costs (a)	20,799
Costs arising from a restructuring programme (b)	2,023
Total expense	**22,822**

Items of specific importance are those which are expected to be non-recurring, have standalone significance and are typically confined to a single financial reporting period. During the year the Group incurred the following costs:

(a) Transaction costs
Transaction costs of US$20.8 million relate to legal, company secretarial and other fees paid to professional advisors relating to the acquisition of the business (Note 12).

(b) Costs arising from a restructuring programme
On acquisition, the Group identified a loss-making operation (Note 12). During the period, Management decided to discontinue the operation and a restructuring programme was announced which includes severance costs of US$2.0 million in respect of employees of the loss-making operation. The operation earned revenues of US$3.5 million and incurred costs of US$10.5 million in fulfilling its contractual obligations during the period (Note 23). Management do not consider the loss-making operation to be a 'Discontinued Operation' as defined by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as it is neither a separate major line of business nor a subsidiary acquired exclusively with a view to resale.

8. Operating loss

The Group recorded an operating loss of US$60.1 million is stated after charging the following:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Staff costs (Note 29)	144,974
Integration costs (a)	10,317
Depreciation – Property, plant and equipment (Note 14)	2,203
Depreciation – Right of use assets (Note 22)	8,336
Amortisation of intangible assets (Note 13)	71,454
Amortisation of contract related assets (Note 18)	2,723
Deferred revenue fair value haircut (Note 26)	24,722
Share based payments expense (Note 25)	4,432
Foreign exchange movements	2,741
Bad debt expense (Note 17)	443

(a) Integration costs
Integration costs of US$10.3 million relate to specific non-recurring costs to separate the operations of Group from Micro Focus International plc. This includes the creation of stand-alone IT systems.

9. Services provided by the Group's auditors and network of firms

	For the period from 1 January 2019 to 31 October 2019 US$'000
Audit of Groups' Consolidated Financial Statements	1,105
Audit of subsidiaries Statutory Financial Statements	483
Total audit fees	**1,588**
Tax compliance services	83
Total taxation services fees	**83**
Total fees	**1,671**

10. Net finance costs

	For the period from 1 January 2019 to 31 October 2019 US$'000
Finance costs	
Interest payable on borrowings	37,135
Amortisation of facility and debt issuance costs	4,204
Interest rate swap payments (Note 27(e)) (a)	984
Commitment fees	341
Finance costs on borrowings	**42,664**
Bank interest expense	10
Net interest expense on retirement benefit obligations	145
Foreign exchange loss on borrowings	3,031
Fair value loss on derivative liabilities (a)	6,162
Present value unwind of lease obligations	699
Total finance costs	**52,711**
Finance income	
Bank interest income	(99)
Gain on modification to borrowings (Note 21)	(5,937)
Total finance income	**(6,036)**
Net finance costs	**46,675**

(a) Fair value loss on derivative liabilities

The fair value loss of derivative liabilities, including those designated as hedging instruments and derivatives embedded in borrowings, at 31 October 2019 was US$18.1 million, of which US$6.2 million has been recognized as fair value through profit and loss. The remaining portion of US$12.0 million in respect of the hedged instrument is deemed to be wholly effective and has been recognized in the statement of comprehensive income. Premia paid of US$1.0 million in respect of interest rate swaps have been recycled from the cash flow hedge reserve during the period.

11. Taxation

(a) Income tax credit

	For the period from 1 January 2019 to 31 October 2019 US$'000
Current tax expense – current year	6,406
Deferred tax credit – current year	(33,714)
Total income tax credit	**(27,308)**

(b) Tax charged to other comprehensive income

	For the period from 1 January 2019 to 31 October 2019 US$'000
Deferred tax credit	(3,543)
Total tax credited to other comprehensive income	**(3,543)**

(c) Factors affecting income tax for the period

The table below explains the differences between the expected tax credit, being the aggregate of the Group's geographical split of losses multiplied by the relevant local tax rates and the Group's total tax credit for the period:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Loss before tax	**(108,107)**
Aggregate expected income tax credit using weighted local tax rate (28%)	**(30,270)**
Tax effect of:	
Non-deductible expenses related to acquisition of a business	1,329
Non-deductible expenses related to share based payments	270
Non-deductible interest expense in Germany	1,154
Other non-deductible expenses	84
Temporary differences not expected to reverse	125
Total income tax credit	**(27,308)**

(d) Factors affecting the income tax charge in future years

The Group's future tax charge and effective tax rate could be affected by several factors including challenges by tax authorities to the Group's transfer pricing arrangements and the pricing of intra-group transactions, tax legislation developments in countries around the world, including reforms related to the taxation of the digital economy, and future acquisitions.

(e) Recognition of acquired tax provisions and indemnity asset

The Group maintains provisions in respect of certain potential tax risks in legal entities acquired as part the business combination. Under the Transaction Agreement, the Vendor has indemnified the Group in respect of tax liabilities including uncertain tax provisions relating to the pre-acquisition period. Non-current tax liabilities includes US$22.8 million in relation to such provisions with and an equal amount included in "other non-current receivables" in respect of the corresponding indemnity. There are no uncertain tax provisions recognised in relation to the post acquisition period.

(f) Deferred tax

Deferred taxes are recognised in respect of the following assets and liabilities:

Deferred tax assets	Tax losses US$'000	Deferred income US$'000	Interest expenses US$'000	Financial derivatives US$'000	Other items US$'000	Total US$'000
As at 1 January 2019	-	-	-	-	-	-
Arising on acquisition	-	42,917	-	-	7,662	**50,579**
(Charged)/credited to the Income statement	25,802	(8,445)	15,828	281	2,571	**36,037**
(Charged)/credited to other Comprehensive income	559	-	-	2,984	-	**3,543**
As at 31 October 2019	**26,361**	**34,472**	**15,828**	**3,265**	**10,233**	**90,159**

Deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised. Recognised deferred tax assets are mainly in respect of German and US subsidiaries. Deferred tax assets in Germany of US$25.6 million are recognised on the basis that they are fully offset by deferred tax liabilities in the same legal entity or tax group. A net deferred tax asset of US$60.5 million in the US is recognised on the basis of a deferred tax asset reversal calculation based on Management's projections of future profitability which forecast to fully reverse in the long term (between 5 and 15 years). It is considered appropriate to recognise the asset as the SUSE Group has previously and is expected to continue to realise significant taxable profits. The Group has an unrecognised deferred tax asset in relation to temporary differences of US$0.9 million relating to unutilised foreign tax credits and carried forward tax losses.

Deferred tax liabilities	Intangible assets US$'000	Contract related assets US$'000	Finance costs US$'000	Other items US$'000	Total US$'000
As at 1 January 2019	-	-	-	-	-
Arising on acquisition	(53,448)	-	-	(8,149)	**(61,597)**
(Charged)/credited to the income statement	4,672	(4,522)	(5,875)	3,203	**(2,522)**
Exchange rate movements	-	-	-	223	**223**
As at 31 October 2019	**(48,776)**	**(4,522)**	**(5,875)**	**(4,723)**	**(63,896)**

A deferred tax liability of US$1.5 million is recognised in respect of tax liabilities expected to arise on the future repatriation of proceeds. Otherwise, no deferred tax liability is recognized in respect of unremitted earnings (including pre-acquisition earnings) of overseas subsidiaries of US$129.1 million as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of such unremitted earnings.

12. Business combinations

On 15 March 2019, the Group acquired 100% of the assets and liabilities of the SUSE Group from Micro Focus International plc (the "**Vendor**"), for cash consideration of US$2,556.2 million and US$154.6 million liability novation (the "**Transaction**"). A list of subsidiaries acquired by the Group are included in Note 15.

(a) Transaction overview

The completion date of 15 March 2019 was established as the contractual date of control transfer owing to the fulfilment of certain obligations by the Group being met by 28 February 2019 under the Transaction Agreement (the "**Agreement**"). Assets and liabilities acquired as set out in (b) below are identified with reference to the books and records of the Vendor as at 28 February 2019 allowing for adjustments to balances where material differences between 28 February 2019 and 15 March 2019 arose. Accordingly, adjustments were made to trade receivables, contract liabilities and employee related liabilities (forming part of trade and other payables). Critical judgements and sources of estimation uncertainty associated with the Transaction are detailed in Note 3(a) to the Consolidated financial statements in addition to matters set out in note (b) below. If the Transaction had occurred on 1 January 2019, Management estimates that consolidated revenue would be US$311.3 million and consolidated losses for the year would be US$105.8 million.

