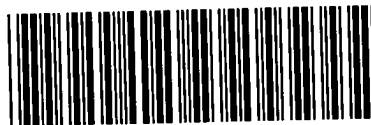


FINASTRA GLOBAL OPERATIONS LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 MAY 2020

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FINASTRA GLOBAL OPERATIONS LIMITED

COMPANY INFORMATION

Directors

N Blagden
S Dowler
K Metzroth
S Pemble
T Schloesser

Company number

02698761

Registered office

Four Kingdom Street
Paddington
London
W2 6BD

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

FINASTRA GLOBAL OPERATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2020

The directors present their Annual Report and audited Financial Statements of Finastra Global Operations Limited ("the Company") for the year ended 31 May 2020.

Principal activities

The principal activity of the Company is to supply computer software, marketing services and consultancy services to the international banking and financial trading markets. The Company conducts most of its business through branches in Asia.

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid (2019: £nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N Blagden	(Appointed 1 July 2020)
S Dowler	
K Metzroth	(Appointed 31 January 2020)
S Pemble	(Appointed 24 February 2020)
T Schloesser	
J Hughes	(Resigned 24 February 2020)
T Kilroy	(Resigned 30 June 2020)
D Leigh	(Resigned 29 November 2019)

Qualifying third party indemnity provisions

All directors have been granted an indemnity by the intermediate parent company, Finastra Limited, to the extent permitted by law in respect of certain liabilities incurred as a result of their office in associated companies. They are indemnified against liability to third parties, excluding criminal liability and regulatory penalties and certain other liabilities. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 which was made during the financial year and remains in force at the date of approval of this report.

Financial risk management

Foreign exchange currency risk

The Company operates internationally and is exposed to foreign currency fluctuations, primarily the US dollar and the euro. Foreign exchange risks arise when future commercial transactions and recognised assets and liabilities are denominated in currencies that are not the Company's functional currency.

Finastra Limited's net exposure to foreign currency risk is managed through hedging arrangements and is illustrated by the sensitivity analysis in note 28 of the Finastra Limited Annual Report.

Credit risk

The Company's principal financial assets are cash and cash equivalents, and trade, other and intercompany receivables. The Company's credit risk is primarily attributable to its trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history and also policies that limit the amount of credit exposure to any financial institution. The Company has no significant concentrations of credit risk, with exposures spread over a large number of customers. The Group regularly reviews intercompany balances for impairment and, where appropriate, adjustments are made to the carrying value at subsidiary level.

Cash deposits are limited to high quality financial institutions.

FINASTRA GLOBAL OPERATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

Liquidity risk

Tahoe Bidco Limited, being the parent company of the largest group in which the company is included, manages the operation of Tahoe Bidco Limited's group of companies ("the Group" and referred to as "Tahoe Bidco Group").

The Company currently has no requirements for external debt finance; sufficient funds for operations are maintained at Group level.

Further details of the Group's risk policies are available within the Group's Annual Report.

Donations

There were no political donations for the period (2019: £nil) and the Company did not incur any political expenditure (2019: £nil).

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

This assumption has been critically reassessed this year as a result of heightened uncertainty as the COVID-19 pandemic continues globally. The forecasts and projections have been stress tested, taking into account historic performance against prior year forecasts, a prolonged period of COVID-19 impacts which start easing in the fourth quarter of FY21 and a reduced cash flow conversion achievement. Applying these assumptions show that the company is expected to operate within the level of its current financing facilities for the foreseeable future .

Finastra Limited has and will continue to strategically implement cash management initiatives to protect against this risk. Actions taken during the financial year 31 May 2021 ('FY20') have ensured that Finastra Limited has improved its cash flow conversion and cash balances at 31 May 2020 and is well positioned to continue to manage any uncertainty from COVID-19 as a result.

There are also further mechanisms available to the directors to ensure the ongoing viability of Finastra Limited and having reviewed Finastra Limited's plans and available financial facilities, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months following the signing of the financial statements.

The Company had net liabilities at the reporting date. A letter of support has been received from the intermediate parent company, Finastra Limited, stating that it will provide continuing financial support as necessary to enable the company to meet its obligations as and when they fall due for a period of at least 12 months from the date of this report. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Overseas branches

The Company operates through overseas branches in South Korea, Taiwan and Russia.

