

**R.C.S. Luxembourg : B 168274**

Registered Office: 19, Rue de Bitbourg, L-1273

Grand Duchy of Luxembourg



**Misys Newco 2 S.à r.l.**

**Report and consolidated financial statements  
for the year ended  
31 May 2015**

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## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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#### **Managers' Report**

The board of managers (the "Board") present their report and the audited consolidated financial statements for the year ended 31 May 2015 ("2015")

#### **Development of the business**

Misys Newco 2 S.à r.l. (the "Company") is a limited liability company domiciled in Luxembourg. The address of its registered office is 19, Rue de Bitbourg, L-1273, Grand Duchy of Luxembourg.

The Company, together with its subsidiaries ("Misys" or "the Group") was formed by the combination of two separate acquisitions by Vista Equity Partners in 2012.

The Group's principal activities are the development, management and licensing of a variety of software products and solutions to customers in the financial services industry. The Group operates globally, including partnering with other companies to sell and distribute Misys products and solutions.

The business continued its operations as a provider of mission critical software whose products are deeply embedded in customers' operations. The financial services market continues to evolve with ongoing pressure on banks to better manage enterprise wide risk, to introduce new growth areas and to comply with regulatory requirements.

2015 was a transitional year for the Group, reflected in the decline in performance compared with the strong results of the previous two financial years. 2015 performance was impacted by extended deal cycles in closing licence deals as well as some weaknesses in sales execution, product delays and investments made in prior years to improve our sales enablement not delivering as expected.

In the financial year ended 31 May 2015, the Group continued to focus on delivering growth and improving operating margins through investing in product development, sales and marketing, and talent. The Group continues to make organisational changes to improve sales execution and further advance its 'go-to-market' propositions. Further organisational changes were planned and are to be executed during the 2016 financial year. The Board continues to believe that the Group will remain competitive within the markets it operates in, due to the quality, breadth and depth of its products as well as its competitive positioning.

On 8 August 2014 the Group acquired 100% of the issued and outstanding membership interests of Custom Credit Systems, L.P. ("CCS") for a total consideration of \$26.6m (\$24.9m net of cash acquired). CCS is a leading provider of loan origination and credit workflow software. CCS has expertise and strong reputation in commercial lending, making their knowledge and products a complement to the Group's FusionBanking portfolio. The Group have integrated CCS's offering into FusionBanking Loan IQ to create a fully integrated, front-to-back office commercial lending solution across all asset classes. More details about this acquisition can be found in note 5 to the consolidated financial statements.

#### **Research and Development Activity**

During the year, research and development gross expenditure before capitalisation increased to \$122.2m compared to \$121.8m in the prior year largely due to the full year impact of the acquisition of IND Group Holding Limited ("IND") and the partial year impact of the acquisition of CCS offset by foreign exchange movements. The Group continued to benefit from the consolidation of research and development locations, along with benefitting from lower associated costs relative to the US dollar.

A successful research and development agenda is a strategic priority of the Group. The markets in which the Group operates are complex, requiring an effective research and development strategy to support and maintain the competitive advantage the Group enjoys. The Group remains committed to the continuous development of a portfolio of market relevant products. This agenda will continue into the next financial year. Ongoing investment in new technology and functionality has, and will continue to, enable the Group to maintain and strengthen its market leading position.

## Misys Newco 2 S.à r.l.

### Managers' report for the year ended 31 May 2015

During the year, the Group has invested in a Group-wide Product Strategy function, which is tasked with the coordination of long term product strategy for all the markets in which it operates, in order to identify, and accelerate the development of, integration opportunities between products for the benefit of its customers. Integration and componentisation of the Group's solutions, backed up by a leading FusionFabric technology platform, benefits customers of multiple of the Group's products through increased transparency, reduced implementation costs, more effective decision-making and more efficient operations.

The Group has also enhanced the value proposition of its Corporate Lending solution by integrating credit origination and management capabilities with its back-office and servicing capabilities, as well as integrating its FusionBanking Essence, Equation, and Midas core banking solutions with the new Digital Channels mobile and online banking capabilities. Most recently, the Group has released the FusionBanking Fees & Billing module, allowing customers to build, test, and roll out sophisticated, cross product and business pricing strategies, including bundling, discounting, and other activity or volume based pricing strategies in both corporate and retail banking settings. Investments in research and development have been complemented by investments in marketing, in particular with a group-wide rebranding of product lines to create an improved offering to market.

#### Key Performance Indicators ("KPIs")

The Group's KPI results for the year were as follows

	Year ended 31 May 2015	Year ended 31 May 2014	% Increase / (decrease)
Revenue (\$m)	880.5	945.8	(7%)
Initial Licence Fees (\$m)	205.4	260.7	(21%)
Adjusted EBITDAC <sup>1</sup> (\$m)	296.7	323.7	(8%)
Research and development expenditure <sup>2</sup> (\$m)	122.2	121.8	0%
Net cash flow generated from operations (\$m)	291.7	310.0	(6%)
Net debt <sup>3</sup> (\$m)	1,757.2	1,791.5	(2%)
Headcount - year end	4,619	4,660	(1%)

<sup>1</sup>Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation less the amounts capitalised in respect of internally developed software and other adjustments. See page 5 for a reconciliation of operating profit to this adjusted measure.

<sup>2</sup>Excluding discretionary employee related costs.

<sup>3</sup>Borrowings, excluding Preferred Equity Certificates, less cash and cash equivalents and restricted cash.

Commentary on the Group's KPIs is provided as part of the financial review below.

#### Financial Review

##### Results

Revenue decreased by 7% from \$945.8m in 2014 to \$880.5m in 2015. Revenue decline was largely due to the impact of foreign exchange rates on reported revenues, in particular the strengthening of the US Dollar against the Euro and Pound Sterling during the year. On a constant currency basis, revenue declined by approximately 2% largely due to more prolonged deal cycles as a result of extended customers' internal diligence processes, some weakness in sales execution and product delays.

A 21% decline in Initial Licence Fees ("ILF") to \$205.4m compared with \$260.7m in 2014 was largely due to execution issues, lengthening of deal cycles and the impact of foreign exchange rates. The Board considers ILF to be a KPI because it is a measure of new business and drives future Maintenance fees and, in many cases, new Professional Services ("PS") revenue. On a constant currency basis ILF reduced by \$39.7m or 16%.

## Misys Newco 2 S.à r.l.

### Managers' report for the year ended 31 May 2015

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Maintenance fees decreased marginally from \$478.2m to \$474.5m in 2015 due to the impact of foreign exchange rates. On a constant currency basis maintenance fees increased by 5% benefitting from strong ILF in 2014 and annual price increases in 2015.

Adjusted EBITDAC of \$296.7m, a decline of 8% from \$323.7m in 2014, reflects lower ILF, partly offset by lower variable employee costs. Adjusted EBITDAC is the key measure of performance used by management, and also forms part of the financial covenant under the Group's loan facilities. A reconciliation between Adjusted EBITDAC and operating profit as per the consolidated financial statements is shown in the next section of this report.

Research and development ("R&D") expenditure increased to \$122.2m from \$121.8m in 2014, largely due to the acquisition of IND and CCS offset by the impact of foreign exchange rate movements in the year.

The Group has conducted annual impairment reviews on the carrying value of goodwill, based on the recoverable amount of the cash generating unit ("CGU") to which goodwill has been allocated. The results of these reviews are disclosed in note 6 to these financial statements. On an aggregated basis, the Group has a significant surplus on the carrying values of its CGUs. However, on an individual basis an impairment charge of \$60.0m (2014: \$nil) has been recorded in 2015 against the carrying value of goodwill allocated to the FusionRisk CGU and is included in operating expenses in the consolidated income statement. Performance of this CGU during the year did not meet the expectations of management, and together with lower than anticipated forecast revenues and having considered reasonable sensitivities, the Managers have deemed it appropriate to record this impairment charge in the consolidated income statement.

The Group reported operating profit of \$56.3m compared with \$125.2m in 2014. Operating profit includes non-recurring charges of \$23.5m (2014: \$10.5m) consisting of costs of \$1.1m related to the acquisition and integration of CCS and IND and restructuring charges of \$22.4m. The Group announced the restructuring of its European sales organisation in November 2014 and this programme was completed by the end of the financial year at a total cost of \$5.3m. In May 2015 the Group commenced new cost reduction programmes impacting its PS, Customer Support and Sales and Marketing functions and recorded a restructuring charge of \$11.0m mainly related to severance costs. In addition operating profit includes net other foreign exchange gains of \$25.7m (2014: loss of \$3.6m) which largely consists of realised and unrealised foreign exchange gains on forward currency contracts used to hedge the Group's forecast cash flow.

The Group incurred net finance costs of \$337.3m, an increase of 2% from \$331.2m in the prior year. This increase was a result of higher interest on Preferred Equity Certificates ("PECs") as a result of compounding interest. Finance costs primarily comprise \$144.5m (2014: \$144.4m) on bank loans and facilities and non-cash \$174.4m (2014: \$167.6m) on PECs.

The Group incurred tax charges of \$30.2m (2014: \$26.7m) largely due to current taxation charges of \$67.8m (2014: \$66.7m) partially offset by deferred tax credits of \$37.6m (2014: \$40.0m).

#### *Financial position*

Non-current assets of \$2,613.5m (2014: \$2,854.3m) primarily comprise goodwill of \$1,614.1m (2014: \$1,686.3m) and other intangible assets of \$918.8m (2014: \$1,093.4m). Goodwill of \$17.3m and other intangible assets of \$9.8m were recognised during 2015 on the acquisition of CCS. A further \$28.7m (2014: \$34.8m) comprises tangible fixed assets, predominantly office furnishings and information technology equipment.

Non-current trade and other receivables of \$31.6m (2014: \$23.3m) comprises tax credits on qualified research and development expenditure, and revenue from customers which contractually cannot be billed within twelve months of the reporting date.

Current assets of \$398.6m (2014: \$433.9m) largely comprise billed and unbilled receivables of \$294.0m (2014: \$324.0m) and cash balances of \$40.3m (2014: \$50.8m).

## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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Net deferred tax liabilities of \$138.8m at 31 May 2015 (2014 \$170.0m) primarily relate to the timing differences on other intangible assets acquired by way of business combinations

Other liabilities comprise trade and other payables of \$191.4m (2014 \$225.8m) and deferred income of \$253.7m (2014 281.7m)

#### *Net debt*

Net debt is defined as borrowings excluding PECs, less cash and cash equivalents and restricted cash. The Group excludes PECs from net debt for consistency with the financial covenants under its banking facilities. Net debt decreased by \$34.3m in the year to \$1,757.2m compared to \$1,791.5m in 2014, primarily as a result of a \$49.0m decrease in the US Dollar value of the €186.3m term loan under the First Lien credit facility due to the depreciation of the Euro against the US Dollar. This decrease was partially offset by net cash outflows of \$24.9m on acquisition of CCS. Note 22 of the consolidated financial statements provides a reconciliation of the movement in net debt.

#### *Cash flow*

Net cash flow generated from operations in the year was \$291.7m compared with \$310.0m in 2014. The decrease is largely due to the lower operating profit generated in 2015, offset by larger non-cash foreign exchange gains and a smaller decrease in accounts receivable and accrued income.

The Group paid \$72.5m (2014 \$53.1m) of corporation tax during the year of which \$11.9m (2014 \$10.7m) related to withholding tax levied on payments made to Misys entities where the tax could not be recovered through the local corporate tax regime due either to underlying tax losses or other restrictions under local tax law. The Group is within the scope of corporation tax in the jurisdictions it is based in and settles taxes in those locations to the extent that there are taxable profits in the country which are not offset by existing tax losses. The main corporate tax paid was \$28.5m (2014 \$22.4m) in the US where remaining tax losses were utilised in the year to 31 May 2015.

The Group used \$69.5m of cash for investing activities (2014 \$93.2m) largely comprising \$34.2m (2014 \$31.9m) expenditure incurred on internally developed software and the net cash outflow of \$24.9m in the acquisition of CCS.

Net cash of \$13.1m was used in financing activities, being the mandatory repayment of the first lien credit facility referred to in Note 16.