(b) Identification of net assets acquired

The purchase price allocation exercise is considered final. The fair values of the identifiable assets and liabilities of SUSE Group as at the date of acquisition were:

	Notes	15 March 2019 US$'000
Identifiable assets at fair value		
Intangible assets	*(i)*	675,999
Property, plant and equipment	*(ii)*	9,998
Right of use assets	*(iii)*	23,700
Investment in associate	*(iv)*	20,000
Long-term pension assets	*(v)*	1,570
Other receivables	*(vi),(vii)*	202,050
Deferred tax assets	*(vii)*	50,579
Trade and other receivables	*(x)*	92,097
Cash and cash equivalents	*(x)*	21,839
Total assets		**1,097,832**
Identifiable liabilities at fair value		
Trade and other payables	*(x)*	51,462
Lease liabilities	*(iii)*	26,399
Provisions	*(viii)*	14,677
Current tax liabilities	*(vii)*	27,692
Deferred tax liabilities	*(vii)*	61,596
Retirement benefit obligations	*(v)*	5,310
Deferred income – contract liabilities	*(ix)*	334,767
Total liabilities		**521,903**
Net identifiable assets at fair value		**575,929**

(i) Intangible assets

Separately identifiable intangible assets meeting the definition of IAS 38 within the Transaction consist of intellectual property rights and customer relationships measured at US$316.0 million and US$360.0 million respectively.

The fair value of intellectual property (which constitutes trademarks, domain names, patents and copyrights) was measured in reference to the contractually agreed price as set out in the Agreement on the basis of the principles of market participation under IFRS 13 *Fair Value Measurement* ("**IFRS 13**").

Customer relationships were identified as a separable intangible asset under IAS 38 on the basis of long-standing customer relationships that have benefit that can be measured and are viewed by Management as valuable to a market participant. The fair value of the customer relationships was determined by a qualified specialist in applying an income approach method under IFRS 13, specifically using the 'Multi-period excess earnings method'. This method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The method uses cash flow projections from financial budgets approved by Management covering a four-year period, a contributory asset charge of 14.9%, after-tax discount rates applied to cash flow projections (which were in the range of 7.08% - 7.70%), the applicable long term growth rate for revenue (5%) and an analysis of customer longevity and expected attrition. Customer duration was established in reference to order history of the Group prior to acquisition. Management have monitored these assumptions applied up to the date of approval of the Consolidated Financial Statements and are satisfied that there is no underlying change to the assumptions since the valuation was performed.

(ii) Property, plant and equipment

The Group identified property, plant and equipment of US$10.0 million as part of the analysis of the Transaction which primarily consist of computer hardware equipment, the fair value of which was measured on a replacement cost basis.

(iii) Right of use assets and lease liabilities

The Group analysed the Transaction to identify explicit and implied lease arrangements as defined by IFRS 16 *Leases*. Leases identified primarily related office premises and leased software arrangements. The present value of future lease payments of US$26.4 million corresponds to the right of use asset recognised excepting the impact of an onerous lease as detailed in Note 22.

(iv) Investment in associate

The Group identified an associate investment (the Open Invention Network) that was previously recognised as such by the Vendor and carried at US$9.5 million prior to the Transaction. The fair value of the asset was measured based on the price of the most recent member investment to OIN of US$20.0 million. Refer to Note 16 for further details.

(v) Retirement benefit obligations and related assets

Retirement benefit obligations that meet the definition of a defined benefit pension plan under IAS 19 *Employee Benefits* were identified as liabilities present in German and Swiss subsidiaries of the Group (as set out in Note 15). The present value of the future net liability recognised on acquisition of US$5.3 million was identified in reference to an actuarial valuation performed.

(vi) Other receivables

Other receivables US$202.1 million includes a tax indemnity asset of US$24.5 million and a designated intercompany receivable of US$154.6 million as detailed in (vii) and (c) respectively. Other assets include other intercompany receivables of US$20.7 million settled as part of working capital adjustments.

(vii) Current and deferred tax assets and liabilities

Current tax liabilities acquired of US$27.6 million includes US$24.5 million of uncertain tax liabilities arising from legacy tax risks that are indemnified under the Agreement and US$3.1 million of current tax liabilities in respect of subsidiaries acquired. Refer to Note 11 for details of deferred tax assets and liabilities recognised as a result of the Transaction.

(viii) Provisions

On acquisition, the Group identified a loss-making operation in which the underlying economic cost of fulfilling associated contracts exceeds the benefit derived from revenues expected to be generated. The Group have estimated the cost of completion of the contracts to be US$13.8 million. The loss-making operation is not a 'Discontinued Operation' as defined by IFRS 5 *Discontinued Operations and Assets held for Sale* as this is neither a major line of business nor subsidiary acquired for the purpose of resale. Refer to further details at Notes 7 and 26. Other provisions primarily relate to inherited dilapidation provisions.

(ix) Deferred income – contract liabilities

The recognition of acquired contract liabilities of US$334.8 million involved a step-down adjustment of US$58.2 million to reflect its fair value based on the cost to deliver the related service ("the Haircut" to deferred revenue). The process involved a 'bottom up approach' where the costs needed to fulfil the performance obligation are added to an appropriate profit margin. The key assumptions within this exercise involved analysis of employee cost associated with various activities required to generate a sale. The costs to fulfil are reflective of those that market participants would incur to fulfil the service and do not include costs such as marketing, recruiting, and training, which are incurred prior to the business combination. US$24.7 million of the Haircut has been amortised to the Consolidated Income Statement in line with deferred income released.

(x) Other working capital assets

Other working capital assets are stated at their book value of the date of acquisition and are subject to working capital adjustment as set out in (c) below. The fair value of the trade receivables amounts to US$79.6 million. The gross amount of trade receivables is US$82.7 million and it is expected that the full contractual amounts can be collected.

As set out below, the Transaction did not involve contingent consideration and Management do not anticipate any further measurement adjustments as of the date of approval of the Consolidated Financial Statements.

(c) Purchase consideration

	US$'000
Cash transferred on closing	2,540,273
Deferred consideration	15,964
Cash consideration paid and payable	**2,556,237**
Liability transfer	154,573
Total consideration	**2,710,810**

Total consideration excludes transaction costs of US$20.8 million which have been expensed to the Consolidated Income Statement in accordance with IFRS 3 *Business Combinations.*

Deferred consideration of US$16.0 million represents the working adjustment to the purchase price, following agreement reached in March 2020 between the Vendor and the Group. Consideration was settled on a net basis with other intercompany receivables owing to the Group at the date of the Transaction (Note 20).

On 15 March 2019, a 'Deed of Novation' was concluded between the Group and the Vendor, according to which the liability of the Vendor to the Group of US$154.6 million was transferred to a subsidiary of Group. The liability novated was equal to an equivalent intercompany receivable amount entitled to another subsidiary transferred as part of the Transaction (see (b)(vi) above).

Analysis of cash flows on acquisition (included in cash flows from investing activities) is as follows:

	US$'000
Cash consideration paid and payable	(2,556,237)
Net cash acquired with the subsidiary	21,839
Net cash outflow on acquisition	**(2,534,398)**

(d) Goodwill

	US$'000
Total consideration	2,710,810
Net identifiable assets at fair value	(575,929)
Goodwill recognised on acquisition	**2,134,881**

Goodwill of US$2,134.9 million represents the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is attributable mainly to the skills and technical talent of the Group's work force and the synergies expected to be achieved under the the strategic objectives of Management operating as an autonomous enterprise focused on customer growth and maximising profits. The goodwill arising from acquisitions that is expected to be tax deductible is $545 million.

13. Goodwill and Intangible assets

	Goodwill US$'000	Purchased software US$'000	Intellectual property US$'000	Customer relationships US$'000	Total US$'000
Cost					
As at 1 January 2019	-	-	-	-	-
Acquired through a business combination	2,134,881	31	315,963	360,005	2,810,880
Additions	-	2,789	-	-	2,789
Exchange rate movements	-	51	-	30	81
As at 31 October 2019	**2,134,881**	**2,871**	**315,963**	**360,035**	**2,813,750**
Accumulated amortisation					
As at 1 January 2019	-	-	-	-	-
Charge for the period	-	1,059	43,070	27,325	71,454
Exchange rate movements	-	29	498	134	661
As at 31 October 2019	-	**1,088**	**43,568**	**27,459**	**72,115**
Carrying value					
As at 31 October 2019	**2,134,881**	**1,783**	**272,395**	**332,576**	**2,741,635**
As at 1 January 2019	-	-	-	-	-

Presented as:	
Goodwill	2,134,881
Intangible assets	606,754
Total	**2,741,635**

(a) Estimated useful lives

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Assets acquired and their remaining useful lives are as follows:

Class of asset	*Remaining useful life as at 31 October 2019*
Purchased software	< 12months
Intellectual property	4.3 years
Customer relationships	6.1 years

The estimated useful life of purchased software is recognised over a short period in which the benefits to the subscription are derived. Intellectual property is amortised on a straight-line basis over a 5 year period in which the Group expects to derive benefit from intellectual property as acquired at acquisition on the basis of technical obsolescence. Customer relationships are amortised on the basis of average contract duration which averages 7 years approximately reflecting the mix of customer contracts at the Transaction date.