Employee involvement

As an organisation, the Group is committed to recognising the correlation between employee engagement, organisational success and financial performance. This means continuing to look for opportunities for our employees to provide feedback and tell us how they feel about working at Finastra. For more information please refer to Finastra Limited consolidated results.

Post reporting date events

Other than the ongoing impact of COVID 19 pandemic, no other subsequent events have occurred after 31 May 2020 until the date of signing these financial statements.

Future developments

The Company's current performance is expected to continue throughout the next financial year.

FINASTRA GLOBAL OPERATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

Independent auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

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

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

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

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Small companies exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The Company has also taken the exemption not to prepare a strategic report.

Approved by the Board of Directors on 30th November 2020 and signed on behalf of the Board by:

DocuSigned by:

K Metzroth
Director

Independent auditors' report to the members of Finastra Global Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion, Finastra Global Operations Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 May 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Finastra Global Operations Limited

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

M. Haverson

Matthew Haverson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 November 2020

FINASTRA GLOBAL OPERATIONS LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MAY 2020**

	Note	2020 £000	2019 £000
Revenue	5	4,754	4,292
Cost of sales		(960)	(1,202)
Gross profit		3,794	3,090
Administrative expenses		(3,925)	(2,618)
Operating (loss)/profit	8	(131)	472
Interest receivable and similar income	10	2	3
Interest payable and similar expenses	11	(268)	(228)
(Loss)/profit before taxation		(397)	247
Tax credit/(charge)	12	94	(697)
Loss for the financial year		(303)	(450)
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(246)	427
Total items that may be reclassified to profit or loss		(246)	427
Total other comprehensive (expense)/income for the year		(246)	427
Total comprehensive expense for the year		(549)	(23)

FINASTRA GLOBAL OPERATIONS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2020**

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	13	723	51
Trade and other receivables	17	107	61
		<u>830</u>	<u>112</u>
Current assets			
Trade and other receivables	17	3,628	2,881
Current tax recoverable		103	-
Cash and cash equivalents		1,796	903
		<u>5,527</u>	<u>3,784</u>
Current liabilities			
Trade and other payables	18	(3,533)	(1,578)
Taxation and social security		(82)	(75)
Lease liabilities	19	(194)	-
Deferred income		(1,951)	(682)
		<u>(5,760)</u>	<u>(2,335)</u>
Net current (liabilities)/assets		<u>(233)</u>	<u>1,449</u>
Total assets less current liabilities		<u>597</u>	<u>1,561</u>
Non-current liabilities			
Trade and other payables	18	(3,471)	(3,907)
Lease liabilities	19	(249)	-
Deferred income		(17)	(245)
		<u>(3,737)</u>	<u>(4,152)</u>
Net liabilities		<u>(3,140)</u>	<u>(2,591)</u>

FINASTRA GLOBAL OPERATIONS LIMITED**STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 31 MAY 2020**

	Note	2020 £000	2019 £000
Equity			
Called up share capital	21	-	-
Translation reserve	22	(343)	(97)
Accumulated losses	22	(2,797)	(2,494)
Total equity		(3,140)	(2,591)

The financial statements on pages 6 to 30 were approved by the Board of Directors on 30th November 2020 and signed on behalf of the Board by:

DocuSigned by:

Kent Metzroth

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K Metzroth

Director

FINASTRA GLOBAL OPERATIONS LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MAY 2020**

	Called up share capital £000	Translation reserve £000	Accumulated losses £000	Total £000
Balance at 1 June 2018	-	(524)	(2,044)	(2,568)
Year ended 31 May 2019:				
Loss for the year	-	-	(450)	(450)
Other comprehensive income:				
Exchange differences on translation of foreign operations	-	427	-	427
Total comprehensive expense for the year	-	427	(450)	(23)
Balance at 31 May 2019	-	(97)	(2,494)	(2,591)
Year ended 31 May 2020:				
Loss for the year	-	-	(303)	(303)
Other comprehensive expense:				
Exchange differences on translation of foreign operations	-	(246)	-	(246)
Total comprehensive expense for the year	-	(246)	(303)	(549)
Balance at 31 May 2020	-	(343)	(2,797)	(3,140)

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

1 General information

Finastra Global Operations Limited is a private company limited by shares incorporated in England and Wales. The registered office is Four Kingdom Street, Paddington, London, W2 6BD.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

2 Accounting policies

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000, unless otherwise indicated.