## Misys Newco 2 S à r.l.

### Managers' report for the year ended 31 May 2015

#### Reconciliation between operating profit and Adjusted EBITDAC

Below is a reconciliation between operating profit and Adjusted EBITDAC

	Year ended 31 May 2015	Year ended 31 May 2014
all figures in \$ millions		
<b>Operating profit</b>	<b>56.3</b>	<b>125.2</b>
<b>Add back</b>		
Non-recurring charges	23.5	10.5
Goodwill impairment	60.0	-
Amortisation of other intangible assets	210.2	200.9
Depreciation of property, plant and equipment	9.8	9.0
Net other foreign exchange (gain) / loss	(25.7)	3.6
Investor's management fees	1.4	2.4
(Gain) / loss on embedded derivatives	(7.9)	4.0
<b>Adjusted EBITDA</b>	<b>327.6</b>	<b>355.6</b>
<b>Less</b>		
Capitalised software development costs	30.9	31.9
<b>Adjusted EBITDAC</b>	<b>296.7</b>	<b>323.7</b>

#### Principal risks and uncertainties

The Group's vision of becoming the number one provider of software in the financial services market is built on ensuring customer success, providing outstanding support and services, investing in research and development, building a high performance culture and delivering sustainable financial performance. Executive management actively manages risks that impact these strategic imperatives. The key risks and associated mitigation activities below do not comprise all the risks associated with the Group and they are not set out in any order of priority. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

#### Changing macro-economic conditions and risks related to accurate sales forecasts

The global financial services software industry is highly competitive and can be adversely impacted by changing macro-economic factors like sovereign indebtedness, economic slowdowns, governmental budgetary constraints and political instability resulting in change in demand of certain products, inability to service certain markets and an increase in deal cycles. While the impact of these factors on the Group is limited due to a high recurring revenue base (over 50% of the Group's revenue is recurring in nature) from a geographically diversified customer base (over 2,000 customers in 130 countries) with no single customer contributing more than 2% of Group revenues, macro-economic and political changes could adversely impact the Group's results.

Technology investments in financial services software are usually significant in value and the Group has to compete with various global, regional and local software service providers to win business. In addition, deal cycles are usually lengthy due to formalised vendor diligence and procurement processes in the financial services industry. This combined with changing customer requirements and inconsistent sales execution can create difficulties in forecasting revenues, particularly the quantum and timing of new license sales.



## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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The Group manages these risks by employing sales teams and sales partners that are compensated based on performance, geographically based in key markets supported by product specialists where needed. The sales teams are required to develop and maintain healthy sales pipelines to allow for historical deal win rates and unpredictability in the timing of closing deals. While sales pipeline forecasts are subject to regular business reviews and adjusted for changes in sales dynamics, forecast assumptions of pipeline 'conversion rates' and 'win rates' can be impacted by factors like deal sizes, market conditions, change in customer behaviour, product maturity and sales performance resulting in increased unpredictability of new license sales performance.

In addition, a substantial portion of the Group's sales activity has historically been completed in the latter part of the financial year and a shortfall in revenue can have a significant impact on profitability due to the relatively fixed nature of the Group's cost base in the short to medium term.

#### **Market predictions and risks related to product delivery**

In a global and rapidly changing market, the Group needs to respond to the changing needs of customers and regulators by investing in high quality products and solutions that meet their requirements and are delivered on time. Over time the Group has built a software portfolio that has grown to become the broadest range of solutions focused on the financial services industry.

The increased demand for Digital Channels solutions, data analytics, SaaS ("Software as a Service"), risk management and reporting tools and the introduction of regulations such as Dodd-Frank and EMIR provides the Group opportunities to sell new solutions to existing and new customers. This requires the Group to track and predict global and regional market requirements, trends and changes in regulations and direct the R&D investment in the right solutions to ensure maximum return on investment.

While the Group continues to make significant investment in its products, with approximately 16% (2014: 15%) of operational costs in the current year invested in R&D, it is possible that some investments might not deliver anticipated returns due to changes in market conditions, inherent uncertainties in accurately predicting requirements for a global market or the failure to deliver quality products on time.

The Group manages the risks related to ongoing product investments and product development through various means including the use of agile product development methodologies, product investment reviews, hiring experienced product managers and business analysts who understand various market requirements and the use of customer advisory boards which bring together key client stakeholders to discuss and validate the top priorities for Misys product roadmaps. Over 45% of the Group's staff are dedicated to R&D and the Group maintains a strong focus on engineering excellence, implementing best practice product development methodologies, tools and processes and independent product testing and quality assurance processes. However, the Group could be adversely impacted by unforeseen delays in product development due to changing requirements, increased complexity and coding or manufacturing errors despite testing prior to release.

The Group also invests in acquiring complementary technology as evidenced by the acquisition of IND and CCS. Acquisitions are inherently risky requiring strong due diligence, analysis and integration processes to ensure projected benefits and synergies are realised. The Group uses dedicated and experienced leadership teams with significant experience in corporate development and employs appropriate due diligence processes when identifying acquisition targets. While the Group has a track record and significant experience of integrating acquired businesses, it may fail to identify all shortcomings or liabilities related to acquisitions or fail to realise all anticipated benefits and synergies.

#### **Risks related to project implementations and customer support**

To ensure that customers maximise their return on investment, the Group's products usually need to be supported by timely implementations, integration with existing customer systems and after sales support services. In general, system implementations, migrations and integrations can be impacted by unforeseen challenges in delivering solutions on time and to budget. These risks can also have an adverse effect on the timing of revenue recognition.

## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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The Group manages these risks by the use of services staff and managers with deep domain expertise, modular, repeatable and predictable project delivery models and project reporting/forecasting processes. The Group uses service delivery centres that are co-located with development teams to continuously refine and improve implementations. However, due to the length and complexity of some implementations and the ongoing modifications to product code, the Group may face unforeseen issues with services deliveries that can have an adverse impact on customer satisfaction and profitability. The Group usually invests in services capabilities in advance of projected new license sales and an unforeseen decline in sales performance can have an adverse impact on services profitability.

Customers can choose from standard support or specialised premium support packages based on their requirements. Many support agreements include service level agreements that the Group needs to comply with. The Group uses trained customer support staff that has deep domain expertise deployed in multiple locations globally to ensure continuous availability of appropriate support levels. The Group also uses a dedicated customer support portal to monitor support queries. However, it is possible that the Group may not comply with support service level agreements which could have an adverse impact on customer satisfaction, profitability and customer retention.

#### **Talent management, performance management and employee retention risks**

The Group considers its people to be its most important asset and relies on the continued service of key staff at various levels within the organisation to succeed. The Group's talent management systems are used to support ongoing identification, development, training and retention of talent and implementation of training programs to ensure staff skills remain relevant and current. Regular benchmarking of compensation and benefits across key markets is conducted to ensure salaries remain competitive.

In addition, a strong recruitment and talent acquisition process is in place to ensure high potential talent is introduced to the Group where needed. However, the Group could be adversely impacted by the loss of key talent and it is possible that such losses, if not managed, can be disruptive to the business.

The Group uses performance management systems to ensure individual and team goals are aligned to corporate objectives. Performance management actions may require workforce restructuring that could be potentially disruptive to the business and could be accompanied by increased restructuring costs and temporary reduction in productivity.

#### **Liquidity, debt, financial control and foreign exchange risks**

The Group aims to achieve outstanding financial performance to ensure sustainable availability of capital and liquidity to allow further investments in people, products and services and appropriate management of the Group's debt and liquidity position. In addition, the Group carries a significant amount of debt with associated interest, repayment and covenant compliance obligations. This means the Group needs to focus on strong financial and cash control, budgeting and reliability of financial forecasts. The Group has a dedicated finance and treasury team that assists management in operating key financial controls over budgets, forecasts and cash flow optimisation. Any unforeseen reductions in revenue or increase in costs or liabilities, especially around seasonal periods of reduced liquidity may have an adverse impact on the Group's financial performance and working capital position.

The Group has operations in around 50 countries and its customers operate in over 130 countries around the world. While the Group's financial performance is measured in US Dollar, a significant amount of the Group's cash flows are denominated in other currencies particularly Euro, Pound Sterling, Indian Rupee, Philippine Peso, and Australian Dollar based on where significant business is conducted around the world. Any significant variations in foreign exchange rates against the US Dollar can have an impact on key financial performance indicators including revenue. The Group operates a hedging strategy to protect a significant portion of anticipated net cash flows in key foreign currencies using forward currency contracts. However, long term variations in foreign exchange rates of key currencies could adversely impact the Group's profitability.





## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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#### **Security and intellectual property risks**

The Group is a provider of financial services software and has to ensure appropriate security of its Information Technology ("IT") infrastructure, products and intellectual property. The Group invests a great deal of time and effort in protecting its IT infrastructure and data including any sensitive data held. The Group's hosting and SaaS offerings go through external security reviews and product security and vulnerability testing is a part of the software development lifecycle. The Group's customers are also increasingly demanding that products contain appropriate security measures, even if they are not hosted on the Group's IT infrastructure. High profile security breaches at other companies have increased over time due to increasingly sophisticated cyber attacks. A highly sophisticated attack on the Group's infrastructure or products installed in a customer's environment could result in the loss of sensitive information or intellectual property or damage to customers' business or regulatory obligations and this could have an adverse impact on the Group's competitiveness and profitability.

In addition, the Group's ongoing development efforts result in the creation of intellectual property ("IP") such as copyrights, trademarks and patents. The Group also embeds third party software within its product solutions to customers. While patenting and other forms of IP protection are utilised to protect the Group's IP it is possible that these processes may not be sufficient to prevent IP theft and could result in loss of competitive advantage. In addition, the Group may face claims by other companies, including patent trolls, claiming infringement or other misuse of IP rights. Responding to such claims, regardless of validity, can be time consuming and expensive and could require the Group to cease selling or releasing certain products.

#### **Business continuity and disaster recovery risks**

The Group has over 4,500 employees in around 50 locations, including a significant presence in Asia, Europe and the Americas. Due to the global nature of the Group's business a significant natural or man-made disaster, political changes, acts of terrorism, restrictions in travel or the movement of people or capital could have an impact on the Group's ability to continue to provide sufficient services to customers or release products on time. While the Group has resilience built into its operations with data backups processes, cloud-based systems and remote working and has successful track record of managing business continuity incidents across multiple locations, the Group's operations could be impacted by major disasters in key sites or countries.

#### **Legal, regulatory and litigation risks**

The Group operates in around 50 locations around the world and is subject to various regulations and laws in each country including health and safety rules, data protection regulations, employment laws, tax regulations and the UK Bribery Act. The Group employs dedicated internal regional legal teams supported by legal advisors and experienced business staff.

The Group's global operations, particularly in emerging economies, increases the risk of inappropriate business conduct. The Group manages this risk through a prescribed code of conduct, anonymous whistleblower sites, anti-bribery training to relevant staff and regular monitoring of customer facing staff and partners. While compliance with all significant laws and regulations is monitored by the regional legal teams there remains a risk that the Group may not be compliant with all applicable laws and regulations in every jurisdiction.

In addition, from time to time the Group has been subject to litigation claims from former employees, customers and business partners. While the Group has appropriate process to manage and account for known litigation (none of which is currently considered to be material to the Group's results and financial position), any new and significant litigation in the future could have an adverse impact on financial performance.

## **Misys Newco 2 S.à r.l.**

### **Managers' report for the year ended 31 May 2015**

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#### **Managers**

The Managers of the Company who were in office during the year and up to the date of signing the consolidated financial statements are

Donald Park (Appointed 19/03/2015)

Oliver Hamou (Appointed 19/03/2015)

Elvin Montes (Appointed 30/04/2015)

Maneet Singh Saroya (Resigned 19/03/2015)

Anne Catherine Grave (Resigned 19/03/2015)

Catherine Koch (Resigned 30/04/2015)

#### **Events after the reporting date**

Apart from as disclosed in note 33 to the consolidated financial statements, no significant events have occurred since the reporting date

#### **Going concern**

The Managers have reviewed the Group's forecasts and assumptions relevant in determining the appropriateness of the going concern basis and, at the time of approving these consolidated financial statements, have a reasonable expectation that the Company and the Group have access to adequate financial resources to continue in operational existence for the foreseeable future. While assessing going concern assumption the Managers noted that the Group has complied with covenant terms since their inception in May 2012 and believe that it will continue to comply with covenant terms in the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the consolidated financial statements, as further discussed in notes to the consolidated financial statements

#### **Subsidiary companies**

The Group conducts its activities through subsidiary companies across the world. A list of principal trading subsidiaries is shown in note 30 to the consolidated financial statements

#### **Financial Instruments**

The financial risk management objectives and policies of the Group are set out in note 26 to the consolidated financial statements

#### **Exemption from audit by Parent Guarantee**

The managers of the Company have decided to apply for exemption from audit by Parent Guarantee for some of its eligible subsidiaries for the year ended 31 May 2015, as permitted by European Union ("EU") directive. A list of subsidiaries applying for the audit exemption under parent guarantee is shown in note 32 to the consolidated financial statements

  
**Elvin Montes**  
B Manager  
29 07. 2015



## **Audit report**

To the Shareholder of  
**Misys Newco 2 S.à r.l.**

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### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Misys Newco 2 S.à r.l. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 May 2015, and the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information

#### *Board of Managers' responsibility for the consolidated financial statements*

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

#### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T +352 494848 1, F +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)

Cabinet de révision agréé Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518



*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Misys Newco 2 S à r l. and its subsidiaries as at 31 May 2015, and of their performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union

**Report on other legal and regulatory requirements**

The Manager's report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 29 July 2015

A handwritten signature in black ink, appearing to read 'Ph D', enclosed within a stylized, elongated oval shape.