(b) Carrying value assessment

Goodwill and intangible assets have a carrying of US$2,134.9 million and US$606.8 million respectively as at 31 October 2019. Management have considered the carrying value of these non-current assets as at 31 October 2019 and are satisfied that there is no impairment exists as at the reporting date.

The carrying value assessment was carried out having regard to (a) the brevity in time in between the Transaction and the reporting date and (b) the fact that Management believe there are no significant changes to the underlying assumptions made in respect to assets and liabilities recognised.

Management has performed a high-level indicative assessment over impairment of goodwill based on estimated cashflows for a period of less than 10 years, a compound annual free cash flow growth rate of between 10% and 15% and an estimated post-tax discount rate of approximately 7.5%, and no impairment has been implied from this assessment. Management is also of the view that there is unlikely to be a reasonably possible change to the key assumptions which would result in an impairment for the financial year ended 31 October 2019, based on the group's revised forecasts to date.

(c) Retrospective review

Management have further assessed the performance of the Group as part of a COVID-19 pandemic, a non-adjusting post balance sheet event. Refer to Note 32 for further details.

14. Property, plant and equipment

	Leasehold improvements US$'000	**Computer equipment US$'000**	**Fixtures and fittings US$'000**	**Total US$'000**
Cost				
As at 1 January 2019	-	-	-	-
Acquired through a business combination	1,835	7,706	457	9,998
Additions	563	1,595	536	2,694
Exchange rate movements	(95)	(178)	(22)	(295)
As at 31 October 2019	**2,303**	**9,123**	**971**	**12,397**
Accumulated amortisation				
As at 1 January 2019	-	-	-	-
Charge for the period	316	1,817	70	2,203
Exchange rate movements	(59)	17	138	96
As at 31 October 2019	**257**	**1,834**	**208**	**2,299**
Carrying value				
As at 31 October 2019	**2,046**	**7,289**	**763**	**10,098**
As at 1 January 2019	-	-	-	-

15. Subsidiary undertakings

Details of subsidiaries of the Company as at 31 October 2019 are provided below. The principal activities of subsidiary undertakings are:

- Sale and support of software (A);
- Development of software (B);
- Investment holding company (C); or
- Intellectual property licensing company (D).

The ordinary share capital of Marcel Topco LLC is 99.99% held by the Company and 0.01% held by Marcel Topco GmbH. The ordinary share capital of all other subsidiaries are wholly owned by a subsidiary of the Company. The ordinary share capital of Marcel Topco GmbH was directly held by the Company.

Company name	Country of incorporation	Principal activities	Registered office address
Marcel Topco GmbH	Germany	(C)	Maxfeldstraße 5, 90409 Nürnberg
Marcel Bidco GmbH	Germany	(D)	Maxfeldstraße 5, 90409 Nürnberg
SUSE International Holdings GmbH	Germany	(C)	Maxfeldstraße 5, 90409 Nürnberg
Marcel Topco LLC	USA	(C)	Capitol Services, Inc. , 1675 S. State St., Ste B, Dover DE 19901
Marcel Bidco LLC	USA	(D)	Capitol Services, Inc. , 1675 S. State St., Ste B, Dover DE 19901
SUSE Software Solutions Australia Pty Ltd	Australia	(A)	Tower One International Towers Sydney', Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000
SUSE Software Solutions Austria GmbH	Austria	(A)	Parkring 2, 1010 Wien
SUSE Software Solutions Brasil Ltda	Brazil	(A)	Rua Joaqui Floriano, 466, 12th floor, part, Building Corporate, Itaim Bibi, Postal Code 04534-002, city of São Paulo, State of São Paulo
SUSE Software Solutions Canada ULC	Canada	(A)	701 Georgia St. W, Suite 560, PO Box 10149, Vancouver, British Colombia, Canada, V7Y 1L2
Novell Software (Beijing) Ltd.	China	(A),(B)	Unit 01-04 and 14-16 of 1401 Unit 2, Building 1, No. 1 East Sanhuan Middle Road, Chaoyang District, Beijing (北京市朝阳区东三环中路1号1幢2单元1401内01-04,14-16号单元)
SUSE LINUX s.r.o.	Czech Republic	(A),(B)	Křižíkova 148/34, Karlín, 186 00 Praha 8
SUSE Software Solutions France Sarl	France	(A)	3 place Giovanni da Verrazzano Campus Verrazzano Bâtiment A RdC 69009 Lyon

Company name	Country of incorporation	Principal activities	Registered office address
SUSE Software Solutions Germany GmbH	Germany	(A),(B)	Maxfeldstraße 5, 90409 Nürnberg
SUSE Software Solutions Hong Kong Ltd	Hong Kong	(A)	21/F, Edinburgh Tower, The Lanmark, 15 Queen's Road Central, Hong Kong
SUSE Software Solutions India Private Ltd	India	(A)	U & I Corporate Centre, 47, ECHELON, Sector 32, Gurgaon 122001, Haryana
SUSE Software Solutions Ireland Ltd	Ireland	(A)	One Spencer Dock, North Wall Quay, Dublin 1
SUSE Software Solutions International Services Ltd	Ireland	(A)	One Spencer Dock, North Wall Quay, Dublin 1
SUSE Software Solutions Israel Ltd	Israel	(A)	11 Amal St., P.O.Box 11785, Rosh Ha'Ayin, Israel, 11716
SUSE Software Solutions Italy srl	Italy	(A)	Viale Sarca 235, 20126 Milan
SUSE Software Solutions Japan KK	Japan	(A)	9-7-1 Akasaka,Minato-ku,Tokyo
SUSE Software Solutions Korea Ltd	Korea	(A)	41F, Gangnam Finance Center(Yeoksam dong), 152, Teheran-ro, Gangnam-gu, Seoul
SUSE Software Solutions Netherlands BV	Netherlands	(A)	Herengracht 282, 1016 BX Amsterdam
SUSE Software Solutions Portugal Sociedade Unipessoal Lda	Portugal	(A)	Palácio Sottomayor, Rua Sousa Martins, 1 - 1.º esquerdo, 1069-316 Lisbon
SUSE Software Solutions Singapore Pte Ltd	Singapore	(A)	80 Robinson Road #02-00 Singapore 068898
SUSE Software Solutions South Africa Pty Ltd	South Africa	(A)	222 Smit Street, Braamfontein, Johannesburg, 2000
SUSE Software Solutions Spain S.L.	Spain	(A)	Paseo de la Castellana 42, Madrid (28046)
SUSE Software Solutions Sweden AB	Sweden	(A)	Kronborgsgränd 1, 16446 Kista
SUSE Software Solutions Schweiz AG	Switzerland	(A)	Merkurstrasse 14, 8953, Dietikon
SUSE Software Solutions Taiwan Co Ltd	Taiwan	(A),(B)	14F., NO. 8, SEC. 5, XINYI RD., XINYI DIST., TAIPEI CITY 11049, TAIWAN
SUSE YAZILIM ÇÖZÜMLERİ LTD.ŞTİ	Turkey	(A)	Kuştepe Mahallesi Mecidiyeköy Yolu Cad. Trump Tower Apt. No:12/12 Şişli İstanbul
SUSE Software Solutions Middle East FZ-LLC	UAE	(A)	Premises 315, Bldg 2,Level 3, Dubai
SUSE Software Solutions UK Ltd	UK	(A)	Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT

Company name	Country of incorporation	Principal activities	Registered office address
SUSE LLC	USA	(C),(D)	CT Corporation System 155 Federal St. Suite 700 Boston, MA

16. Investment in associate

The Group acquired an associate investment as part of the acquisition. Open Invention Network LLC ("**OIN**") is a strategic partnership of software corporations that licenses global patent pools in exchange for a pledge of non-aggression by participants. The initiative encourages freedom of action in the use of Linux and the sharing of new ideas and inventions. At 31 October 2019 the Group's 12.5% interest was carried at US$18.7 million after recording its share of losses for the period of US$1.3 million. The following table shows the aggregate movement in the Group's investment in associate:

	As at 31 October 2019 US$'000
As at 1 January 2019	-
Acquired through a business combination	20,000
Share of losses after tax for the period	(1,377)
As at 31 October 2019	**18,623**

The accounting year-end date of the associate investment is 31 December, and results are reported on a quarterly basis. The Group records an adjustment within the Consolidated Financial Statements to align the reporting period of the associate and the Group and the basis for measurement. The assets, liabilities, and equity of the associate investment as at 30 September and the results for the period ended 30 September 2019 as adjusted was as follows:

	As at 31 October 2019 US$'000
Non-current assets	27,831
Current assets	41,680
Current liabilities	(537)
Non-current liabilities	(1,646)
Net assets	**67,328**

	For the period from 1 January 2019 to 31 October 2019 US$'000
Revenue	-
Loss after taxation for the period	7,627
Loss attributable to the Group for the period	953
Adjustment recorded for the period	424
Loss attributable to the Group for the period	**1,377**

There are no significant restrictions on the ability of the associate investment to transfer returns to the Group. There are no contingent liabilities to the Group's interest in associate investments.