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:-
- Disaggregated and total revenue from contracts with customers;
- Explanation of significant changes in contract assets and liabilities;
- Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
- Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
- Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;
- Financial instrument disclosures, including:-
- Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
- Income, expenses, gains and losses on financial instruments;
- Details of credit losses, collateral, loan defaults or breaches;
- Valuation technique(s) and assumptions used to measure recoverable amounts for impairment tests in respect of:-
- assets or CGUs for which impairment losses are recognised or reversed in the period where recoverable amount is based on fair value less costs of disposal;
- Comparative narrative information that continues to be relevant to the current period;
- Disclosure of key management personnel compensation, and amounts incurred for the provision of key management personnel services by a separate management entity;
- Related party disclosures for transactions with the parent or wholly owned members of the group;
- Disclosure of the objectives, policies and processes for managing capital; and
- Disclose of a maturity analysis of lease liabilities.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Finastra Global Operations Limited is a wholly owned subsidiary of Tahoe Bidco Limited, a company incorporated in the Cayman Islands. The results of Finastra Global Operations Limited are included in the consolidated financial statements of Tahoe Bidco Limited which can be obtained as set out in note 25.

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

This assumption has been critically reassessed this year as a result of heightened uncertainty as the COVID-19 pandemic continues globally. The forecasts and projections have been stress tested, taking into account historic performance against prior year forecasts, a prolonged period of COVID-19 impacts which start easing in the fourth quarter of FY21 and a reduced cash flow conversion achievement. Applying these assumptions show that the company is expected to operate within the level of its current financing facilities for the foreseeable future .

Finastra Limited has and will continue to strategically implement cash management initiatives to protect against this risk. Actions taken during FY20 have ensured that Finastra Limited has improved its cash flow conversion and cash balances at 31 May 2020 and is well positioned to continue to manage any uncertainty from COVID-19 as a result.

There are also further mechanisms available to the directors to ensure the ongoing viability of Finastra Limited and having reviewed the Finastra Limited 's plans and available financial facilities, the directors have a reasonable expectation that Finastra has adequate resources to continue in operational existence for at least 12 months following the signing of the financial statements.

The company had net liabilities at the reporting date. A letter of support has been received from the intermediate parent company, Finastra Limited, stating that it will provide continuing financial support as necessary to enable the company to meet its obligations as and when they fall due for a period of at least 12 months from the date of this report. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Revenue

Revenue is derived from the sale of software solutions and software related services to customers. Note 5 to the financial statements shows the composition of total revenue according to geographical market, major service lines and by the timing of revenue recognition.

Subscription and software license revenue and related maintenance

The company's subscription and software licenses consist of lending, retail banking, transaction banking and treasury and capital markets products. The related maintenance is commonly not considered a distinct performance obligation from the associated license because the ongoing utility of the license is dependent on and changed by the delivery of updates. In these cases, revenue for both is recognised as a single performance obligation over time as the customer simultaneously receives and consumes the solution.

In other cases, the two are considered distinct and the license will be recognised at a point in time once the customer has been transferred control of the license. Maintenance will be recognised in these cases as a stand ready obligation over time. This distinction depends upon the nature of the maintenance and what constitutes the company's promise to the customer.

In all product offerings the company may offer roadmap accelerators (RA) to customers. This is a fee to accelerate the timing of a specific feature or functionality on the product roadmap that once developed will be available to the general customer base. The revenue is recognised at the time the feature or functionality is delivered.

Professional services

Revenue is generated from implementation and customisation services, consulting and training. These services are often reflected in separate contracts from license contracts but are evaluated together with the license agreement when signed at or near the same time because they share one commercial objective i.e. to implement a solution. Payment terms for professional services may be based on a time and materials basis, an upfront fixed fee, or fixed upon the achievement of milestones.

Implementation services and other professional services are typically considered distinct performance obligations. The company's professional services that are accounted for as distinct performance obligations and that are billed on a fixed fee basis are typically satisfied as services are rendered; thus, the company uses a cost based input method, such as cost to cost or efforts expended via labour hours, which reflects the transfer of those services. If the services are short term in nature (less than 30 days) the company recognises revenue when the services are completed. For professional services that are distinct and billed on a time and materials basis, revenue is generally recognised using an output method that corresponds with the time and materials billed and delivered, which also is reflective of the transfer of the services to the customer. Losses on contracts are recognised at the point a loss is foreseen by reference to estimated costs of completion.