Philippe Duren

**Misys Newco 2 S.à r.l.**

**Consolidated income statement for the year ended 31 May 2015**

all figures in \$ millions	Note	Year ended 31 May 2015	Year ended 31 May 2014
Revenue	1	880.5	945.8
Operating expenses	2	(824.2)	(820.6)
Operating profit		56.3	125.2
Finance costs	3	(338.1)	(332.7)
Finance income	3	0.8	1.5
Net finance costs		(337.3)	(331.2)
Loss before taxation		(281.0)	(206.0)
Taxation	4	(30.2)	(26.7)
Loss for the year		(311.2)	(232.7)

**Consolidated statement of comprehensive income for the year ended 31 May 2015**

all figures in \$ millions	Note	Year ended 31 May 2015	Year ended 31 May 2014
Loss for the year		(311.2)	(232.7)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Actuarial gains recognised	20	0.6	0.2
- Tax income / (loss) on items taken directly to equity	10	(5.8)	0.9
		(5.2)	1.1
Items that may be subsequently reclassified to profit or loss			
- Exchange difference on the translation of foreign operations		14.1	(7.0)
Other comprehensive income / (loss) for the year (net of tax)		8.9	(5.9)
Total comprehensive loss for the year		(302.3)	(238.6)
Attributable to:			
- Owners of the parent		(302.3)	(238.6)

The notes on pages 16 to 59 are an integral part of these consolidated financial statements

**Misys Newco 2 S.à r.l.**

**Consolidated statement of financial position as at 31 May 2015**

all figures in \$ millions	Note	2015	2014
<b>Non-current assets</b>			
Goodwill	6	1,614.1	1,686.3
Other intangible assets	7	918.8	1,093.4
Property, plant and equipment	8	28.7	34.8
Investments	9	2.5	2.8
Deferred tax assets	10	9.6	12.3
Derivative financial instruments	11	8.2	1.4
Trade and other receivables	12	31.6	23.3
		<b>2,613.5</b>	<b>2,854.3</b>
<b>Current assets</b>			
Trade and other receivables	12	335.8	375.8
Derivative financial instruments	11	18.5	3.5
Current tax asset		3.1	2.4
Restricted cash	22	0.9	1.4
Cash and cash equivalents	22	40.3	50.8
		<b>398.6</b>	<b>433.9</b>
<b>Total assets</b>		<b>3,012.1</b>	<b>3,288.2</b>
<b>Equity and liabilities</b>			
Share capital	13	-	-
Share premium	13	10.4	10.4
Other reserves	14	(1,031.2)	(728.9)
<b>Total equity</b>		<b>(1,020.8)</b>	<b>(718.5)</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	8.8	12.0
Borrowings	16	1,803.7	1,846.9
Preferred Equity Certificates	17	1,564.8	1,391.6
Derivative financial instruments	11	1.1	4.3
Deferred tax liabilities	10	148.4	182.3
Provisions	18	4.0	5.2
Deferred income	19	15.6	14.6
Retirement benefit obligations	20	6.7	7.3
		<b>3,553.1</b>	<b>3,464.2</b>
<b>Current liabilities</b>			
Trade and other payables	15	182.6	213.8
Derivative financial instruments	11	4.0	6.2
Current tax liabilities		52.3	52.7
Provisions	18	2.8	2.7
Deferred income	19	238.1	267.1
		<b>479.8</b>	<b>542.5</b>
<b>Total equity and liabilities</b>		<b>3,012.1</b>	<b>3,288.2</b>

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

The financial statements on pages 12 to 59 were approved by the Board of Managers on 29 07 2015 and signed on its behalf by *Elvin Montes, B Manager*

*Elvin Montes*

Manager

**Misys Newco 2 S.à r.l.**

**Consolidated statement of changes in equity for the year ended 31 May 2015**

<i>all figures in \$ millions</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Total equity</b>
<b>Balance at 1 June 2014</b>	-	10.4	(728.9)	(718.5)
Loss for the year	-	-	(311.2)	(311.2)
Other comprehensive income for the year	-	-	8.9	8.9
<b>Total comprehensive loss for the year</b>	-	-	(302.3)	(302.3)
<b>Balance at 31 May 2015</b>	-	10.4	(1,031.2)	(1,020.8)
<b>Balance at 1 June 2013</b>	-	10.2	(490.1)	(479.9)
Loss for the year	-	-	(232.7)	(232.7)
Other comprehensive loss for the year	-	-	(5.9)	(5.9)
<b>Total comprehensive loss for the year</b>	-	-	(238.6)	(238.6)
Other movements	-	0.2	(0.2)	-
<b>Balance at 31 May 2014</b>	-	10.4	(728.9)	(718.5)

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

**Misys Newco 2 S.à r.l.**

**Consolidated statement of cash flows for the year ended 31 May 2015**

	Note	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>			
<b>Operating activities</b>			
Net cash flow generated from operations	21	291.7	310.0
Interest paid		(145.1)	(148.1)
Interest received		-	0.1
Net taxation paid	4	(72.5)	(53.1)
<b>Net cash flow from operating activities</b>		<b>74.1</b>	<b>108.9</b>
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired	5	(24.9)	(41.5)
Expenditure on developed software	7	(34.2)	(31.9)
Reduction in restricted cash	22	0.5	1.0
Purchase of third party software	7	(4.4)	(8.8)
Purchase of property, plant and equipment	8	(6.5)	(12.6)
Proceeds from sale of investments	9	-	0.5
Proceeds from sale of property, plant and equipment	8	-	0.1
<b>Net cash flow used in investing activities</b>		<b>(69.5)</b>	<b>(93.2)</b>
<b>Financing activities</b>			
Repayment of borrowings	22	(13.1)	(19.5)
Proceeds from borrowings	22	-	247.2
Capitalised fees in respect of bank loans	22	-	(20.6)
Redemption of PECs	17	-	(198.8)
<b>Net cash flow (used in)/from financing activities</b>		<b>(13.1)</b>	<b>8.3</b>
<b>(Decrease) / Increase in cash and cash equivalents in the year</b>		<b>(8.5)</b>	<b>24.0</b>
<b>Net cash and cash equivalents at the start of the year</b>		<b>50.8</b>	<b>26.3</b>
<b>Differences on exchange</b>		<b>(2.0)</b>	<b>0.5</b>
<b>Net cash and cash equivalents at the end of the year</b>	22	<b>40.3</b>	<b>50.8</b>

The notes on pages 16 to 59 are an integral part of these consolidated financial statements



## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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The Company is a 'Société à Responsabilité Limitée', domiciled in Luxembourg. The Company's country of incorporation is Luxembourg and its registered address is 19, Rue de Bitbourg, L -1273 Luxembourg.

#### **Nature of entity operations and principal activities**

The Group's principal activities are the development, management and licensing of a variety of software products and solutions to customers in the financial services industry.

#### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations as adopted by the EU and in accordance with Luxembourg laws and regulations.

The preparation of 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 presentation of the consolidated income statement has been revised to align with how costs are incurred and managed by the Group. Cost of sales, sales and marketing expenses, and general and administrative expenses have been condensed into operating expenses and supplemented by note 2 which discloses a breakdown of certain line items.

#### **Going concern**

The Group's forecasts and projections, taking account of reasonable potential variations in trading performance, show that the Group is expected to operate within the level of its current financing facilities for the foreseeable future. In making this assessment, the Group has considered bank covenant compliance and the ability to operate within those covenants with adequate headroom to take into account risks in future expected cash flows.

After making enquiries, the Managers of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

#### **Changes in accounting policy and disclosures**

##### *New and amended standards adopted by the Group*

The following IFRSs and IFRIC interpretations and amendments have been adopted by the Group but none had any material impact on the Group results or financial position.

- IFRS 10, 'Consolidated financial statements' and related amendments to IAS 27 Separate Financial Statements,
- IFRS 11, 'Joint arrangements' and related amendments to IAS 28 Investments in Associates and Joint Ventures,
- IFRS 12, 'Disclosures of interests in other entities',
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities,
- Amendment to IAS 32, 'Financial instruments: Presentation' - Offsetting financial assets and financial liabilities,
- Amendment to IAS 36, 'Impairment of assets' – Recoverable amount disclosures for non-financial assets,
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' – Novation of derivatives and continuation of hedge accounting; and
- IFRIC 21, 'Leases'

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

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#### *New standards, amendments and interpretations not yet effective*

The following new standards, interpretations, improvements and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 June 2015 or later periods but the Group has not adopted these early:

- IFRS 9 'Financial instruments' (not yet endorsed by the EU),
- Amendments to IFRS 10 and IAS 28 (not yet endorsed by the EU),
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation' (not yet endorsed by the EU),
- IFRS 14, 'Regulatory deferral accounts' (not yet endorsed by the EU),
- Improvements to IFRSs 2010-2012 (effective from 1 June 2015),
- Improvements to IFRSs 2011-2013 (effective from 1 June 2015),
- Amendment to IAS 16 'Property, plant and equipment' on depreciation and Amendment to IAS 38, 'Intangible assets', on amortisation (not yet endorsed by the EU),
- Amendment to IAS 19, 'Defined Benefit Plans' - Employee Contributions (effective from 1 June 2015), and
- Amendment to IAS 27, 'Separate financial statements' (not yet endorsed by the EU)

The Group has undertaken an initial review of the impact of these new standards, interpretations and amendments and has concluded that they are unlikely to significantly impact the Group's results or financial position

On 28 May 2014, the International Accounting Standards Board ("IASB")-issued IFRS 15 'Revenue from contracts with customers'. The standard is expected to become effective for the Group's accounting period beginning on 1 June 2018, subject to endorsement by the EU. The Group is in the early stages of analysing the potential impact of the standard on its consolidated financial statements. This impact could be material, in particular in the areas of allocating revenue to the different performance obligations under one contract and the timing of revenue recognition

A summary of the Group's accounting policies is given below

#### **Accounting convention**

The consolidated financial information has been prepared under the historical cost convention, except for certain items which are measured at fair value, as disclosed in the accounting policies below. These accounting policies have been consistently applied to all years presented, unless otherwise stated

#### **Basis of consolidation**

The Group's financial statements consolidate the financial statements of Misys Newco 2 S.à r.l. and its subsidiary undertakings. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity

Subsidiary undertakings acquired during the year are included in the financial statements from the date at which control passes to the Group. Subsidiary undertakings disposed of are included in the financial statements up to the date at which control passes from the Group. Accordingly, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flow include the results and cash flows for the period of control

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated

## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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#### **Revenue recognition**

Revenue represents the fair value of consideration received or receivable from clients for services provided by the Group, stated net of discounts, returns and value added taxes. Revenue is recognised when a legal right to consideration exists and can be reliably measured, delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable

Where these circumstances exist but no invoice to the customer has been raised, under the terms of the contracts, revenue is recognised but the corresponding receivable is shown as accrued income in the consolidated statement of financial position

The Group generates revenue as follows

- Licence fees,
- Maintenance fees;
- Professional Services, and
- Subscriptions

Revenue is recognised in accordance with IAS 18 – ‘Revenue’ in determining the amount of revenue to be recognised, management exercise judgement, and also adopt estimates in reaching certain conclusions. Management considers guidance from software industry common practice in forming its estimates

#### *Licence fees*

The Group grants its customers licences to use its software. This revenue can relate to (a) ILF, where a fee relates to the right to use a software product, including significant upgrades pertaining to customers purchasing new modules or user rights, and (b) Roadmap Accelerator (“RA”), where a fee is payable for a significant variation of an existing product.