17. Trade and other receivables

	As at 31 October 2019 US$'000
Trade receivables	82,223
Less: provision for impairment	(443)
Trade receivables, net	**81,780**
Prepayments	6,916
Other receivables	8,020
Total trade and other receivables	**96,716**

At 31 October 2019, the carrying amount of trade and other receivables approximates their fair value due to their short-term nature.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. The Group considers the credit quality of trade and other receivables on a customer-by-customer basis. Owing to the composition of the Group's customer base, the Group does not consider that regionality is a distinguishing feature of credit risk. In determining the recoverability of a trade receivable, the Group considers the ageing of each debtor and any change in the circumstances of the individual receivable. Due to this, Management believe there is no further credit risk provision required in excess of the normal provision determined by the expected credit loss (ECL) methodology applied. The following table provides information about the ageing and the ECLs for trade receivables from individual customers as at 31 October 2019.

	Weighted-average loss rate %	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
Category				
Current	0%	67,327	-	**67,327**
Up to three months	1.34%	14,650	(197)	**14,453**
Three to four months	100%	195	(195)	**-**
Over four months	100%	51	(51)	**-**
As at 31 October 2019		**82,223**	**(443)**	**81,780**

Owing to the fact that the current financial period represents the inaugural period for the Group, at present, there is limited historical information available for an expected credit loss assessment for individual customers. Loss rates applied are therefore based on the forecasted credit loss for individual customers based on the current financial period alone. Movements in the period are as follows:

	As at 31 October 2019 US$'000
As at 1 January 2019	-
Loss allowance provided in period	443
As at 31 October 2019	**443**

The loss allowance for receivables has been included in the selling and distributions costs in the consolidated statement of comprehensive income. Amounts charged in the allowance account are generally written off when there is no expectation of recovering additional cash.

18. Contract-related assets

	As at 31 October 2019 US$'000
Non-current	10,698
Current	9,139
Total contract-related assets	**19,837**

Contract-related assets are costs related to obtaining a customer contract which are capitalized when they are deemed to be incremental and expected to be recovered over a useful life period. The Group incurs directly attributable costs relating to a obtaining a contract in respect of consideration payable to customers (reseller rebates), employees and third party providers (sales commissions).

Reseller rebates are amortised over the estimated duration of the related revenue contract term. The Group incurred reseller rebates of US$3.6 million during the period since acquisition (see Note 6(c)) with an amortization charge of US$0.4 million.

Sales commissions paid for new customer contracts are amortised on a straight-line basis over an expected customer life, which averages 96 months based on analysis of transactions including expected renewal frequency. Sales commissions paid for customer contract renewals are not commensurate with new contracts. Sales commissions paid for customer contract renewals are amortised over 35 months, except where the renewal is one year or less in which case the costs are expensed when incurred. Sales commissions paid to partners are amortised over the contract term. The Group incurred costs of US$19.0 million during the period since acquisition with an amortisation charge of US$2.8 million being expensed to the Consolidated Income Statement as a sales and marketing expense.

19. Cash and cash equivalents

	As at 31 October 2019 US$'000
Cash at bank and in hand	38,197
Total cash and cash equivalents	**38,197**

20. Trade and other payables

	As at 31 October 2019 US$'000
Trade payables	3,744
Payroll related accruals	30,124
Tax and social security	10,685
Accrued royalties	8,075
Other payables	15,157
Total trade and other payables	**67,785**

At 31 October 2019, the carrying amount approximates to the fair value. Other payables primarily comprises accruals related to professional fees.

Included in other payables of US$15.1 million is a net amount payable to the Vendor of US$1.0 million which includes deferred consideration payable of US$15.9 million arising from working capital adjustment to the acquisition less amounts owed to the Group in respect of intercompany receivable balances of US$14.9 million. Further details in respect of the acquisition are set out in Note 12.

21. Borrowings

(a) Amounts owing at 31 October 2019

Current borrowings

Loan note description	Contractual Interest Terms	Effective interest rate	Contractual Maturity or Expiration date	As at 31 October 2019 US$'000
USD 360,000,000 (B1)	LIBOR + 3.25%	6.46%	March 2026	3,600
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	-
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	-
USD 81,000,000 (RCF)*	LIBOR / EURIBOR + 3%	5.68%	Sept 2025	-
Total current interest-bearing loans and borrowings				**3,600**

Non-current borrowings

Loan note description	Contractual Interest Terms	Effective interest rate	Contractual Maturity or Expiration date	As at 31 October 2019 US$'000
USD 360,000,000 (B1)	LIBOR + 3.25%	6.46%	March 2026	339,605
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	324,729
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	255,057
USD 81,000,000 (RCF)*	LIBOR / EURIBOR + 3%	5.68%	Sept 2025	-
Total non-current interest-bearing loans and borrowings				**919,391**
Total interest-bearing loans and borrowings				**922,991**

* US$ 22.3 million (€20.0 million) drawn under the multi-currency US$81.0 million revolving current facility ("**RCF**") was repaid in full in July 2019.

Arrangement fees of US$38.6 million included in the calculation of the amortised cost using the effective interest method, are directly attributable to the origination of the B1, B2 and 2nd Lien loan notes.

(b) Reconciliation of movement in net debt

Net debt comprises the net total of current and non-current interest bearing loans and borrowings and cash and short-term deposits.

	As at 1 January 2019 US$'000	Acquisitions US$'000	Foreign exchange US$'000	Other movements US$'000	Cash flow US$'000	As at 31 October 2019 US$'000
Interest bearing borrowings	-	(966,323)	1,240	40,292	1,800	**(922,991)**
Capitalized arrangement fees	-	-	-	(38,584)	-	(38,584)
Amortisation of arrangement fees	-	-	-	4,229	-	4,229
Gain on loan modification	-	-	-	(5,937)	-	(5,937)
Sub-total	**-**	**(966,323)**	**1,240**	**-**	**1,800**	**(963,283)**
Cash	**-**	21,839	**-**	**-**	16,358	**38,197**
Net debt	**-**	**(944,484)**	**1,240**	**-**	**18,158**	**(925,086)**

During the period the frequency of interest payments on the US$360 million and US$270 million facilities was amended from quarterly to monthly. A gain on loan modification of these arrangements of US$5.9 million has been recorded in the period following this change.

Other movements of US$40.3 million comprise, transaction costs of US$38.6 million included in the calculation of the amortised cost using the effective interest method, gain arising on loan modification of US$5.9 million offset by amortization of arrangement fees of US$4.2 million.

22. Leases

The Group adopted IFRS 16 *Leases* during the period. In the course of the adoption, as lessee, the Group recognised lease liabilities of US$26.4 million and right-of-use assets of US$23.7 million as at 15 March 2019. The right-of-use assets include an onerous lease provision due to a vacant property acquired on acquisition of US$2.9 million due to an onerous lease contract acquired. Management have performed a review of all leased assets at the financial reporting date and are satisfied that no further impairments to right-of-use assets exist as of 31 October 2019.

The majority of the Group's lease contracts are real estate leases (mainly office buildings) and motor vehicle leases. Furthermore, software leases embedded in IT service contracts and minor office equipment contracts exist. The relevant lease population was ascertained following a review of all major supplier contracts to the Group to identify implied or embedded lease terms.

The remaining term of the lease contracts varies between six months and six years. While extension options are available on some contracts, Management does not consider an exercise of the options reasonably certain and therefore have not been included in the lease term. Other key judgements involve establishing a discount rate using an incremental rate of borrowing as discussed below.