When professional services involve significant complex customisation or modification of an underlying solution or offering, or if the services are complex and not available from a third party provider and must be completed prior to a customer having the ability to benefit from a solution or offering, then such services are combined with the underlying software solution and are accounted for as a single performance obligation. Revenue is recognised as the professional services are provided through to customer acceptance consistent with the methods described above for professional services revenues.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Enhancement services

Many of our products that are offered as a license are also offered as a hosted solution. Hosting revenue is generated by way of an additional subscription fee payable to the company to provide a software hosting service. In these instances, the customer has the right to take possession of software during the term without a significant penalty and so the hosting is considered a distinct performance obligation from the license. Hosting fees are recognised on a straight line basis over the term of the contract.

Cloud revenue is generated in hosting arrangements where the customer purchases a combined software and hosting arrangement but does not have the ability to take possession of the software during the term. Fees related to cloud solutions are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is recognised straight line over the contract period. Revenue related to cloud services provided on a transaction basis, is recognised as the access to the services is made available to the customer or transactions are incurred. Fees related to any non distinct upfront administrative set up activities are recognised over the enforceable cloud service term.

Contract acquisition costs

Incremental costs of obtaining a contract, such as sales commissions and agent fees, are capitalised if they are expected to be recovered. Incremental costs include only those costs that would not have been incurred if the contract had not been obtained. The company has adopted a portfolio approach to account for contract acquisition costs. In any given month all such costs incurred are included in a product and term based portfolio that applies a consistent average term to the amortisation period. The period of amortisation is based on historical contract terms which is materially consistent with the pattern of transfer of the good or service to which the asset relates.

Contract fulfilment costs

Costs to fulfil a contract include professional services internal and external costs and any license inputs purchased from third parties. These costs are capitalised where they relate to an identified specific contract, generate an asset for the company and they will be recovered over the course of the contract. Fulfilment contract costs are amortised over a period that is consistent with the pattern of transfer of the good or service to which the asset relates.

Contract modifications

Contract modifications occur when the company and its customers agree to modify existing customer contracts to change the scope or price (or both) of the contract or when a customer terminates some, or all, of the existing services provided by the company. When a contract modification occurs, it requires the company to exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, or (iii) a cumulative catch up adjustment to the original contract. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, including the allocation of revenue to the remaining performance obligations and the period of recognition for each identified performance obligation.

Material rights

Options granted as part of a revenue contract to a customer, which are incremental to the range of discounts typically given for the goods or services, are considered a separate performance obligation for revenue recognition purposes. If the option provides a material right to the customer, the customer in effect is paying the company in advance for future goods or services and the associated revenue is recognised when the future good or service is transferred or when the option expires.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Existence of a significant financing component

When a contract includes a significant financing component as a result of an advance payment to the company, the accounting effect of the financing component increases the amount of revenue recognised, with a corresponding increase to interest expense as the customer is providing financing to Finastra Group. Conversely, when payments are in arrears, the adjustment for the financing component decreases the amount of revenue recognised with a corresponding increase to interest income as Finastra Group has provided financing to the customer. A significant financing component generally only arises on the most significant contracts where a customer pays upfront fees for professional services and / or licenses, but the company is delivering services over time.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	On a straight line basis over the length of the lease
Computer equipment	4-15 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Impairment of non-financial assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

All recognised financial assets are measured at amortised cost as the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from intercompany receivables. They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs), for all debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the economic environment.

Intercompany receivables

Short term inter group financing is repayable on demand and is deemed to have a near zero expected credit loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Other financial liabilities

Other financial liabilities, including amounts owed to group undertakings, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. 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 taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits.

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

2 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

3 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 16 'Leases' (IFRS 16)

During the year, the company adopted IFRS 16 'Leases' (IFRS 16) for the first time. IFRS 16 replaces IAS 17 'Leases'.

The company previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the company, and 'operating leases'.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16, a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short term' leases where lease payments are recognised on a straight-line basis over the lease term.

The accounting for leases previously accounted for as finance leases under IAS 17 has not changed substantially, except that residual value guarantees are recognised under IFRS 16 at amounts expected to be payable rather than the maximum amount guaranteed, as required by IAS 17.