Where a licence is not subject to material modification or customisation certain criteria must be met before revenue is recognised

- Arrangement existence is evidenced,
- Software has passed internal quality checks and is deemed generally available,
- Delivery to the customer has occurred,
- Risks and rewards of ownership have been transferred from the Group to the customer,
- Revenue, and associated costs, can be measured reliably and are not subject to further adjustment, and
- Collection from the customer is deemed probable

In instances where significant vendor obligations exist, revenue recognition is deferred until the obligation has been satisfied. No revenue is recognised for multiple deliverables or multiple element products if an element remains undelivered and is essential to the functionality of the elements already delivered

ILF on heavily customised software, together with associated Professional Services revenue, are treated as a single deliverable and recognised on a percentage of completion basis over the period from commencement of performance to customer acceptance

#### *Maintenance fees*

Maintenance of software is often included in licence agreements. The pricing is usually based on a percentage of the ILF, which is common practice in the industry. The Maintenance fee provides customers with rights to unspecified product upgrades, enhancements and help desk access during a defined support period. This revenue is recognised rateably over the term of the contract

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

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#### *Professional Services*

Revenue is generated from training, consulting and implementation services. These services are reflected in separate contracts to licence contracts and can be either on a time and materials or fixed price basis. A percentage of completion approach is adopted to account for fixed-price contracts, which is in accordance with the rules applicable to long-term contract revenue recognition in IAS 11 – 'Construction Contracts'. This involves a comparison of costs incurred to date with total expected costs of the contract. Losses on contracts are recognised at the point a loss is foreseen by reference to estimated costs of completion.

#### *Subscriptions*

In addition to the revenue streams above, the Group earns other revenues as follows:

- Hosting revenue is generated by way of an additional subscription fee payable to the Group to provide a software hosting service. Fees are recognised on a straight-line basis over the term of the contract,
- SaaS revenue is generated whereby the customer pays a subscription fee to cover the software, maintenance and hosting service. Fees are recognised on a straight-line basis over the term of the contract, and
- Leasing revenue is generated by way of granting customers licence access, and providing maintenance support. Fees are recognised on a straight-line basis over the term of the contract.

#### *Multiple element arrangements*

The Group often enters into transactions with customers that include multiple elements such as software licence, maintenance and professional services revenues. The revenues from these arrangements are generally accounted for separately. The factors considered in determining whether the revenue should be accounted for separately include the nature of the services, the existence of the fair value for the separable elements, the timing of payments and the acceptance criteria on the realisability of the software licence fee.

Revenue from multiple element arrangements is allocated to the different elements based on their fair value. Fair value for professional services is determined by market pricing for equivalent performance obligation sold separately or the "cost plus reasonable margin" methodology when market data does not exist.

When revenue is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate revenue to the delivered element. Revenue for delivered elements is recognised when the revenue recognition criteria described above are met and revenue is free from any future uncertainties or adjustments attributable to the undelivered elements from which a portion of the fees have been allocated. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

#### *Pensions*

The Group operates a number of defined contribution pension schemes covering the majority of its employees. The costs of these pension schemes are charged to the consolidated income statement as incurred. In addition, the Group has a closed funded defined benefit pension scheme in the UK, as well as a number of other smaller defined benefit arrangements outside the UK.

The remaining active members of the closed UK defined benefit scheme now contribute to a defined contribution section of the scheme and do not accrue further benefits under the defined benefit scheme. Full independent actuarial valuations of the defined benefit scheme are carried out on a regular basis and updated at each reporting date. The assets of the schemes are held separately from those of the Group.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full on the consolidated statement of financial position. Any current or past service cost and administration expenses are recognised in the consolidated income statement as are the net interest on the schemes' liabilities.

## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income as they arise

#### **Leases**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases such as rentals, are charged to the consolidated income statement on a straight-line basis over the period of the lease, taking into account the benefit of any rent free period or other incentives.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment held under finance leases is capitalised in the consolidated statement of financial position at the lower of cost or present value of the minimum lease payments and is depreciated over its useful life. The capital elements of future obligations under leases are included as liabilities in the consolidated statement of financial position.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of return on the remaining balance of the liability.

#### **Taxation**

Taxation comprises the amount chargeable on the profits for the year, together with deferred taxation. Deferred taxation is recognised, using the liability method, in respect of all temporary differences arising between tax basis of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient taxable profits from which the underlying temporary differences can be deducted or where there are deferred tax liabilities against which the assets can be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient profits will be available. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognised in the consolidated income statement except when the tax relates to items charged or credited directly to the statement of comprehensive income or directly in equity, in which case the tax is also recognised in the other comprehensive income or directly in equity.

#### **Foreign currencies**

Items included in the financial statements of Group entities are measured using the currency of the primary economic environment in which each entity operates known as the functional currency. The consolidated financial statements are presented in US Dollars as this is considered to be the currency of the primary economic environment of the Group.

Foreign currency transactions are translated into the functional currency of the subsidiary using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 within 'Operating expenses'.

Goodwill and intangible assets recognised on the acquisition of entities whose functional currency is not US dollar is treated as an asset of that entity and translated at the closing rate.

## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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The Group hedges its exposure to certain foreign exchange risks using derivatives and foreign currency borrowings. Details of the accounting policies in respect of these items are given in the derivative financial instruments section.

#### *Translation of Group companies*

Financial statements of subsidiaries whose functional currency is not the US Dollar are translated into US Dollar at the exchange rates prevailing at the end of the reporting period for items in the statement of financial position, and at average exchange rates for consolidated income statement items.

All effects of exchange rate adjustments are recognised in the consolidated income statement, with the exception of exchange rate adjustments of investments in subsidiaries arising from

- the translation of foreign subsidiaries' net assets at the beginning of the year to the exchange rates at the end of the reporting period,
- the translation of foreign subsidiaries' statement of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period, and
- the translation of non-current intra-Group balances that are considered to be an addition to net investments in subsidiaries.

These specific exchange rate adjustments are recognised in other comprehensive income.

If the subsidiary undertaking is subsequently sold or closed, cumulative gains or losses recognised in other comprehensive income are recycled to the consolidated income statement as part of the profit or loss on disposal. If a non-current intra-Group balance is settled or altered to a point it is no longer considered part of the net investments in a subsidiary undertaking, any related foreign exchange gains or losses which had previously been recorded to the statement of other comprehensive income are recycled to the consolidated income statement as part of operating expenses.

#### **Business combinations**

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. These include such items as brand names, customer relationships and complete technology, to which value is first attributed at the time of acquisition. The capitalisation of these assets and related amortisation charges are based on judgements about the value and economic life of such items. These economic lives for intangible assets are estimated at between three and fifteen years.

The excess of purchase consideration and the fair value of separable assets and liabilities acquired is allocated to goodwill and recognised as an intangible asset. Goodwill is not amortised but is reviewed for impairment annually and whenever there is a potential indicator of impairment. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

On the disposal of a previously acquired subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

#### *Transaction costs*

Acquisition-related costs are expensed as incurred once any related contingencies have been resolved.

## **Misys Newco 2 S.à r.l**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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#### **Other intangible assets and research and development expenditure**

Research expenditure is expensed in the period in which it is incurred. Expenditure on developed software is capitalised when the Group is able to demonstrate all of the following: the technical feasibility of the resulting asset, the ability and intention to complete the development and use or sell it, how the asset will generate probable future economic benefits, and, the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised expenditure on internally developed software is amortised over its useful economic life in line with expected future economic benefits, once the related software product is available for use.

Development costs which do not meet these criteria are recognised in the consolidated income statement as incurred and are not subsequently capitalised.

Development costs that are directly attributable to the design and testing of identifiable and unique third party software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use,
- Management intends to complete the software product and use or sell it,
- There is an ability to use or sell the software product,
- It can be demonstrated how the software product will generate probable future economic benefits,
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which is between three and seven years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Intangible assets purchased separately, such as software licenses that do not form an integral part of related hardware, are capitalised at cost and amortised over their useful economic lives.

Intangible assets acquired through a business combination are initially measured at fair value and amortised on a systematic basis that reflects the pattern of benefits expected over their useful economic lives. If the pattern of future benefits cannot be determined reliably, the intangible assets are amortised on a straight line basis. The amortisation period is reviewed annually.

Estimated useful lives by major class of assets are as follows:

Complete technology	3 - 7 years
Customer relationships	4 - 15 years
Other acquired intangibles	2 - 15 years
Internally developed software	3 - 5 years
Third party software	3 - 7 years

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight line basis so as to write off the cost, less estimated residual value of each asset, over its expected useful life.

## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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The residual values and useful economic lives of property, plant and equipment are reviewed annually. The useful lives by major class of asset applied from the date of purchase are:

Buildings	20 - 30 years
Leasehold improvements	5 - 15 years or the period of the lease if shorter
Computer and other equipment	4 - 15 years

#### **Impairment of assets**

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and annually in the fourth quarter.

Goodwill and developed software not yet brought into use are reviewed for impairment annually. For the purpose of impairment testing, assets are grouped at the lowest levels for which goodwill is allocated and goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Prior impairments of assets (other than goodwill) are reviewed for possible reversal annually.

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 to sell and its value in use.

Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

#### **Financial assets**

Financial assets are classified in the following categories: 'at fair value through profit or loss', 'loans and receivables', and 'available for sale'.

'Financial assets at fair value through profit or loss' are financial assets held for trading or where designated as such on original recognition. Derivatives are also classified as held for trading unless they are designated as effective hedges. Gains and losses arising from changes in fair value of 'financial assets at fair value through profit or loss' are included in the consolidated income statement in the period in which they arise. Financial assets at fair value through profit or loss are subsequently held at fair value.

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost.

'Available for sale' financial assets are measured at fair value. Unrealised gains and losses are recognised in equity except for impairment losses, interest and dividends arising from those assets which are recognised in the consolidated income statement.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash held at bank and in hand together with short-term highly liquid investments with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to an insignificant change in value.



## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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#### **Restricted cash**

Restricted cash is disclosed separately on the face of the consolidated statement of financial position and denoted as restricted when it is not under the exclusive control of the Group

#### **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Where there is objective evidence that there is an impairment loss, the amount of loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of loss is recognised in the consolidated income statement within operating expense. The carrying amount of a receivable is reduced by appropriate allowances for estimated irrecoverable amounts through the use of an allowance account for trade receivables. Amounts charged to the allowance account are written off when there is no expectation of further recovery. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated income statement.

#### **Investments**

Equity investments are classified as 'fair value through profit or loss'. Gains and losses arising from changes in fair value are included in the consolidated income statement in the period in which they arise.

#### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated, no provision is recognised and the item is disclosed as a contingent liability where material.

#### **Onerous property contracts**

Provision for onerous lease commitments on property contracts is made when a property is no longer used by the Group and is based on an estimate of the net unavoidable lease and other payments in respect of these properties including dilapidation costs. These comprise rental and other property costs payable, plus any termination costs, less any income expected to be derived from the properties being sublet. The provisions are discounted at an appropriate rate to take into account the effect of the time value of money.

#### **Borrowings**

Borrowings consist of term loans, overdrafts and other short term facilities, and are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement, within finance costs, over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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#### **Preferred Equity Certificates**

The Group has additional financing in the form of PECs issued to the immediate parent company Misys Newco S.à r.l. The PECs are repayable in cash within a period of up to 49 years from inception and have a contractual requirement to accrue and pay interest and accordingly have been classified as a liability

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Changes in the fair value of derivative financial instruments, where they are not designated as hedging instruments, are recognised in the consolidated income statement because the requirements that permit hedge accounting in certain circumstances were not satisfied.