(a) Right-of-use assets

	Office buildings US$'000	Office equipment US$'000	Motor Vehicles US$'000	Leased software US$'000	Total US$'000
Cost					
As at 1 January 2019	-	-	-	-	-
Acquired through a business combination	14,404	40	861	8,395	**23,700**
Additions	4,136	16	129	-	**4,281**
Terminations	(436)	-	(33)	(736)	**(1,205)**
Re-measurement	(43)	-	-	-	**(43)**
Exchange rate movements	(35)	-	(2)	-	**(37)**
As at 31 October 2019	**18,026**	**56**	**955**	**7,659**	**26,696**
Accumulated depreciation and impairment					
As at 1 January 2019	-		-	-	-
Charge for the period	3,672	7	284	4,373	**8,336**
Terminations	(436)	-	(33)	(736)	**(1,205)**
Exchange rate movements	334	-	-	4	**338**
As at 31 October 2019	**3,570**	**7**	**251**	**3,641**	**7,469**
Net book value					
As at 31 October 2019	**14,456**	**49**	**704**	**4,018**	**19,227**
As at 1 January 2019	-		-	-	-

The depreciation of right-of-use assets of US$8.3 million for period is included within administrative expenses in the Consolidated Income Statement.

(b) Lease liabilities

	As at 31 October 2019 US$'000	As acquired at 15 March 2019 US$'000
Current	10,090	12,244
Non-current	11,271	14,155
Total lease liabilities	**21,361**	**26,399**

Lease liabilities were discounted at the incremental borrowing rate as at March 15, 2019. The weighted average discount rate was 5.23%. In order to calculate the incremental borrowing rate, the interbank offering rates in the country of the respective lease asset for the corresponding duration were taken as the reference rate and a spread of the Group's cost of debt (refer to note 21) was added as a risk premium.

(c) Maturity analysis *(contractual undiscounted cash flows)*

	As at 31 October 2019 US$'000	As acquired at 15 March 2019 US$'000
Less than one year	10,867	13,978
One to five years	12,012	13,389
More than five years	123	804
Total undiscounted cash flows	**23,002**	**28,171**

The undiscounted potential future lease payments relating to periods following the exercise date of extension options that are not included in the lease term are US$0.7 million. Total cash outflow for leases for the period was US$9.4 million. The interest expense on liabilities for the period was US$0.7 million.

23. Provisions

	Dilapidation provision US$'000	Loss-making operation provision US$'000	Restructuring provision US$'000	Legal provision US$'000	Total US$'000
As at 1 January 2019	-	-	-	-	-
Acquired through a business combination	575	13,800	164	138	**14,677**
Additional in period	334	1,600	2,023	-	**3,957**
Utilisation of provision	(107)	(7,000)	(1,023)	(17)	**(8,147)**
Exchange rate movements	(12)	-	(3)	(8)	**(23)**
As at 31 October 2019	**790**	**8,400**	**1,161**	**113**	**10,464**
Split as:					
Current	29	5,700	1,139	113	**6,981**
Non-current	761	2,700	22	-	**3,483**
Total provisions	**790**	**8,400**	**1,161**	**113**	**10,464**

Dilapidation provisions relate to leased office buildings with contractual obligations to restore to the premises to its original condition on lease expiration. The provision is expected to be fully utilised within 5 years. An additional provision was recorded in the period, as the property portfolio was reassessed.

A provision for loss-making operations was identified on acquisition as detailed in note 12. During the period, US$7.0 million of the provision was utilised reflecting the net cash cost of fulfilling the contractual obligations of the operation. Additional amounts recorded of US$1.6 million reflect a transfer of liabilities from contract liabilities in respect of anticipated refunds expected to be incurred in the forthcoming financial period.

A restructuring provision of US$1.2 million relates to remaining severance liabilities resulting from the decision to discontinue the operation during the period.

Legal provisions of US$0.1 million include the directors' best estimate of the likely outflow of economic benefits associated with acquired legal matters not deemed significant for indemnification.

24. Retirement benefit obligations

(A) Defined contribution schemes

The Group has established a number of defined contribution pension schemes, it inherited on acquisition. The principal defined contribution schemes are those in the US, UK and Germany. Pension costs for defined contribution schemes as expensed in the period were as follows which an outstanding balance of US$1.2 million as at 31 October 2019 included in payroll related accruals:

	US$'000
Defined contribution schemes	3,117

(B) Defined benefit schemes

There are two defined benefit schemes in wholly owned subsidiaries of the Group being SUSE Software Solutions Germany GmbH and SUSE Software Solutions Schweiz AG. The schemes are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. The level of benefits provided depends not only on the final salary but also on member's length of service, social security ceiling and other factors. Final pension entitlements are calculated by an independent actuary. They also complete calculations for cases of death in service and disability. There is no requirement for the appointment of Trustees. The schemes are administered locally with the assistance of pension experts. The German plans are closed for new membership. The defined benefit schemes are composite of Long-term pension assets and retirement benefit obligations as set forth below.

(i) Long-term pension assets

Long-term pension assets relate to the contractual arrangement under insurance policies held by the Group's subsidiary, SUSE Software Solutions Germany GmbH with guaranteed interest rates. The assets have not been pledged to a plan or beneficiaries and are recorded in the consolidated statement of financial position as long-term pension assets. These contractual arrangements are treated as available-for-sale financial assets since there is not an exact matching of the amount and timing of some or all of the benefits payable under the defined benefit plan. Movement in the fair value of long-term pension assets is included in other comprehensive income. The movement on the long-term pension asset is as follows:

	Total **US$'000**
As at 1 January 2019	-
Acquired through a business combination	1,570
Interest on long term pension assets	17
Benefits paid	(7)
Contributions received	118
Fair value loss recognised in other comprehensive income	(33)
Exchange rate movements	(113)
As at 31 October 2019	**1,552**

The non-plan assets are Level 3 assets under the fair value hierarchy. These assets have been valued by applying a discount rate to the future cash flows and taking into account the fixed interest rate, mortality rates and term of the insurance contract. There have been no transfers between levels for the period ended 31 October 2019.

(ii) Retirement benefit obligations

The following amounts have been included in the Consolidated Income Statement for defined benefit schemes:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Current service cost	(309)
Past service curtailment gain	497
Sub-total	**188**
Net interest expense on defined benefit scheme	(145)
Total defined benefit pension credit for the period	**43**

The following amount have been recognised as movements in the statement other comprehensive income:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Re-measurement of retirement benefit obligations:	
- Changes in actuarial assumptions	(1,489)
- Experience losses	(985)
Total actuarial movement for the period	**(2,474)**
Fair value loss on plan assets	(123)
Exchange rate movements	(184)
Total defined benefit pension expense for the period	**(2,781)**

The key assumptions used in the actuarial valuation of the schemes were:

Rate of increase in final pensionable salary	1.50% - 2.50%
Rate of increase in pension payments	2.00%
Discount rate	0.15% -1.10%
Inflation	1.00% -2.00%
Life expectancy – retiring at age 65 at the end of the reporting period	
- Male	86 years
- Female	89 years
Life expectancy – retiring at age 65 at the end of the reporting period	
- Male	88 years
- Female	90 years

The net liability included in the consolidated statement of financial position arising from obligations in respect of defined benefit schemes is as follows:

	As at 31 October 2019 US$'000
Present value of funded obligations	(12,409)
Fair value of plan assets	4,870
Total defined benefit pension obligation for the period	**(7,539)**

The defined benefit obligation has moved as follows:

	Defined benefit obligation US$'000	**Pledged plan assets US$'000**	**Net obligation US$'000**
Included in Consolidated Income Statement:			
As at 1 January 2019	**-**	**-**	**-**
Acquired through a business combination	(8,825)	3,515	**(5,310)**
Past service curtailment gain	497	-	**497**
Current service cost	(309)	-	**(309)**
Net interest expense	(145)	-	**(145)**
Benefits paid	(1,137)	1,137	-
Employer contributions	(128)	128	-
Employee contributions	-	180	180
Administration expenses	-	(6)	(6)
Sub-total	**(10,047)**	**4,954**	**(5,093)**
Included in Other Comprehensive Income:			
Re-measurement of retirement benefit obligations:			
- Changes in actuarial assumptions	(1,489)	-	**(1,489)**
- Experience losses	(985)	-	**(985)**
Return on plan assets **-**	-	**(123)**	**(123)**
Sub-total	**(12,521)**	**4,831**	**(7,690)**
Exchange rate movements	113	38	151
As 31 October 2019	**(12,408)**	**4,869**	**(7,539)**

The past service curtailment of US$0.5 million arose in respect of a reduction in the conversion rates in respect of the Swiss Defined Benefit Pension scheme.