The company has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 June 2019. Therefore, the comparative figures are as previously reported under IAS 17. The company has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 June 2019, the group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- A single discount rate has been applied to portfolios of leases with similar characteristics.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

3 Adoption of new and revised standards and changes in accounting policies (Continued)

The amounts recognised for leases at 1 June 2019, have been measured as follows:

Operating leases under IAS 17

The lease liability is measured at the present value of the remaining lease payments at 1 June 2019, discounted at the lessee's incremental borrowing rate at that date.

The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 June 2019.

'Short-term' leases

Where the lease term ends before 31 May 2020, the company has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

Prior to adopting IFRS 16, the company's total minimum operating lease commitments as at 31 May 2019 was £315k. The weighted average discount rate applied to the total lease payments on transition was 7.053%. The difference between the total of the minimum lease payments and the total lease liabilities recognized on transition was a result of:

- The effect of discounting on the minimum lease payments; and
- Certain costs to which we are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

Effect of leases on financial performance:	2020
	£000
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:	
- Leasehold land and buildings (note 13)	51
	<hr/>
Effect of leases on cash flows:	
Total cash outflow for leases in the year (note 23)	315
	<hr/>

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

4 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below. The directors do not consider there to be any key estimates that materially affect the financial statements.

Critical judgements

Revenue recognition

The company enters into revenue arrangements with customers to provide software solutions and software related services such as cloud, hosting and maintenance, and related professional services either individually or as part of an integrated offering of multiple services. Revenue is recognised in accordance with the five step model of IFRS 15 'Revenue from Contracts with Customers' and the following key judgements arise.

Contract existence and term

Certain criteria must be satisfied to recognise an arrangement as a revenue generating contract. Judgement arises when determining if an enforceable contract is in place. Where services are offered on a trial basis or the customer's ability and intention to pay are in doubt no revenue arrangement is deemed to exist and any monies received will be recognised as a liability until such time as a binding contract is in force or we have completed our obligations and no amounts received are refundable.

Where customers are granted a set term contract but are granted a right to terminate before the end of the term, a judgement is required on the enforceable term of the contract. Where the termination right is not considered substantive, this suggests that a shorter contract term should be considered. This judgement changes the total contract value assessed at inception for subsequent allocations and the value of revenue allocated to unsatisfied performance obligations.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

4 Critical accounting estimates and judgements (Continued)

Promises to a customer

At inception of the contract, the company assesses the products and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product or service (or bundle of products or services) that is distinct, i.e., if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

To identify performance obligations, the company considers all the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Judgement is required when determining which promises are distinct and which are not. Generally, the solutions and services sold follow a prescribed treatment and are consistently treated. However, this can vary by customer contract depending on the context of the contract and requires the evaluation of performance obligations for every contract. The judgement is significant because it can cause a significant change in the timing of revenue recognition.

In the financial services software industry, there are circumstances where the utility of core functionality of the licensed software would degrade significantly during the term of a licence if the vendor were not to fulfil its promise to provide updates for changes. Where the promise to provide software updates is critical to maintaining the functionality of the licensed software and these updates occur such that the core utility of the licensed software diminishes significantly during the licence term absent the updates being provided, then the licence and maintenance are viewed as a combined performance obligation for revenue recognition purposes.

These circumstances exist in situations where there is, effectively, a reasonable certainty that updates will be provided that are integral to the customer's ability to continue to derive substantive benefit from the software licence (i.e. its utility to the customer) throughout the licence period. The maintenance is viewed as critical where core functionality of the software relies on regular updates for i) financial transaction infrastructure changes (e.g. SWIFT/ACH) and/or ii) regulatory compliance reporting/functionality changes. In these cases, fees for the licence are therefore recognised over the term of the licence agreement or the committed maintenance period, whichever is longer. For perpetual agreements and contracts with terms greater than 10 years, over the life of the IP.

To inform this critical accounting judgement the Group has critically assessed the relationship between each license and its associated maintenance and considered how ongoing utility is delivered to our customers. There is broad mixture across our portfolio and this is reassessed periodically as our software changes over time.

Revenue to recognise 'The transaction price'

The company's contracts with its customers frequently contains variable consideration. Variable consideration exists when the amount which the company expects to receive in a contract is based on the occurrence or non occurrence of future events, such as usage based fees for hosting and cloud arrangements or tiered pricing offered through lower rate charges as clients move through tiers. Variable consideration is also present in certain transactions in the form of discounts, credits, price concessions, penalties, inflationary price rises and similar items.