Certain forecast non-US Dollar cash flows of the Group in key currencies are hedged with forward currency contracts. Hedge accounting is not applied and the gains and losses are recorded in the consolidated income statement in operating expenses

Certain financial assets and liabilities, which are denominated in currencies other than those of the functional currencies of the entities concerned, may also be hedged using forward currency contracts. Gains and losses on these contracts are recorded in operating expenses together with offsetting gains and losses on the underlying items

#### ***Embedded derivatives***

Certain long-term software licensing contracts are priced in currencies which are not the functional currencies of the entities entering into the contracts or are not common contracting currencies in the location in which the transaction takes place. Such contracts are considered to contain an embedded foreign currency derivative which must be extracted from the host contract and measured separately at each reporting date. Gains or losses on these derivatives are charged or credited to the consolidated income statement. The contracts are generally of up to 10 years' duration and this is therefore the period over which the assets and liabilities recognised in the consolidated statement of financial position are expected to crystallise

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The effect of grants, which include incentives structured as R&D tax credits, is to reduce the value of the asset of expense

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are disclosed as a liability in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets

#### **Critical accounting estimates and judgements**

In making estimates and assumptions, actual outcomes could differ from those assumptions and estimates. The critical judgements that have been made in arriving at the amounts recognised in the Group's financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year is discussed below

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

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#### *Revenue recognition*

The recognition of ILF revenue is dependent upon fair value allocation, separability of components, collectability and there being no significant vendor obligations outstanding. Management exercises judgement in assessing whether such obligations are significant and, if necessary, the value of the revenue to be deferred. Such revenue is recognised on signing only for products which are judged to be in a state fit for general availability and ready to be shipped, to contain all planned components and to have completed quality testing.

The revenue and profit of fixed price Professional Services contracts is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. Management exercises judgement in identifying onerous service contracts and determining whether a contract's outcome can be estimated reliably. Management also makes estimates in the calculation of future contract costs, fair values of contracts, the value of discounts given, the value of upgrade clauses in contracts which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually revised based on changes in the facts relating to each contract.

#### *Impairment of goodwill and intangible assets*

Goodwill and other intangible assets are reviewed annually for impairment. An impairment review requires an estimate to be made of the 'value in use' or the 'fair value less costs to sell' as appropriate. The value in use calculation includes estimates about the future financial performance of the cash generating units, including management's estimates of long-term operating margins and long-term growth rates. In the current period, management has assessed the recoverable amount of the cash generating units based on their values in use and no impairments have arisen. A reasonably possible change in the assumptions used however could result in impairment and consequently a sensitivity analysis has been disclosed in note 6.

#### *Capitalisation of development costs*

Expenditure on developed software is capitalised when the Group is able to demonstrate all of the following: the technical feasibility of the resulting asset, the ability and intention to complete the development and use or sell it, how the asset will generate probable future economic benefits, and the ability to measure reliably the expenditure attributable to the asset during its development. Management estimates the future sales and long-term operating margins of the asset.

#### *Onerous property contracts*

Property provisions require an estimate to be made of the net present value of the future costs of vacant and sublet properties. The calculation includes estimates of future cost involved, including management's estimates of the long term letting potential of the properties.

#### *Taxation*

Tax authorities continue to increase their requirements on the maintenance of a good tax control framework on which to base the multiple tax filings the Group is required to make to numerous authorities globally. Management use this documented process to review key judgement risk areas to determine the financial statement impact from these filings. Tax authorities are also examining more closely how low taxable profits are matched to business activities conducted in different jurisdictions.

These estimates and judgements are regularly reassessed and changes in the expected financial statement impact accounted for in the period in which the reassessment is made.

#### *Provision for the impairment of trade receivables and accrued income*

Provision for the impairment of trade receivables and accrued income requires an estimate for the recoverability of the outstanding receivables and accrued income keeping in view various implementation challenges, disputes with customer, customers experiencing financial difficulty and receivables which have become significantly aged. Management's estimates include reasonable resolution of these matters along with customer financial standing to ensure that the trade receivable will be collected.

**Misys Newco 2 S.à r.l.**

**Notes to the consolidated financial statements for the year ended 31 May 2015**

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*Pensions*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

*Research and development tax credits*

The Group has filed claims for research and development tax credits and management's estimate of the recoverable amount relies upon procedures in place to support the assessment and documented processes and controls to support these claims.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 1 Revenue

Revenue by activity is as follows

	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>		
Initial licence fees	205.4	260.7
Maintenance fees	474.5	478.2
Professional Services	164.4	169.7
Subscription	36.2	37.2
	<b>880.5</b>	<b>945.8</b>

The Group is exempt from IFRS 8 - 'Operating Segments' and accordingly is not required to present segmental information

#### 2 Operating expenses

Operating expenses are comprised of the following

	Note	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>			
Non-recurring charges		23.5	10.5
Goodwill impairment	6	60.0	-
Amortisation of other intangible assets	7	210.2	200.9
Depreciation of property, plant and equipment	8	9.8	9.0
Capitalised software development costs	7	(34.2)	(31.9)
Capitalised software development costs written off	7	3.3	-
Investor's management fees	25	1.4	2.4
Realised trading foreign exchange loss / (gain)		(1.2)	1.4
Net other foreign exchange (gain) / loss		11.6	(4.2)
(Gain) / loss on forward currency contracts	11	(37.3)	7.8
(Gain) / loss on embedded derivatives	11	(7.9)	4.0
Employee costs (see below)		363.2	397.4
Other operating expenses (see below)		221.8	223.3
		<b>824.2</b>	<b>820.6</b>

Non-recurring charges consists of acquisition and integration costs of \$1.1m (2014 \$1.1m) and restructuring related charges of \$22.4m (2014 \$9.4m)

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**Misys Newco 2 S.à r.l.****Notes to the consolidated financial statements for the year ended 31 May 2015**

Employee costs comprise of

	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>		
Wages, salaries and benefits including redundancy costs	307.7	340.0
Social security costs	38.8	40.7
Pension costs		
Defined contribution plans	15.8	15.3
Defined benefit plans	0.9	1.4
	<b>363.2</b>	<b>397.4</b>

Remuneration of Managers and key management personnel is disclosed in note 25. The average monthly number of people employed by the Group during the year was 4,635 (2014 4,412)

Other operating expenses include

	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>		
Sales commissions and sales related bonus	29.1	35.5
Third party royalty fees	17.2	15.7
Agency fees	4.1	4.4
Subcontractor costs	37.5	29.2
Direct sales costs	1.7	0.2
Marketing expenses	9.9	7.3
Travel expenses	31.8	33.7
People related expenses	6.3	8.4
Occupancy costs	32.7	32.6
Information systems costs	30.9	32.4
Legal and professional costs	11.4	10.7
Other costs	9.2	13.2
	<b>221.8</b>	<b>223.3</b>

During the year, the Group obtained the following services from the Company's auditors and its associates

	Year ended 31 May 2015	Year ended 31 May 2014
<i>all figures in \$ millions</i>		
Fees payable to Company's auditors and its associates for the audit of the consolidated financial statements	0.7	0.7
Fees payable to Company's auditors and its associates for the audit of the Company's subsidiaries	0.8	1.1
	<b>1.4</b>	<b>1.8</b>
Tax services	0.7	0.8
Other non-audit services	-	0.2
	<b>2.2</b>	<b>2.8</b>

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 3. Net finance costs

all figures in \$ millions	Note	Year ended 31 May 2015	Year ended 31 May 2014
<b>Interest expense</b>			
- Borrowings	16	(144.5)	(144.4)
- PECs	17	(174.4)	(167.6)
- Accretion of discount on provisions	18	(0.2)	(0.9)
Amortisation of financing facility costs	16	(16.8)	(18.2)
Net financing charge relating to pensions		(0.2)	(0.6)
Fair value losses on investments	9	(0.3)	(0.1)
Other finance costs		(1.7)	(0.9)
<b>Finance costs</b>		<b>(338.1)</b>	<b>(332.7)</b>
Interest received on cash and cash equivalents		-	0.1
Accretion of discount on trade receivables		0.8	1.4
<b>Finance income</b>		<b>0.8</b>	<b>1.5</b>
<b>Net finance costs</b>		<b>(337.3)</b>	<b>(331.2)</b>

#### 4 Taxation

##### Taxation on ordinary activities

all figures in \$ millions	Note	Year ended 31 May 2015	Year ended 31 May 2014
<b>Current taxation</b>			
Corporation tax on losses for the year		(50.2)	(53.0)
Adjustments in respect of prior year		(5.5)	(3.3)
Irrecoverable withholding taxes		(12.1)	(10.4)
Current taxation		(67.8)	(66.7)
Deferred taxation	10	37.6	40.0
<b>Tax expense</b>		<b>(30.2)</b>	<b>(26.7)</b>

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

The difference between actual tax income computed using a weighted average rate and the tax computed on the Group's loss can be explained as follows.

	Year ended 31 May 2015	Year ended 31 May 2014
all figures in \$ millions		
Loss before taxation	(281.0)	(206.0)
Tax credit on loss on ordinary activities at the weighted average rate of 19.4% (2014 18.8%)	54.6	38.7
Tax effects of:		
Permanent differences	(14.5)	1.6
Interest expense not deductible for tax purposes	(24.7)	(25.2)
Remeasurement of deferred tax due changes in tax rates	0.2	11.3
Temporary differences for which no deferred tax asset recognised	(32.5)	(37.4)
Prior year adjustments for current tax	(5.5)	(3.3)
Prior year adjustments for deferred tax	4.3	(2.0)
Irrecoverable withholding tax	(12.1)	(10.4)
Tax charge	(30.2)	(26.7)

The weighted average tax rate is calculated using the underlying statutory tax rates in the location where the profits arise. Deferred tax movements are described in note 10.

A tax charge of \$5.8m (2014 credit of \$0.9m) related to currency translation differences has been recognised in reserves.

## 5 Business combinations

### Acquisition of CCS

On 8 August 2014 the Group acquired 100% of the issued and outstanding membership interests of CCS for a total consideration of \$26.6m (\$24.9m, net of cash acquired). CCS is a software business based in the US which provides a loan origination product for the banking sector.

The value of the assets and liabilities acquired in the purchase of CCS and the associated fair value adjustments related to those assets are as follows:

all figures in \$ millions	Book value	Provisional fair value adjustments	Provisional fair value at 8 August 2014
Intangible assets	-	9.8	9.8
Property, plant and equipment	0.2	-	0.2
Cash and cash equivalents	1.7	-	1.7
Trade and other receivables	1.8	-	1.8
Accrued income	-	0.1	0.1
Trade and other payables	(0.2)	-	(0.2)
Accruals	(0.5)	-	(0.5)
Deferred income	(1.2)	(2.4)	(3.6)
Net assets acquired	1.8	7.5	9.3
Goodwill			17.3
Cash consideration			26.6



## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

An analysis of enterprise value of CCS is as shown below

all figures in \$ millions	8 August 2014
Consideration paid in cash	26.6
Cash acquired	(1.7)
<b>Enterprise value of CCS</b>	<b>24.9</b>

The assets and liabilities and the amounts allocated to them are provisional and are subject to adjustment during the year ending 31 May 2016 if new information is obtained about the facts and circumstances that existed at the acquisition date

Goodwill arising on the acquisition of CCS is principally attributable to future profits from new customers in new markets and regions, through cross selling opportunities and the assembled workforce. Costs associated with the acquisition of CCS of \$1.0m are included in operating expenses in the consolidated income statement

Revenue and profit of CCS were not material to the Group's financial performance in 2015. The revenue and profit that CCS would have contributed had it been consolidated from 1 June 2014 would not have been material to the Group

#### Acquisition of IND

On 8 February 2014, the Group acquired 100% of the issued share capital of IND for a total consideration of €32.9m (\$44.5m). IND is a front end system developer focused on the banking sector

all figures in \$ millions	Book value	Fair value adjustments	Fair value at 8 February 2014
Intangible assets	-	17.3	17.3
Property, plant and equipment	1.0	-	1.0
Deferred tax assets (liabilities)	0.5	(3.3)	(2.8)
Cash and cash equivalents	3.0	-	3.0
Trade and other receivables	3.2	-	3.2
Accrued income	1.1	0.2	1.3
Borrowings	(2.8)	-	(2.8)
Accruals	(1.5)	-	(1.5)
Deferred income	(1.9)	(1.3)	(3.2)
Other liabilities	(3.0)	-	(3.0)
<b>Net assets acquired</b>	<b>(0.4)</b>	<b>12.9</b>	<b>12.5</b>
<b>Goodwill</b>			<b>32.0</b>
<b>Cash consideration</b>			<b>44.5</b>

An analysis of enterprise value of IND is as shown below.

all figures in \$ millions	8 February 2014
Consideration paid in cash	44.5
Cash acquired	(3.0)
Borrowings discharged as part of acquisition	2.8
<b>Enterprise value of IND</b>	<b>44.3</b>

External debt of IND was settled by the Group as part of the acquisition. No subsequent fair value adjustments have been made since acquisition. Goodwill arising on the acquisition of IND is principally attributable to future profits from new customers in new markets and regions, through cross selling opportunities and future profits from new banking technologies strengthened by adding mobile banking technologies and the assembled workforce. Revenue and profit of IND were not material to the Group's financial performance in 2014. The revenue and profit that IND would have contributed to the 2014 year had it been consolidated from 1 June 2013 were not material.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 6. Goodwill

all figures in \$ millions	31 May 2015	31 May 2014
Cost and net book value at 1 June	1,686.3	1,648.0
Differences on exchange	(29.5)	6.3
Acquisition of IND (note 5)	-	32.0
Acquisition of CCS (note 5)	17.3	-
Impairment charge	(60.0)	-
<b>Cost and net book value at 31 May</b>	<b>1,614</b>	<b>1,686.3</b>

#### Goodwill impairment testing

Goodwill acquired through business combinations has been allocated for the purposes of impairment testing to cash-generating units ("CGUs"). The Group conducts annual impairment testing on the carrying value of goodwill, which is based on the recoverable amount of the CGU to which goodwill has been allocated.