The major categories of the plan assets are as follows:

	As at 31 October 2019 US$'000
Full insurance contract – with the collective foundation	4,000
Re-insurance contracts - guaranteed interest rates*	869
Total defined benefit pension expense for the period	**4,869**

*The majority of the re-insurance contracts have guaranteed interest rates of 4.0%, with the remaining at 3.25% or 2.75%. None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group. Through its defined benefit schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Life expectancy* – the majority of the plan obligations are to provide benefits over the life of the member, so increases in life expectancy will result in an increase in the plan liabilities as benefits would be paid over a longer period; and
- *Inflation* – some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning an increase in inflation will also increase the deficit.

The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The table shows the impact of changes to each assumption in isolation, although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. These sensitivities have been calculated using the same methodology as used for the main calculations:

	Change in assumption %	**Increase in Defined Benefit obligation US$'000**	**Increase in Defined Benefit obligation US$'000**
Discount rate for scheme liabilities	0.50%	1,540	(1,373)
Price inflation	0.25%	(404)	431
Salary growth rate	0.50%	(264)	269

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligations by 1.8% as at 31 October 2019.

25. Share based payments

The Group incurred a share-based payment expense of US$4.4 million in respect of the following share-based payment schemes that were established during the period:

	For the period from 1 January 2019 to 31 October 2019 US$'000
Cash-settled share-based payment transactions (a)	3,553
Equity-settled share-based payment transactions (b)	839
Total expense arising from share-based payments	**4,392**

A. Virtual Share Options Program

The Virtual Share Option Programme ("**VSOP**") is a cash-settled phantom option scheme in which certain employees can participate in the future share appreciation rights of the Group's equity on an exit event. The program terms includes service and performance (market) conditions to be satisfied before the Virtual Share Options ("**VSOs**") vest. The payoff on VSOs occurs only on an exit event which is anticipated to happen within 4 years, is in the form of cash and is in part dependent on the share prices of the Group as valued from an exit event. The VSOP expires at the earlier of (i) 31 December 2026 or (ii) 3 months after the occurrence of an exit event. VSOs have a virtual strike price of US$1.00 being the market price of the initial equity invested in the Group. 50% of VSOs granted are subject to a service condition and follow a graded vesting pattern over a contractual period of five years which implicitly will result in an acceleration should the exit occur within the anticipated timeframe. The other 50% portion are dependent on the share price realized in an exit event, with none, some or all of these units vesting according to the terms of the scheme.

The liability under the VSOP is measured initially at the grant date and is re-measured at the end of each reporting period until settled. The fair value of the VSOP attributable to both market and service conditions was measured by applying a *Monte-Carlo* simulation. As at 31 October 2019, no options were legally vested.

After an initial distribution on inception of the scheme of 72,140,619 VSOs, during the period ended 31 October 2019, the Group granted 1,870,402 additional VSOs. In the same period, 1,513,451 VSOs were forfeited. The fair value of the liability relating to the VSOP as at 31 October 2019 amounted to US$3.6 million and was based on anticipated vesting of 45,310,981 VSOs from 72,497,570 in issue as at 31 October 2019.

The following table illustrates the movements in the virtual share options during the year:

	31 October 2019 US$'000	**31 October 2019 VSO units**
Outstanding as of 1 January 2019	-	-
Granted on inception of the scheme	3,534,890	72,140,619
Forfeited during the period	(74,159)	(1,513,451)
Granted during the period	91,650	1,870,402
Outstanding at 31 October 2019	**3,552,381**	**72,497,570**
Exercisable at 31 October 2019	**-**	**-**

The weighted average value of the options granted was US$0.35. The expected remaining life for the share options outstanding as at 31 October 2019 was 3.4 years, which corresponds to the anticipated exit event. The contractual life of the virtual options may extend to 31 December 2026, which corresponds to the remaining life of 7.2 years. The following table list the inputs to the Monte Carlo Simulation model for the valuation of the VSOP as of the reporting date:

	31 October 2019
Fair value of Virtual Stock Option at the reporting date	US$ 0.35
Exercise price of a Virtual Stock Option ("**Strike price**")	US$ 1.00
Risk free rate	1.51%
Volatility	35%
Expected dividend yield	0%
Anticipated vesting	62.5%
Anticipated exit event date	March 2023

B. Management Investment Participation Program

The Management Investment Participation Program ("**MIPP**") is an equity-settled group share based payment arrangement under which certain members of management have rights to subscribe for ordinary shares of an intermediary parent company as a means of profit participation in return for services rendered to the Group. Members invest through two participation vehicles that own equity in a parent company. The purchase price per share paid by each member of US$1.00 equals the price paid by the Shareholder. There are two share categories in the parent company: ordinary shares and preferred shares. MIPP members are primarily invested in the ordinary shares, which result in higher return in the event of a favourable exit scenario. The MIPP agreement includes the call right for the Shareholder and the put right for the respective member in the scenario of a leaver event, as well as "drag along" clause. MIPP members will receive a payment from the intermediary parent company (not the Company or Group) in an exit event. Given that the payment is settled outside of the Group with no obligation on the Group or its subsidiaries, the MIPP is classified as an equity-settled plan. The implicit service condition is that members remain with the Group over up to such time that an exit event occurs.

Given the presence of preference shares at the investment level, the payoff on the scheme on the MIPP is similar to an option and a Black-Scholes Merton ("**BSM**") model has been used to value the grant date fair value of the instruments granted. The vested proportion of the MIPP award recognized in equity as at 31 October 2019 amounted to US$0.9 million and was based on the 7,759,551 number of ordinary shares granted to MIPP members during the period. No units were forfeited during the period. Set out below are valuation inputs used in estimating a total expense over the life of the scheme of US$5.4 million being the excess in value of the share at the grant date over the purchase prices:

	Grant date fair value
Purchase price of an ordinary share for MIPP member	US$ 1.00
Fair value of an ordinary share	US$ 1.70
Volatility	35%
Expected dividend yield	0%
Anticipated exit event date	March 2023

26. Contract liabilities

Revenue billed but not recognised in the Consolidated Income Statement under the Group's accounting

Revenue billed but not recognised in the Consolidated Income Statement under the Group's accounting policy for revenue recognition is classified as 'contract liabilities - deferred income' in the Consolidated Statement of Financial Position to be recognised in future periods in excess of one year. Contract liabilities primarily relates to undelivered subscription services on multi-year billed contracts.

	As at 31 October 2019 US$'000
Non-current	169,842
Current	221,649
Total deferred income – contract liabilities	**391,491**

Contract liabilities as at 31 October 2019 were US$391.5 million and included an unamortised Haircut reserve of US$33.5 million as detailed in Note 12. Increases in contract liabilities mainly result from billing and invoices becoming due whilst decreases in contract liabilities mainly result from satisfying performance obligations.

27. Financial risk management

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in credit risk, foreign currency risk, interest rate risk and liquidity risk. Risk management is carried out by a central treasury department under policies approved by the board of directors. Group treasury identifies and evaluates financial risks alongside the Group's operating units. The board provides written principles for risk management together with specific policies covering areas such as credit risk, foreign currency risk, interest rate risk, and liquidity risk.

I. Credit risk

Financial instruments which potentially expose the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash equivalents are deposited with high-credit quality financial institutions. The Group provides credit to customers in the normal course of business. Collateral is not required for those receivables, but on-going credit evaluations of customers' financial conditions are performed. The Group maintains a provision for impairment based upon the expected collectability of accounts receivable. The Group sells products and services to a wide range of customers around the world and therefore believes there is no material concentration of credit risk.

II. Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK Pound Sterling, Japanese Yen and the Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

III. Interest rate risk

The Group's income and cash generated from operations are substantially independent of changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

IV. Liquidity risk

Central treasury carries out cash flow forecasting for the Group to ensure that it has sufficient cash to meet operational requirements and to allow the repayment of the bank facility. Surplus cash in the operating units over and above what is required for working capital needs is transferred to Group treasury. These funds are used to repay bank borrowings or invested in interest bearing current accounts, time deposits or money market deposits of the appropriate maturity period determined by consolidated cash forecasts.