The company estimates variable consideration in its contracts primarily using the expected value or the most likely amount method. The company develops estimates of variable consideration based on both historical information and current trends. Variable consideration included in the transaction price is constrained such that a significant revenue reversal is not probable. In addition, revenue is measured based on the consideration that the company expects to receive in a contract with a customer.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

4 Critical accounting estimates and judgements (Continued)

Allocation of revenue

Once the company has determined the transaction price, the total transaction price is allocated to each performance using a standalone selling price ('SSP') methodology. The standalone selling price is the observable price at which the company sells a promised good or service separately to a customer, or the estimated standalone selling price where sufficient standalone sales do not exist. The standalone selling price is estimated using all information that is reasonably available and maximising observable inputs with approaches including historical pricing, cost plus a margin or using a residual approach. SSPs are updated annually by reference to the prior year selling price history of each item.

This is a critical judgement because where items are sold below their SSP they are allocated revenue from the other solutions sold in a bundled arrangement.

Recognising revenue

The company recognises revenue when, or as, it satisfies a performance obligation by transferring control of the good or service to a customer and is recognised net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

The judgement of when to recognise revenue is intrinsically linked to the performance obligation assessment because revenue can only be recognised when or as the performance obligation is satisfied.

The distinction of whether to recognise revenue over time or at a point in time depends on how the obligation is transferred to the customer and whether there remains any ongoing obligation to satisfy the contractual requirements, given the context of the customer contract. As such the same product sold in a different way to a different customer can have a different revenue recognition profile. This requires that the company evaluates contracts with customers on a contract by contract basis.

Generally, maintained licenses, bespoke licenses, support and professional services are recognised over time as and when the customer consumes the software solution or service. Conversely, licenses which are considered distinct performance obligations are recognised at a point in time.

Percentage of completion

Where revenue is recognised over time, the percentage of completion of a performance obligation is measured to determine the timing of revenue recognition. The company identifies a method which best depicts the transfer of the goods or services to the customer. An output based method relies on value delivered to the customer using external measures while an input based method relies on the company's internal measure of progress such as percentage of costs incurred as a proportion of total anticipated costs.

5 Revenue

	2020	2019
	£000	£000
Revenue analysed by class of business		
Maintenance fees	1,918	2,521
Professional services	611	400
Intra-group recharges recognised at a point in time	2,118	1,371
Licence Fees	107	-
	<u>4,754</u>	<u>4,292</u>

All external revenue is derived from sales in Asia whilst Intra-group revenue is generated in UK, Asia & Europe.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

5 Revenue (Continued)

	2020	2019
	£000	£000
Timing of revenue recognition		
Revenue transferred over time	2,529	2,921
Intra-group recharges recognised at a point in time	2,118	1,371
Revenue recognised at a point in time	107	-
	<u>4,754</u>	<u>4,292</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Professional services	35	18
Sales	2	6
Support	4	6
	<u>41</u>	<u>30</u>

Their aggregate remuneration comprised:

	2020	2019
	£000	£000
Wages and salaries	2,047	1,780
Social security costs	101	104
Other pension costs	131	57
	<u>2,279</u>	<u>1,941</u>

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

7 Directors' remuneration

The Directors are employed and remunerated by other group companies. The Directors do not consider there to be any remuneration in respect of their services as Directors of this company in the current or prior year.

8 Operating (loss)/profit

	2020	2019
	£000	£000
Operating (loss)/profit for the year is stated after charging:		
Exchange losses	107	51
Depreciation of property, plant and equipment	104	13
Operating lease rentals	-	258
	<u> </u>	<u> </u>

Exchange differences recognised in the statement of comprehensive income during the year amounted to a loss of £107,000 (2019: £51,000).