The recoverable amounts of CGUs are determined by way of value in use ("VIU") calculations. The determination of whether or not goodwill has been impaired requires an estimate to be made of the VIU of the CGU to which goodwill has been allocated.

The VIU calculations use pre-tax cash flows of each CGU, based on the approved budget for the year ending 31 May 2016 and medium term plans for the following three years which are consistent with the recent financial performance of the relevant CGU. A growth rate of 3.8% (2014: 4.5%) was used based on current and expected future performance for year five. Thereafter, a long term growth rate of 2% (2014: 2%) has been used.

#### Change in CGUs

Management identified CGUs as part of an initial impairment review conducted as at 31 May 2013. There has been a series of events which concluded in 2015 which have changed the way the Group operates. This includes:

- Rebranding of product base;
- Evolution of product base - includes new products and suites of products;
- Full integration of the Turaz and Sophis businesses; and
- Acquisition and integration of IND and CCS

As a result of the above, a re-assessment of CGUs for impairment review purposes was considered necessary for the year ended 31 May 2015 to better reflect the construct of the business, the results of which are below:

All figures in \$ millions		Reallocation				
31 May 2014						
CGUs	Opening	IND	Turaz	Sophis	Closing	1 June 2014 CGUs
Capital Markets	350.7	-	245.5	84.0	680.2	MisysFusionCapital
Sophis	201.4	-	-	(84.0)	117.4	MisysFusionInvest
Core Banking	391.8	32.0	-	-	423.8	MisysFusionBankingCore
Corporate						
Lending	155.4	-	-	-	155.4	MisysFusionBankingLending
Enterprise Risk	71.0	-	19.0	-	90.0	MisysFusionRisk
Transaction						
Banking	189.0	-	30.5	-	219.5	MisysFusionBankingTransactions
	1,359.3	32.0	295.0	-	1,686.3	
Turaz	295.0	-	(295.0)	-	-	
IND	32.0	(32.0)	-	-	-	
<b>Total goodwill</b>	<b>1,686.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,686.3</b>	

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

Upon initial recognition goodwill was allocated to each CGU based on the expected performance of the CGU. The reallocation of goodwill as set out above reflects the changes in how the Group operates and manages its product base

The table below shows the allocation of the carrying value of goodwill as at the reporting period by CGU

#### 2015

all figures in \$ millions	
FusionCapital	655.4
FusionInvest	117.4
FusionBankingCore	419.1
FusionRisk	30.0
FusionBankingTransaction	219.5
FusionBanking Lending	172.7
<b>Total</b>	<b>1,614.1</b>

#### 2014:

all figures in \$ millions	
Capital Markets (excluding Sophis)	350.7
Sophis	201.4
Core Banking	391.8
Corporate Lending	155.4
Enterprise Risk	71.0
Transaction Banking	189.0
Turaz	295.0
IND	32.0
<b>Total</b>	<b>1,686.3</b>

#### Key assumptions

The key assumptions in the VIU calculations are discount rate applied, operating margin and the long-term growth rate of net operating cash flows

##### Discount rate

Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU or group of CGUs. The discount rates applied to CGUs were as follows

#### 2015

CGU	Pre-tax discount rate
MisysFusionCapital	15.8%
MisysFusionInvest	13.9%
MisysFusionBankingCore	15.0%
MisysFusionBankingLending	15.0%
MisysFusionRisk	16.7%
MisysFusionBankingTransactions	14.9%

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

2014.

CGU	Pre-tax discount rate
Capital Markets	14.9%
Sophis	13.2%
Turaz	13.0%
Core Banking	14.0%
Corporate Lending	14.1%
Enterprise Risk	14.1%
Transaction Banking	15.6%

#### *Operating margin*

Management determined budgeted operating margin based on prior performance and expectation of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

#### *Long-term growth rate*

Long-term growth rates of net operating cash flows are assumed equal to the long-term growth rate in the gross domestic product of the country in which the CGU's operations are undertaken, and were 2% (2014 2%) for periods beyond the first five years.

#### *Summary of results*

The impairment reviews indicated significant headroom on an aggregated basis in comparison to the total carrying value of the combined CGUs.

For the MisysFusionRisk CGU the recoverable amount was less than its carrying value and an impairment charge of \$60.0m (2014 \$nil) has been recognised against the carrying value of its goodwill. The main driver for the impairment was the revenue and operating margin deterioration in 2015 experienced in this product group, and the lower revenue outlook for the forecast period.

No impairment charges were identified for any of the other CGUs.

#### **Sensitivity to changes in assumptions**

As part of the VIU testing the Managers consider the impact that a range of scenarios could have on the key assumptions within the VIU calculation.

#### *Discount rate*

The Group bases its estimate for the long-term pre-tax discount rate on its weighted average cost of capital ("WACC") using long-term market data and industry data to derive the appropriate inputs to the calculation. The Managers consider that a 1.5% change in the absolute discount rate is the maximum change that should be considered as reasonably possible as this represents a 11% to 12% increase in the WACC.

#### *Operating margin*

The Managers consider that a reduction of 5% in the absolute value of long-term operating margins across all CGUs would be the limit of what could be considered to be reasonably possible on the basis that the Group's cost base is flexible and could quickly respond to market changes. The Group is spread across a range of geographies and a large recurring maintenance revenue stream which help to insulate it from more significant changes.

#### *Long-term growth rate*

The Group uses a long-term growth rate that is the same as the long-term growth rate of gross domestic product (GDP) of the territories in which the CGU is based. Given these are long-term rates, the Directors consider a change of 1% in the absolute value of the long-term growth rate to be the limit of what is reasonably possible.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### Summary of sensitivity analysis

Sensitivity analyses have been performed around the base case assumptions with the conclusion that no reasonably possible changes in key assumptions would cause the recoverable amount to be less than the carrying amount in any CGU, other than MisysFusionInvest.

In MisysFusionInvest, the recoverable amount based on value in use exceeded the carrying value of the net assets by \$48.4m. A decline in annual short term revenue growth of 22.4%, a fall in long term growth rate by 3.9% or a rise in pre-tax discount rate by 3.2% would remove the remaining headroom.

#### 7. Other intangible assets

all figures in \$ millions	Complete technology	Customer relationships	Other acquired intangibles	Total acquired intangibles	Developed software	Third party software	Total
<b>Cost</b>							
At 1 June 2014	700.5	547.7	157.6	1,405.1	70.1	18.4	1,494.3
Differences on exchange	(2.0)	(2.1)	(0.2)	(4.3)	(6.1)	(2.3)	(12.7)
On acquisition of CCS (note 5)	6.4	2.4	1.0	9.8	-	-	9.8
Additions	-	-	-	-	34.2	4.4	38.6
Written off	-	-	-	-	(3.3)	-	(3.3)
<b>At 31 May 2015</b>	<b>704.9</b>	<b>548.0</b>	<b>158.4</b>	<b>1,411.3</b>	<b>94.9</b>	<b>20.5</b>	<b>1,526.7</b>
<b>Accumulated amortisation</b>							
At 1 June 2014	(266.6)	(97.7)	(21.0)	(385.3)	(8.0)	(7.6)	(400.9)
Differences on exchange	0.5	0.1	-	0.6	1.3	1.3	3.2
Amortisation charges (note 2)	(134.4)	(46.4)	(11.1)	(191.9)	(15.1)	(3.2)	(210.2)
<b>At 31 May 2015</b>	<b>(400.5)</b>	<b>(144.0)</b>	<b>(32.1)</b>	<b>(576.6)</b>	<b>(21.8)</b>	<b>(9.5)</b>	<b>(607.9)</b>
<b>Net book value</b>							
<b>At 31 May 2015</b>	<b>304.4</b>	<b>404.0</b>	<b>126.3</b>	<b>834.7</b>	<b>73.1</b>	<b>11.0</b>	<b>918.8</b>

all figures in \$ millions	Complete technology	Customer relationships	Other acquired intangibles	Total acquired intangibles	Developed software	Third party software	Total
<b>Cost</b>							
At 1 June 2013	690.3	541.1	156.6	1,388.1	37.3	9.0	1,434.3
Differences on exchange	0.1	0.4	-	0.5	0.9	0.6	2.0
On acquisition of IND (note 5)	10.1	6.2	1.0	17.3	-	-	17.3
Additions	-	-	-	-	31.9	8.8	40.7
<b>At 31 May 2014</b>	<b>700.5</b>	<b>547.7</b>	<b>157.6</b>	<b>1,405.1</b>	<b>70.1</b>	<b>18.4</b>	<b>1,494.3</b>
<b>Accumulated amortisation</b>							
At 1 June 2013	(134.3)	(49.2)	(10.4)	(193.9)	(2.2)	(3.7)	(199.8)
Differences on exchange	0.1	-	-	0.1	(0.1)	(0.2)	(0.2)
Amortisation charges (note 2)	(132.4)	(48.5)	(10.6)	(191.5)	(5.7)	(3.7)	(200.9)
<b>At 31 May 2014</b>	<b>(266.6)</b>	<b>(97.7)</b>	<b>(21.0)</b>	<b>(385.3)</b>	<b>(8.0)</b>	<b>(7.6)</b>	<b>(400.9)</b>
<b>Net book value</b>							
<b>At 31 May 2014</b>	<b>433.9</b>	<b>450.0</b>	<b>136.6</b>	<b>1,020.1</b>	<b>62.1</b>	<b>10.8</b>	<b>1,093.4</b>

# **Misys Newco 2 S.à r.l.**

## **Notes to the consolidated financial statements for the year ended 31 May 2015**

Complete technology, customer relationships and other acquired intangibles had a weighted average remaining life of 32 months (2014: 43 months), 112 months (2014: 124 months) and 143 months (2014: 155 months) respectively at 31 May 2015

There was no impairment of other intangible assets in 2015 (2014: \$nil)

### **8. Property, plant and equipment**

all figures in \$ millions	Building and leasehold improvements	Computer and other equipment	Total
<b>Cost</b>			
At 1 June 2014	23.7	29.9	53.6
Differences on exchange	(1.7)	(2.7)	(4.4)
On acquisition of CCS (note 5)	-	0.2	0.2
Additions	0.8	5.7	6.5
Disposals	(1.6)	(1.7)	(3.3)
<b>At 31 May 2015</b>	<b>21.2</b>	<b>31.4</b>	<b>52.6</b>
<b>Accumulated depreciation</b>			
At 1 June 2014	(6.4)	(12.4)	(18.8)
Differences on exchange	0.5	0.9	1.4
Depreciation charges (note 2)	(2.9)	(6.9)	(9.8)
Disposals	1.6	1.7	3.3
<b>At 31 May 2015</b>	<b>(7.2)</b>	<b>(16.7)</b>	<b>(23.9)</b>
<b>Net book value at 31 May 2015</b>	<b>14.0</b>	<b>14.7</b>	<b>28.7</b>

all figures in \$ millions	Building and leasehold improvements	Computer and other equipment	Total
<b>Cost</b>			
At 1 June 2013	18.6	20.5	39.1
Differences on exchange	0.2	0.9	1.1
On acquisition of IND (note 5)	0.6	0.4	1.0
Additions	4.4	8.6	13.0
Disposals	(0.1)	(0.5)	(0.6)
<b>At 31 May 2014</b>	<b>23.7</b>	<b>29.9</b>	<b>53.6</b>
<b>Accumulated depreciation</b>			
At 1 June 2013	(3.2)	(5.9)	(9.1)
Differences on exchange	(0.1)	(0.6)	(0.7)
Depreciation charges (note 2)	(3.1)	(5.9)	(9.0)
<b>At 31 May 2014</b>	<b>(6.4)</b>	<b>(12.4)</b>	<b>(18.8)</b>
<b>Net book value at 31 May 2014</b>	<b>17.3</b>	<b>17.5</b>	<b>34.8</b>

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 9. Investments

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Opening balance	2.8	3.7
Differences on exchange	-	0.3
Disposal	-	(0.5)
Reclassification to Trade and other receivables	-	(0.6)
Fair value movements	(0.3)	(0.1)
<b>Closing balance</b>	<b>2.5</b>	<b>2.8</b>

The Group's investments comprise investments in US and European Technology Funds and marketable securities, which are classified as "fair value through profit or loss". Fair value gains and losses are recognised within finance costs. The investments are denominated in US Dollar and Euro and is non-interest bearing.