The table below sets out the carrying amounts of financial assets and liabilities of the Group as at 31 October 2019:

	Amortised cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Non-current assets				
Derivative assets (Note 27(e))	-	-	50	50
Current assets				
Cash and cash equivalents (Note 19)	38,197	-	-	38,197
Trade receivables (Note 17)	81,780	-	-	81,780
Other receivables (Note 17)	8,020	-	-	8,020
As at 31 October 2019	**127,997**	**-**	**50**	**128,047**

	Amortised cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Current liabilities				
Trade and other payables (Note 20)	3,744	-	-	3,744
Borrowings (Note 21)	3,600	-	-	3,600
Non-current liabilities				
Derivative liabilities (Note 27(e))	-	11,961	5,731	17,692
Borrowings (Note 21)	919,391	-	-	919,391
As at 31 October 2019	**926,735**	**11,961**	**5,731**	**944,427**

(a) Fair value measurement

The Group does not hold any financial instruments that are classified as level 1 assets or liabilities as at 31 October 2019. Derivative financial instruments measured at fair value are classified as level 2 in the fair value measurement hierarchy as they have been determined using significant inputs based on observable market data. The fair values of financial derivatives are derived from forward interest rates based on yield curves observable at the balance sheet date together with the contractual interest rates.

For level 3 financial instruments such trade and other receivables, cash and cash equivalents, trade and other payables, fair values approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within book value for credit risk. The fair value of borrowings amounted to US$911.2 million as at 31 October 2019 as detailed in Note 27 (c)(i).

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or financial institution fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial institutions. The carrying amount of financial assets represents the maximum credit exposure. During the period 15 March 2019 to 31 October 2019, a US$0.4 million loss allowance was recognised in the Consolidated Income Statement. Further details are set out in Note 17.

The maximum exposure to credit risk at 31 October 2019 was:

	As at 31 October 2019 US$'000
Trade receivables (Note 17)	81,780
Cash and cash equivalents (Note 19)	38,197
Total	**119,977**

Owing to the fact that the current financial period represents the inaugural period for the Group, at present, there is limited historical information available for an expected credit loss assessment for individual customers. Owing to the composition of the Group's customer base, the Group does not consider that regionality is a distinguishing feature of credit risk. Loss rates applied are therefore based on the forecasted credit losses for individual customers based on the current financial period alone. Details of revenue by geography are included in Note 6 and the aging of the trade receivables balance at 31 October 2019 is included in Note 17.

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentration risk, the Group's policies and procedures include guidelines to focus on the maintenance of a diversified portfolio. Identified concentration credit risk is controlled and managed accordingly. The Group evaluates the concentration risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group held cash and cash equivalents of US$38.2 million at 31 October 2019. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of the counterparties.

Risk of counterparty default arising on cash and cash equivalents is controlled by banking with high quality institutions. The Group's total cash and cash equivalents at 31 October 2019 of US$38.2 million was held with financial institutions with the following ratings:

	As at 31 October 2019 US$'000
Standard & Poor's AA-	21,875
Standard & Poor's A+	13,392
Moody's A1	1,950
Fitch A+	693
Moody's A3	73
Standard & Poor's BB+	45
Moody's B2	63
Standard & Poor's BB-	106
Total	**38,197**

(c) Market risk

Market risk is the risk that changes in market prices – eg. Foreign exchange rates, interest rates and equity prices – will affect the Groups income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures. The impact of the current COVID-19 pandemic is detailed in Note 32.

The Group's treasury function aims to reduce exposures to interest rate, foreign exchange and other capital management risks, to ensure liquidity is available as and when required, and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.To manage this, the Group entered into an interest rate swap (Note 27(e)), in which it exchanges, monthly, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings, as follows for a range determined by Management to be significant:

	Estimated fair value of borrowings US$'000	**Increase/decrease in basis points**	**Effect on profit before tax US$'000**
Euro	272,614	+45	-7,756
US dollar[1]	306,265	+60	-10,410
	578,879		
Euro	272,614	- 45	7,756
US dollar[1]	306,265	-60	10,410
	578,879		

[1]*Excludes the portion of the US dollar borrowings subject to the cash flow hedge as described in Note 27 (e)(iii).*

(ii) Foreign exchange risk

The Consolidated Income Statement is exposed to currency risk on monetary items that are denominated in currencies other than the functional currency in which they are held. Foreign exchange exposures that give rise to net currency gains and losses are recognised in the Consolidated Statement of Comprehensive Income. Any gains or losses on consolidation are reported in the foreign currency translation reserve in the Consolidated Statement of Changes in Equity.

The functional currencies of group companies are primarily US Dollar and Euro. The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies.

The following table demonstrates the sensitivity to a change in US Dollar and Euro exchange rates, with all other variables held constant.

Increase/decrease EUR rate	**Effect on loss before tax US$'000**
5% increase	(13,557)
5% decrease	13,557

The Group's exposure to foreign currency changes for other currencies is not material. The Group manages the foreign exchange exposure from trade receivables by invoicing multi-year contracts up-front and minimising credit periods granted to customers. Trade payable are primarily denominated in the functional currencies of the Group companies.

The Group does not designate any net positions or fair value hedging relationships. Group borrowings (Note 21) act as an economic hedge and partially offset the exposure from trade and other receivables in foreign currencies.

(iii) Capital management risk

The Group's objective when managing its capital structures is to minimise the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximise shareholder return over the investment cycle.
For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity shareholders. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants associated with borrowings. The Group monitors capital using a debt/equity gearing ratios in accordance with its borrowing agreements. The Group includes within net debt: borrowings plus certain other payables, less cash and short-term deposits.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

The Group's borrowing agreements contain a Consolidated Senior Secured Net Leverage Ratio covenant; which only applies in specific circumstances, in particular if the amount drawn on the Revolving Credit Facility ("**RCF**") less cash and cash equivalents exceeds US$32.0 million, (being 40% of the total committed RCF). This did not occur at any point during the financial period. In the event that the US$32.0 million threshold is exceeded, the relevant covenant states that Consolidated Senior Secure Net Leverage (Borrowings and certain other payables less unsecured second lien debt less cash in proportion to EBITDA as defined by the Senior Facility Agreements) must not exceed 8.09. As at 31 October 2019, the ratio was 3.74.

No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The net debt of the Group at 31 October 2019 is as follows:

	As at 31 October 2019 US$'000
Total net debt	**925,086**
Total equity	**1,523,208**
Debt/equity %	**60.73%**

(d) Liquidity risk

Liquidity risk is the risk that the Group might have difficulties in meeting its financial obligations. The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents to ensure that it can meet its operational cash flow requirements and any maturing financial liabilities, whilst at all times operating within its financial covenants. The level of operational headroom provided by the Group's committed borrowing facilities is regularly reviewed. Where this process indicates a need for additional finance, this is addressed on a timely basis. The table below summarises the maturity profile of the Group's financial liabilities as at 31 October 2019 based on contractual undiscounted payments:

	Borrowings US$'000	Lease liabilities US$'000	Trade and other payables US$'000	Derivative liabilities US$'000	Total US$'000
On demand or within one year	57,905	10,867	3,744	4,559	**77,075**
Between 1 and 2 years	57,573	4,600	-	5,672	**67,845**
Between 2 and 5 years	164,343	7,412	-	6,010	**177,765**
After 5 years	1,049,631	123	-	2,787	**1,052,541**
As at 31 October 2019	**1,329,452**	**23,002**	**3,744**	**19,028**	**1,375,226**

(e) Hedging activities and derivatives

The Group is exposed to certain cash flow risks relating to its ongoing business operations and financing structure. The primary risks are managed using derivative instruments is interest rate risk. The fair value of derivative liabilities as at 31 October 2019 was as follows:

	Derivative Assets US$'000	Derivative liabilities US$'000
Derivative not designated as hedging instruments:		
- Interest rate caps	50	-
- Embedded derivative liability		5,731
Derivative designated as hedging instruments:		
- Interest rate swap	-	11,961
Total	**50**	**17,692**

(i) Embedded derivatives

During the period the Group entered into a US$270.0 million loan agreement with an interest rate of LIBOR +7%. An embedded LIBOR floor of 1% and prepayment option were separated and carried at fair value through profit or loss. The fair value of the embedded derivative as at 31 October 2019, was US$5.7 million. The income statement impact is recorded in net finance costs (Note 10).

(ii) Derivatives not designated as hedging instruments

In order to reduce interest cash flow volatility on borrowings the Group entered into the following interest rate cap arrangements:

- EUR 200 million EURIBOR interest rate cap and
- USD 105 million LIBOR interest rate cap.

Both interest rate caps have a termination date of 30 April 2022 and are designated at fair value through profit and loss. The fair values of these derivatives as at 31 October 2019, included into other financial assets, amounted to US$0.1 million.