9 Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the company's auditor and its associates:		
For audit services		
Auditors' remuneration	20	19
	<u> </u>	<u> </u>

10 Interest receivable and similar income

	2020	2019
	£000	£000
Interest income		
Interest receivable from group companies	2	3
	<u> </u>	<u> </u>

11 Interest payable and similar expenses

	2020	2019
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	237	228
Interest on lease liabilities	31	-
	<u> </u>	<u> </u>
Total interest expense	268	228
	<u> </u>	<u> </u>

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

12 Tax on profit

	2020	2019
	£000	£000
Current tax		
Foreign taxes and reliefs	94	(697)
	<u>94</u>	<u>(697)</u>

The total tax credit/(charge) for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2020	2019
	£000	£000
(Loss)/profit before taxation	<u>(397)</u>	<u>247</u>
Expected tax credit/(charge) based on a corporation tax rate of 19.00% (2019: 19.00%)	75	(47)
Short term timing differences for which no deferred tax asset was recognised	(100)	(83)
Group relief	25	130
Foreign tax	<u>94</u>	<u>(697)</u>
Taxation credit/(charge) for the year	<u>94</u>	<u>(697)</u>

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. As at 31 May 2019, these rates had been used to measure deferred tax assets and liabilities. In March 2020 the Chancellor announced that the tax rate would remain at 19%. Deferred tax assets and liabilities at 31 May 2020 have been measured using these newly enacted tax rates.

As at 31 May 2020, there is an unrecognised deferred tax asset of £256,000 (2019: £1,287,000) which has not been recognised as it is uncertain whether the company will have sufficient future profits to utilise the tax losses. The unrecognised deferred tax balance comprises of amounts related to deductible temporary differences on fixed and intangible assets of £256,000 (2019: £173,000) and amounts relating to unused tax losses of £nil (2019: £1,114,000).

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

13 Property, plant and equipment

	Leasehold land and buildings £000	Computer equipment £000	Total £000
Cost			
At 1 June 2019	-	115	115
Additions	119	381	500
Right of use additions recognised on adoption of IFRS 16	276	-	276
At 31 May 2020	395	496	891
Accumulated depreciation			
At 1 June 2019	-	64	64
Charge for the year	51	53	104
At 31 May 2020	51	117	168
Carrying amount			
At 31 May 2020	344	379	723
At 31 May 2019	-	51	51

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2020 £000	2019 £000
Net values		
Property	225	-
Depreciation charge for the year		
Property	51	-

The depreciation charge for the year is included in administrative expenses within the statement of comprehensive income.

All amounts held under leasehold land and buildings relate to short term leases.

14 Contract balances

The following table provides information about contract costs by category of asset, included in trade receivables as deferred implementation costs:

	2020 £000	2019 £000
Contracts in progress at the reporting end date		
Contract receivables included in trade and other receivables	1,460	1,360
Accrued income - Contract assets included in trade and other receivables	264	6
Contract liabilities included in deferred income	(1,968)	(927)

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

14 Contract balances (Continued)

Payment terms and conditions in customer contracts may vary. In some cases, customers pay in advance of the delivery of solutions or services; in other cases, payment is due as services are performed or in arrears following the delivery of the solutions or services. Differences in timing between revenue recognition and invoicing result in trade receivables, contract assets, or contract liabilities on the statement of financial position.

Contract assets result when amounts allocated to distinct performance obligations are recognised when or as control of a good or service is transferred to the customer but invoicing is contingent on performance of other performance obligations or on completion of contractual milestones. Contract assets are transferred to receivables when the rights become unconditional, typically upon invoicing of the related performance obligations in the contract or upon achieving the requisite project milestone.

Contract liabilities result from customer payments in advance of the satisfaction of the associated performance obligations and relates primarily to prepaid maintenance or other recurring services. Contract liabilities are released as revenue is recognised. Contract assets and liabilities are reported on a contract by contract basis at the end of each reporting period.

15 Transaction price allocated to the remaining performance obligations

The total amount of revenue allocated to unsatisfied performance obligations is £5,525,000 (2019: £2,813,000). We expect to recognise approximately £1,539,000 (2019: £610,000) in the next 12 months, £1,396,000 (2019: £1,302,000) in 1 to 3 years and the remainder after 3 years or more time.

The amount represents our best estimate of contractually committed revenues that are due to be recognised as we satisfy the contractual performance obligations in these contracts. A large proportion of the company's revenue is transactional in nature and these amounts are excluded unless there is a minimum commitment amount (a floor) in which case the floor value is included. A significant amount of the company's maintenance revenue is billed annually in advance and has to be renewed each year. In such cases only the current invoiced amount remaining to be recognised as revenue is included until the date of renewal when a full year will be captured.