#### 10. Deferred taxation

	Losses	Other deductible temporary differences	Goodwill and acquired intangibles deferred tax liability	Total
<i>all figures in \$ millions</i>				
At 1 June 2014	13.8	(4.6)	(179.2)	(170.0)
Credited (charged) to the consolidated income statement (note 4)	(4.2)	2.9	38.7	37.4
Impact of change in tax rates taken to the consolidated income statement (note 4)	-	0.2	-	0.2
Credit related to components of other comprehensive income	-	(5.8)	-	(5.8)
Differences on exchange	-	(0.1)	(0.5)	(0.6)
<b>At 31 May 2015</b>	<b>9.6</b>	<b>(7.4)</b>	<b>(141.0)</b>	<b>(138.8)</b>

	Losses	Other deductible temporary differences	Goodwill and acquired intangibles deferred tax liability	Total
<i>all figures in \$ millions</i>				
At 1 June 2013	20.0	(4.1)	(224.8)	(208.9)
On acquisition of IND (note 5)	-	-	(2.8)	(2.8)
Credited (charged) to the consolidated income statement (note 4)	(7.1)	(1.0)	37.1	29.0
Impact of change in tax rates taken to the consolidated income statement (note 4)	-	(0.3)	11.3	11.0
Credit related to components of other comprehensive income	-	0.9	-	0.9
Differences on exchange	0.9	(0.1)	-	0.8
<b>At 31 May 2014</b>	<b>13.8</b>	<b>(4.6)</b>	<b>(179.2)</b>	<b>(170.0)</b>

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset)

All figures in \$ millions	31 May 2015				31 May 2014			
	Losses	Other temporary differences	Goodwill and acquired intangibles	Total	Losses	Other temporary differences	Goodwill and acquired intangibles	Total
Deferred tax assets	9.6	-	-	9.6	4.4	7.9	-	12.3
Deferred tax liabilities	-	(7.4)	(141.0)	(148.4)	9.4	(12.5)	(179.2)	(182.3)
As shown above	9.6	(7.4)	(141.0)	(138.8)	13.8	(4.6)	(179.2)	(170.0)

Deferred tax assets are recognised to the extent that it is probable that there will be sufficient future profits in the respective tax jurisdiction to utilise the assets. In total, deferred tax assets of \$9.6m (2014: \$12.3m) have been recognised. These include \$9.6m (2014: \$4.4m) of tax losses and \$nil (2014: \$7.9m) of other temporary differences.

Included within the deferred tax liability of \$148.4m (2014: \$182.3m) is \$141.0m (2014: \$179.2m) arising from acquired intangibles and goodwill. This represents the net future tax liabilities arising from the underlying goodwill and acquired intangibles. Deferred tax liabilities of \$31.0m (2014: \$36.7m) will reverse within one year.

Deferred tax is measured at the substantively enacted tax rates in force at the reporting date for each country that the Group operates in. As such, the deferred tax balance is subject to change as global tax rules and rates change. On 8 July 2015 the UK government announced its intention to reduce the UK corporation tax rate to 19% in 2017 and 18% in 2020, the effect of these changes will be a reduction in the deferred tax liability of \$2.2m in 2017 and \$0.6m in 2020, these adjustments will go to the consolidated income statement.

The Group has a number of tax assets that are not recognised as their utilisation is not deemed to be probable due to insufficient future profits expected to arise in country or because the tax losses can only be offset against certain types of income or gains which are not expected to occur. The components of the unrecognised assets, stated gross, are UK capital losses of \$328.7m (2014: \$359.8m), Luxembourg corporate tax losses \$357.7m (2014: \$443.7m), UK corporate tax losses and other tax deductions not recognised of \$402.8m (2014: \$511.2m) and corporate tax losses in other jurisdictions of \$26.1m (2014: \$87.6m).

The total of these when multiplied by the respective country tax rate gives an unrecognised deferred tax asset of \$254.7m (2014: \$320.8m).

#### 11 Derivative financial instruments

All derivative financial instruments are measured at their fair value and are calculated by reference to the net present value of future cash flows, based on exchange rates and interest rates quoted on international financial markets, at the reporting date. See note 26 for additional disclosure.

All figures in \$ millions	31 May 2015		31 May 2014	
	Assets	Liabilities	Assets	Liabilities
Forward foreign currency contracts	20.8	(4.0)	3.6	(5.9)
Embedded derivatives	5.9	(1.1)	1.3	(4.6)
	26.7	(5.1)	4.9	(10.5)
Analysed as follows:				
Current	18.5	(4.0)	3.5	(6.2)
Non-current	8.2	(1.1)	1.4	(4.3)
	26.7	(5.1)	4.9	(10.5)

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### Forward currency contracts used to economically hedge cash flow risks

The aggregate notional amounts of the outstanding forward foreign currency contracts at 31 May 2015 were \$353.9m (2014: \$453.3m). The notional amount of outstanding contracts at 31 May 2015 comprise \$152.2m (2014: \$274.4m) in Euro, \$93.0m (2014: \$83.1m) in Pound Sterling, \$46.1m (2014: \$42.7m) in Indian Rupee, \$45.7m (2014: \$39.7m) in Philippine Peso, \$16.9m (2014: \$13.3m) in Australian Dollar and other currencies.

Selected expected future non-US Dollar key currency cash flows of the Group are hedged with forward currency contracts. Hedge accounting is not applied as the technical requirements of IAS 39 'Financial Instruments' are not met. Gains and losses are recorded in the consolidated income statement within operating expenses.

During the year a \$37.3m gain (2014: \$7.8m loss) was recognised through operating expenses in the consolidated income statement in relation to forward currency contracts.

#### Embedded derivatives

Certain long-term software licensing contracts are priced in currencies which are not the functional currencies of the entities entering into the contracts, or are not common contracting currencies in the location in which the transaction takes place. Such contracts are considered to contain an embedded foreign currency derivative which must be extracted from the host contract and measured separately at each reporting date except where the currency of the contract is recognised as a common means of exchange in the country concerned. Gains or losses on these derivatives are charged or credited to the consolidated income statement. The contracts are generally of up to 10 years' duration and this is therefore the period over which the assets and liabilities recognised in the consolidated statement of financial position are expected to crystallise.

During the year a \$7.9m gain (2014: \$4.0m loss) was recognised through operating expenses in the consolidated income statement in relation to embedded derivatives.

#### 12 Trade and other receivables

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Trade receivables	208.4	243.2
Less: provision for impairment of trade receivables	(5.5)	(5.1)
Net trade receivables	202.9	238.1
Research and development credits	1.7	2.8
Other taxation and social security	3.6	11.3
Deposits	5.7	4.7
Other receivables	8.7	6.8
Prepayments	20.6	26.2
Accrued income	92.6	85.9
Current trade and other receivables	335.8	375.8
Research and development credits	16.6	15.6
Deposits	1.1	1.3
Prepayments	1.1	-
Accrued income	12.8	6.4
Non-current trade and other receivables	31.6	23.3
Total trade and other receivables	367.4	399.1

The provision for impaired trade receivables relates to receivables from customers in financial difficulty, customer acceptance issues and cancelled contracts.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

The accrued income balance is stated net of a provision of \$8.3m (31 May 2014: \$6.2m) for items where future billings have become uncertain due to specific circumstances with identified customers

As at 31 May 2015, trade receivables of \$96.6m (2014: \$111.9m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and where commercial discussions lead management to conclude that it remains likely that the customer will pay without concessions from the Group.

The ageing analysis of net trade receivables is as follows:

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
0-30 days	100.8	121.1
30-60 days	24.0	33.6
60-90 days	13.7	46.2
90-120 days	15.3	13.2
120-180 days	33.2	17.0
Over 180 days	15.9	7.0
	<b>202.9</b>	<b>238.1</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Movements in the Group's provision for impairment of trade receivables are as follows:

	2015	2014
<i>all figures in \$ millions</i>		
Opening balance	(5.1)	(11.7)
Provision for impairment of receivables	(7.8)	(4.0)
Receivables written off during the year as uncollectible	3.0	6.4
Unused amounts reversed	3.8	4.9
Differences on exchange	0.6	(0.7)
<b>At 31 May</b>	<b>(5.5)</b>	<b>(5.1)</b>

### 13 Share capital and share premium

	Allotted, fully paid share capital	Share capital	Share premium
	<i>Number of Shares</i>	<i>\$ millions</i>	<i>\$ millions</i>
<b>At 1 June 2014 and 31 May 2015</b>	<b>20,550</b>	<b>-</b>	<b>10.4</b>

The authorised share capital at 31 May 2015 consisted of 20,550 ordinary shares with a nominal value of \$1 each (2014: 20,550 ordinary shares with a nominal value of \$1 each).

On 4 May 2012, a non-cash contribution of \$2.0m was made to the share premium of the Group as a result of the transfer of the Turaz investment to the Group. On 30 May 2012, Misys Newco S.à r.l. made additional cash contribution of \$6.0m towards the share premium of the Group. On 28 February 2013, Misys Newco S.à r.l. contributed to the share premium of the Group in the aggregate amount of \$2.2m comprised of 215,045,835 Income Participating Preferred Equity Certificates ('IPPECs') with nominal value of \$0.01 each.

## Misys Newco 2 S.à r.l

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 14 Other reserves

all figures in \$ millions	Retained earnings	Translation reserve	Total
At 31 May 2013	(458.8)	(31.3)	(490.1)
Total comprehensive expense for the year	(232.7)	(6.1)	(238.8)
Actuarial gains	0.2	-	0.2
Other movement	(0.2)	-	(0.2)
At 31 May 2014	(691.5)	(37.4)	(728.9)
Total comprehensive expense for the year	(311.2)	8.3	(302.9)
Actuarial gains	0.6	-	0.6
At 31 May 2015	(1,002.1)	(29.1)	(1,031.2)

#### 15. Trade and other payables

all figures in \$ millions	31 May 2015	31 May 2014
Trade payables	8.3	9.9
Other taxation and social security	23.5	29.0
Other payables	8.4	1.4
Accrued expenses	142.4	173.5
Current trade and other payables	182.6	213.8
Non-current accrued expenses	8.8	12.0
Total trade and other payables	191.4	225.8

Accrued expenses comprise

all figures in \$ millions	31 May 2015	31 May 2014
Third party royalties and agency fees	17.4	12.3
Staff related costs (including sales commissions and bonuses)	55.5	96.1
Interest expense	46.6	46.6
Rent expense	13.0	17.3
Other operating costs	18.7	13.2
Total accrued expenses	151.2	185.5

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 16. Borrowings

Borrowings consists of two main categories of external debt, being term loans which are governed by specific agreements between the Group and a consortium of lenders as identified in the following breakdown, and overdrafts and other short term facilities which were not drawn down at 31 May 2015 (2014 nil)

##### Term loans

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Term loans	12.8	13.4
Capitalised arrangement fees	(12.8)	(13.4)
Borrowings – current	-	-
Term loans	1,857.5	1,919.3
Capitalised arrangement fees	(53.8)	(72.4)
Borrowings – non-current	1,803.7	1,846.9
Total term loans	1,803.7	1,846.9
Capitalised arrangement fees reclassified to other receivables	(5.3)	(3.2)
Bank loans (Note 22)	1,798.4	1,843.7

At 31 May 2015 the Group had the following secured term loans

##### First Lien credit agreement

- A \$1,040.5m (2014 \$1,051.2m) term loan, maturing on 12 December 2018. The term loan carries interest at London Interbank Offered Rate ("LIBOR") + 4% (May 2014 LIBOR + 4%). Principal repayments of \$2.7m are made every three months.
- A €186.3m (2014 €188.2m) term loan, maturing on 12 December 2018. The term loan carries interest at LIBOR + 4.25% (May 2014 LIBOR + 4.25%). Principal repayments of €0.5m are made every three months, and
- A \$100m (2014 \$100m) Revolving Credit Facility ("RCF"), maturing on 12 June 2017. The credit facility was unutilised at 31 May 2015 (May 2014 unutilised) although the Group drew on the facility at various times during the year. Repayments of all drawn amounts are made within three months of drawdown and are available for redrawing until maturity.