(iii) Cash flow hedges

As at 31 October 2019, the Group had an interest rate swap agreement in place (amended on 2 July 2019) with a notional amount of US$315 million to hedge the exposure to variable interest in the US$360 million loan. Under this agreement, the Group pays a fixed rate of interest of 2.927% and receives interest at a variable rate equal to 1 month LIBOR on the notional amount. The agreement matures in April 2022. Prior to 1 August 2019, the fixed rate in the agreement was 3.01987% and the reference rate was 3 month LIBOR (refer to Note 21 for details of modification).

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the critical terms of the fixed rate loan. The Group has established a hedge ratio of 87.5% for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

The amounts relating to items designated as hedging instruments as at 31 October 2019 were as follows:

	As at 31 October 2019
Consolidated Statement of Financial Position:	**US$'000**
Carrying amount – derivative liabilities	(11,961)
Other comprehensive income:	
Cash flow hedge reserve	12,945
Payments reclassified to profit or loss (Note 10)	(984)
Reserve as at 31 October 2019	11,961

28. Capital and reserves

(a) Share capital

As at 31 October 2019, the subscribed capital amounted to US$14,000, represented by 1,400,000 shares fully paid-up with a nominal value of $0.01. During the prior period, as at 20 June 2018, the share capital of the Company was €12,000 divided into 12,000 shares with a nominal value of €1 each. On the 30 November 2018, it was resolved to:

- Convert the Company's issued share capital to US$13,622 represented by 12,000 shares with a nominal value of US$1.14;
- Reduce the nominal value of the shares to US$0.01 and increase the number from 12,000 to 1,356,000;
- Increase the capital of the Company by US $440 by issuing 44,000 shares with a nominal value of $0.01.

(b) Share premium

As at 31 October 2019, the share premium of the Company amounted to US$1,604,250,940. On 14 March 2019, Marcel LUX III S.À R.L (the immediate parent company) made three capital contributions to the Company. The contributions were unconditional and Marcel LUX III S.À R.L waived all rights to receive any repayment or redemption in respect of the contributions prior to the liquidation or unless otherwise resolved by a shareholders' resolution:

- Capital contribution of US$173,036.39
- Capital contribution of US$1,602,688,985.83
- Capital contribution of €1,228,913.78 (US$1,388,917)

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

(d) Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(e) Reserve requirements as a matter of Luxembourg Company Law

In accordance with relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. The total loss for the period was US$80.8 million.

29. Employees and key management personnel

	For the period from 1 January 2019 to 31 October 2019 US$'000
Wages and salaries	97,356
Redundancy and termination costs	2,023
Social security costs	8,600
Commission and bonuses	19,542
Pension costs (Note 24) (b)	3,305
Cost of employee share schemes (Note 25)	4,392
Total employee expenses for the period	**135,218**

(b) Pension expenses

	For the period from 1 January 2019 to 31 October 2019 US$'000
Defined benefit schemes	188
Defined contribution schemes	3,117
Total pension costs (Note 24)	**3,305**

(c) Number of employees

	For the period from 1 January 2019 to 31 October 2019 Number
Engineering, products and innovation	678
Sales	387
Alliances & Marketing	152
Services	128
COO, PMO & Enablement	28
Corporate functions	259
Total employees	**1,632**

The average number of employees of the Group for period 15 March 2019 to 31 October 2019 was 1,580.

(d) Key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of the Group as well as those appointed managers of the Company. The remuneration of 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.*

	For the period from 1 January 2019 to 31 October 2019 US$'000
Wages and salaries	2,877
Social security costs	475
Directors' fees	48
Commission and bonuses	4,656
Pension costs	47
Cost of employee share schemes	415
Total key management remuneration for the period	**8,518**

There were no advances and loans granted to members of key management personnel during the period. The Group did not enter into any commitment or guarantee on behalf of key management personnel during the period.

30. Related party transactions

All transactions with related parties are conducted on an arm's-length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

To enable users of our financial statements to form a view on the effects of related party relationships on the Group, we disclose the related party relationship where control exists, irrespective of whether there have been transactions between related parties.

(i) Ultimate controlling party

The ultimate controlling party of the Group is EQT VIII SCSp a special limited partnership registered with the Luxembourg Register of Commerce and Companies under number B217 293.

(ii) Transactions with associate investments

All transactions with associate investments are in the normal course of business. Further details are included in Note 16.

(iii) Transactions with key management personnel

The remuneration of key management personnel is set out in Note 29.

(iv) Transactions with shareholders

As part of the structure to fund the Transaction, an interest-free loan in the amount of US$15.8 million was loaned to the Group by the ultimate parent undertaking on 15 March 2019. This loan was repaid in full on 28 October 2019.

31. Commitments and Contingencies

Directors and Officer insurance

The Group maintains insurance cover for all Directors' and Officers' of Group companies against liabilities which may be incurred by them while acting in that capacity at the Group's request.

External borrowings guarantees

The obligations of the obligor members of the Group under the external loan agreements (Senior Facilities Agreement, Second Lien Facilities Agreement and the related finance documents) are secured (subject to certain agreed security principles) by liens granted by obligor members of the Group over shares in obligors members of the Group, material intercompany receivables and material bank accounts.

The Group's guarantees under the external loan agreements include upstream, cross-stream and downstream guarantees by obligor members of the Group to each finance party under such agreements for the punctual performance by each other obligor member of the Group of their obligations under such agreements (subject to jurisdiction-specific guarantee limitations as set out therein).

32. Post balance sheet events

(a) COVID-19 ('coronavirus') pandemic impact assessment

In March 2020, a global pandemic referred to as COVID-19 (or "**Coronavirus**") emerged. Owing to the timing and significance, the Group have identified the occurrence of COVID-19 as a non-adjusting event as defined by IAS 10 *Events After the Reporting Period*.

Management does not currently envisage a significant impact from COVID-19. An impact assessment performed by Management has analysed the risk posed by the pandemic under the following categories:

(i) *Operations* – the Group operates in a virtual environment and has the system and processes that enables its employees and operations to continue to function in a remote environment across all departments and all geographical areas.

(ii) *Going concern* – the Group has sufficient resources to meet its obligations as they fall due. Currently there are no financial covenants applicable to the Group owing to the unutilised status of the Revolving Credit Facility as at 31 October 2019 and the date of approval of the Consolidated Financial Statements. As such, there are no risk of breach of financial covenants.

(iii) *Performance* – Management performed a sensitivity analysis of budgeted performance for the year in response to the crisis. The vast majority of the planned future revenues for 2020 arise from long-term maintenance contracts. The business model is a recurring revenues model and we are currently not experiencing any significant change to our renewal rate. In Q1 2020 to 31 January 2020, the Group performed substantially in line with our expectations and no significant slow down has been noted in the current business. Latest available information for Q2 2020 to 30 April 2020 indicate a similar result. This is evident in key performance indicators of the Group like Annual Contract Value ("**ACV**") which was in line with expectation. Equally Group has not observed a significant deterioration in cash collections or illiquidity of its customers since the pandemic began.

(iv) *Impairment* - as a consequence of the performance assessment above, Management view that significant non-current assets such as goodwill, intangible assets and deferred tax assets continue to be carried at an amount that is at least the recoverable amount. As the performance of the business to date coupled with future expected performance during the FY20 financial period is not expected to be significantly off budget there is no conditions for impairment in the post year end period.

While the status of the pandemic is constantly evolving, Management continues to monitor and observe performance to ensure changes in circumstances or events do not impact the assessment set out above.

Appendix 1: Glossary of Key Terms

Key Term	Definition
Annual contract value ('ACV')	Monthly total contract value summing the values of the first 12 months on a straight-line basis. If TCV is less than 12 months, 100% of value is included in ACV.
Total contract value	Total amount invoiced
Renewal rate	A renewal occurs where a customer renews the same product. This does not include upsell, cross sale or a gap in the renewal of more than 1 quarter. The renewal rate is calculated with respect to the total value of the deal.
Completion accounts	the completion accounts prepared in accordance with the Transaction Agreement in order to calculate Net Debt, Completion Working Capital, Completion Non-Trading Intercompany Payables and Completion Non-Trading Intercompany Receivables
EBITDA	EBITDA is calculated as the total operating profit before depreciation and amortisation.
Separately reported items	Separately reported items are items presented separately on the face of the Group Income Statement to assist in a better understanding of the financial performance achieved for a given year
Headline	Headline performance, reported separately on the face of the Consolidated Income Statement, is from continuing operations and before items reported separately on the face of the Consolidated Income Statement.
Net debt	Net debt comprises the net total of current and non-current interest bearing borrowings and cash and short-term depositions.