16 Contract costs

The following table provides information about contract costs by category of asset, included in trade receivables as deferred implementation costs:

	2020	2019
	£000	£000
Commission fees	88	54
Royalty and agent fees	5	11
	<u>93</u>	<u>65</u>

Management expects that incremental commission fees paid to employees and agent fees paid to intermediaries and deferred implementation fees, as a result of obtaining contracts, are recoverable. The company has therefore capitalised these fees as contract costs in the amount of £93,000 at 31 May 2020 (2019: £65,000). Capitalised fees are amortised when the related revenues are recognised.

As permitted by IFRS 15, the company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the company otherwise would have recognised is one year or less.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

17 Trade and other receivables

	Current		Non-current	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade receivables	1,460	1,361	-	-
Expected credit loss	(292)	-	-	-
	<u>1,168</u>	<u>1,361</u>	<u>-</u>	<u>-</u>
Other receivables	380	94	93	-
Amounts owed by fellow group undertakings	2,036	1,268	14	61
Prepayments	44	158	-	-
	<u>3,628</u>	<u>2,881</u>	<u>107</u>	<u>61</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand. The company has no immediate intention to recall £14,000 (2019: £61,000) in the short term and so these amounts were classified as non current assets.

Of the non current amounts receivable from group undertakings above, £14,000 (2019: £61,000) is interest bearing. The make up of this amount has earned interest at a floating rate ranging from 2.25% to 3.48% (2019: 1.62% to 1.91%) during the year.

18 Trade and other payables

	Current		Non-current	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade payables	11	26	-	-
Amounts owed to fellow group undertakings	2,601	666	3,471	3,907
Accruals	921	886	-	-
	<u>3,533</u>	<u>1,578</u>	<u>3,471</u>	<u>3,907</u>

Amounts owed to group undertakings are repayable on demand. However, the counterparties have confirmed that payment of £3,471,000 (2019: £3,907,000) will not be recalled in the short term and so these amounts are classified as non current liabilities.

Of the non current amounts owed to group undertakings above, £1,654,000 (2019: £3,463,000) is interest bearing. The make up of this amount has attracted interest at a floating rate ranging from 5.54% to 7.48% (2019: 5.62% to 5.91%) during the year.

Amounts owed to group undertakings also includes £1,920,000 (2019: £444,000) of intercompany trade payable that is non interest bearing. However, the counterparties have confirmed that payment of £1,920,000 (2019: £444,000) will not be recalled in the short term and so these amounts are classified as non current liabilities.

Amounts owed to group undertakings due within one year are unsecured, interest free and are repayable on demand.

FINASTRA GLOBAL OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

19 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020
	£000
Current liabilities	194
Non-current liabilities	249
	<u>443</u>
	2020
	£000
Amounts recognised in profit or loss include the following:	
Interest on lease liabilities	<u>31</u>

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Other leasing information is included in note 23.

20 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £131,000 (2019: £57,000). No amount was due at end of May 2020.

21 Called up share capital	2020	2019
	£000	£000
Ordinary share capital		
<i>Issued and fully paid</i>		
2 (2019: 2) Ordinary shares of £1 each	<u>-</u>	<u>-</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

22 Reserves

Translation reserve

The translation reserve represents amounts arising as a result of translating overseas branches' financial statement items from their functional currency into the company's presentation currency.

Accumulated losses

Accumulated losses represents cumulative profits, losses and total other comprehensive income made by the company, including distributions to, and contributions from, the owners.

FINASTRA GLOBAL OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

23 Other leasing information

Lessee

Operating leases under IAS 17

The total minimum lease payments at 31 May 2019 under non-cancellable operating lease rentals were:

	2019
	£000
Land and buildings	
Within one year	315
	<u>315</u>

Information relating to lease liabilities is included in note 19.

24 Events after the reporting date

Other than the ongoing impact of COVID 19 pandemic, no other subsequent events have occurred after 31 May 2020 until the date of signing these financial statements.

25 Controlling party

The company's immediate parent company is Finastra Holdings Limited, whose registered office address is Four Kingdom Street, Paddington, London, W2 6BD.

The parent company of the smallest and largest group in which the company is included in consolidated financial statements is that of Tahoe Bidco Limited, a company incorporated in the Cayman Islands. Copies of the consolidated financial statements of Tahoe Bidco Limited may be obtained from Finastra Group Secretariat, Four Kingdom Street, Paddington, London W2 6BD.

The ultimate parent company and ultimate controlling party is Vista Equity Partners, incorporated in the United States of America.