##### Second Lien credit agreement

- A \$625m (2014 \$625m) term loan maturing on 12 June 2019. The term loan was fully drawn on 31 May 2015 and 31 May 2014 and carries interest at 12.0% (May 2014 12.0%). No principal repayments are due during the term of the loan.

No amendments have been made to the credit agreements in the year ended 31 May 2015. On 16 August 2013, the terms of the First Lien credit agreement were renegotiated. There was a net increase in the principal amount of \$39.1m and more favourable pricing of interest rates. As a consequence \$4.1m of capitalised arrangement fees were written off. On 25 November 2013, there was a further net increase in the principal amount of the First Lien credit agreement of \$208.1m, the proceeds of which was used to redeem Series A PECs.

The Group is subject to certain finance covenants under the credit agreements. These specify a maximum ratio of net borrowings to operating profit, before depreciation, amortisation and exceptional or non-recurring items, deducting capitalised research and development costs. These covenants have not been breached during the year. Substantially all of the assets of the Group are pledged as security under the credit agreements.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

No additional fees were capitalised during the year ended 31 May 2015. The unamortised amounts remaining in the consolidated statement of financial position at 31 May 2015 amounted to \$71.9m of which \$5.3m related to the current portion which was reclassified to other receivables as it exceeded the current portion of loans (May 2014: \$89.0m, of which \$3.2m was reclassified). Amortisation expense for the year of \$16.8m (2014: \$18.2m of which \$4.1m was accelerated due to amendments referred to above) is included in finance costs in the consolidated income statement.

The fair values are based on Future expected cash flows associated with borrowings are shown in note 26.

#### Overdrafts and other short term facilities

The Group currently has access to two short term uncommitted borrowing facilities provided by commercial banks. The facilities have a total availability of \$48.0m and may be drawn as short-term loans or utilised as overdraft facilities on related bank accounts. At 31 May 2015 no amounts were drawn against the facilities (May 2014: \$nil). Borrowings under the facilities are secured by participation in the security arrangements of the First Lien credit agreement.

#### 17. Preferred Equity Certificates

In May 2012, the Group issued \$1,257.1m as a series of PECs, each with a par value of \$1, to its immediate parent company, Misys Newco S.à r.l. The PECs have a term of 49 years from the date of issuance (effective date) but may be retired earlier at any time by the Group or upon liquidation of the Company. The effective date, interest rate and outstanding balances for each PEC series are as follows.

all figures in \$ millions				
PEC Series	Effective Date	Interest	31 May 2015	31 May 2014
A	4-May-12	12.50%, compounded monthly	27.2	24.0
B	4-May-12	12.50%, compounded annually	29.0	25.8
C	4-May-12	12.50%, compounded annually	156.6	139.0
D	4-May-12	12.50%, compounded annually	241.8	214.7
E	30-May-12	12.50%, compounded annually	1,097.7	975.6
F	30-May-12	0.00%	5.0	5.0
G	4-May-12	0.00%	7.5	7.5
Total PECs			1,564.8	1,391.6

Interest of \$174.4m accrued during the year (2014: \$167.6m), offset against a related party receivable from Vista Equity Partners of \$1.2m resulting in \$173.2m capitalised to the PEC balance on 31 May 2015. The Group redeemed \$198.8m of the Series A PECs in November 2013.

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 18. Provisions

<i>all figures in \$ millions</i>	Property	Other	Total
<b>At 1 June 2014</b>	<b>7.1</b>	<b>0.8</b>	<b>7.9</b>
Charged / (credited) to consolidated income statement			
- Additional provisions	2.7	-	2.7
- Release of unused amounts	(0.2)	(0.2)	(0.4)
Accretion of discount	0.2	-	0.2
Utilisation of provisions	(2.0)	(0.2)	(2.2)
Differences on exchange	(1.3)	(0.1)	(1.4)
<b>At 31 May 2015</b>	<b>6.5</b>	<b>0.3</b>	<b>6.8</b>
Analysis of total provision:			
Current	2.5	0.3	2.8
Non-current	4.0	-	4.0
	<b>6.5</b>	<b>0.3</b>	<b>6.8</b>

<i>all figures in \$ millions</i>	Property	Other	Total
<b>At 1 June 2013</b>	<b>11.1</b>	<b>3.9</b>	<b>15.0</b>
Charged / (credited) to consolidated income statement			
- Additional provisions	1.2	0.2	1.4
- Release of unused amounts	(3.8)	(1.1)	(4.9)
Accretion of discount	0.9	-	0.9
Utilisation of provisions	(2.4)	(0.3)	(2.7)
Reclassified to Deferred income	-	(2.1)	(2.1)
Differences on exchange	0.1	0.2	0.3
<b>At 31 May 2014</b>	<b>7.1</b>	<b>0.8</b>	<b>7.9</b>
Analysis of total provision:			
Current	1.9	0.8	2.7
Non-current	5.2	-	5.2
	<b>7.1</b>	<b>0.8</b>	<b>7.9</b>

#### Property provisions

The property provisions comprise the net present value of the estimated future costs of vacant, sublet and occupied properties of the Group after taking into account dilapidation obligations in the lease. The provision relating to vacant and sublet properties is expected to be utilised on average over the next five years. During the year, the discount rate applicable to all new property provisions was between 1.9% and 2.75%. Provisions released during the year relate to dilapidation provisions which are no longer required as those properties have been surrendered.

#### Other provisions

Other provisions relate to obligations following the acquisition of third party software.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 19. Deferred income

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Current		
Maintenance fees	220.0	233.8
Other revenue	18.1	33.3
	238.1	267.1
Non-current		
Maintenance fees	3.3	6.4
Other revenue	12.3	8.2
Total deferred income	15.6	14.6

Deferred maintenance fees represent amounts invoiced in advance for contracts which provide technical support and trouble-shooting assistance in addition to upgrades and enhancements to the Group's software products and hardware maintenance. Maintenance fees are recognised as revenue ratably as the services are provided over the period of the contract.

Other revenue represents amounts invoiced primarily in respect of ILF for software products and Professional Services for which the revenue recognition criteria have yet to be satisfied.

#### 20 Retirement benefit obligations

##### *Defined contribution schemes*

The Group operates a number of defined contribution pension schemes covering the majority of its employees. The cost of these pension schemes was \$15.8m (2014: \$15.3m) and was charged to the consolidated income statement as incurred and included within employee costs. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

##### *Defined benefit schemes*

The Group operates various defined benefit schemes across the world. The most significant scheme is in the UK and the disclosures in this note relate to that scheme. In terms of the non-UK schemes, these are summarised below.

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Philippines funded scheme		
Scheme assets	4.7	4.8
Scheme liabilities	(6.2)	(6.2)
Net liability	(1.5)	(1.4)
Unfunded schemes		
United Arab Emirates	(2.3)	(2.0)
India	(1.8)	(1.7)
Indonesia	(0.7)	(0.8)
USA	(0.4)	(0.6)
Total pension liabilities for non-UK schemes	(6.7)	(6.5)

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### UK Retirement Benefits Plan

In 2003/04 the active members of the Misys UK final salary retirement benefits plan (the "Plan") ceased to accrue benefits on the basis of their final salary during the year. Thereafter the benefits of the active members accrue on a money purchase (defined contribution) basis.

The Plan is a funded, defined benefit, final salary pension plan. The level of benefits provided depends on members' length of service and their salary at their date of leaving the Plan. Pensions in payment receive different levels of increases, some fixed (at 0%, 3% and 3.5% per annum) and some receiving inflationary increases in line with the increase in the Retail Prices Index ("RPI") (subject to certain caps and floors). The benefit payments are from trustee-administered funds. The amounts of contributions to be paid are decided jointly by the employer and the Trustees of the Plan. Assets held in trust are governed by UK regulations and practice. The Plan's investment strategy is decided by the Trustees, in consultation with the employer. The board of Trustees must be composed of representatives of the employer and plan participants in accordance with the Plan's legal documentation.

The latest full actuarial valuation of the Plan was carried out as at 31 May 2014; the assumptions of which have been updated to 31 May 2015 by qualified independent actuaries.

The amounts recognised in the consolidated statement of financial position are determined as follows.

	31 May 2015	31 May 2014
<i>all figures in \$ millions</i>		
Present value of funded obligations	(83.8)	(86.2)
Fair value of plan assets	91.1	85.4
Surplus / (deficit) of funded plans	7.3	(0.8)
Present value of unfunded obligations	-	-
Total surplus / (deficit) of defined benefit pension plans	7.3	(0.8)
Unrecognised asset due to limit in IAS 19 'Employee benefits' paragraph 64	(7.3)	-
Liability in consolidated statement of financial position	-	(0.8)

The year-end assets and liabilities in the Plan were

	Total	Of which not quoted on active market	%
<i>all figures in \$ millions</i>			
Investment funds	56.2	36.5	61.7%
Buy-in contract	33.6	33.6	36.9%
Cash and other	1.3	1.3	1.4%
Total market value of assets	91.1	71.4	100.0%
Actuarial value of liabilities	(83.8)		
Surplus in the Plan	7.3		
Unrecognised asset due to limit in IAS 19 'Employee benefits' paragraph 64	(7.3)		
Net pension liability at 31 May 2015	-		

The Plan does not invest in the Group's own transferable financial instruments.



# Misys Newco 2 S.à r.l.

## Notes to the consolidated financial statements for the year ended 31 May 2015

all figures in \$ millions	Total	Of which not quoted on active market	%
Investment funds	53.8	34.5	62.8%
Buy-in contract	31.3	31.3	36.7%
Cash and other	0.5	0.5	0.5%
Total market value of assets	85.4	66.3	100.0%
Actuarial value of liabilities	(86.2)		
Deficit in the Plan	(0.8)		
Unrecognised asset due to limit in IAS 19 'Employee benefits' paragraph 64	-		
Net pension liability at 31 May 2014	(0.8)		

The Trustee of the Plan bought a bulk annuity policy from Legal & General Assurance (Pensions Management) Limited in respect of the Plan's pensioners and their dependents as at 14 August 2012. An estimate of the value of the buy-in contract is included in the asset value.

The market value of assets is considered to be materially the same as the fair value.

Movement in the Plan assets and obligations during the year.

all figures in \$ millions	Present value of obligation	Fair value of plan assets	Total
At 1 June 2014	(86.2)	85.4	(0.8)
Interest (expense) / income	(3.3)	3.3	-
	(89.5)	88.7	(0.8)
<i>Remeasurements</i>			
Return on plan on assets excluding amounts included in interest expense	-	16.7	16.7
Gain from change in demographic assumptions	(0.5)	-	(0.5)
Gain from change in financial assumptions	(9.2)	-	(9.2)
Experience losses	1.4	-	1.4
	(8.3)	16.7	8.4
Exchange differences	7.7	(8.0)	(0.3)
<i>Payments from plans</i>			
Benefit payments	6.3	(6.3)	-
At 31 May 2015	(83.8)	91.1	7.3

The actuarial gain recognised in the Group's other comprehensive income is \$0.6m (2014 \$0.2m) which is comprised of a gain from the UK scheme of \$0.8m offset by an actual loss in the non-UK schemes of \$0.2m.

Pension costs of \$16.7m (2014 \$16.7m) were recognised in the Group's consolidated income statement in operating expenses for both defined contribution and defined benefit plans.

**Misys Newco 2 S.à r.l.**

**Notes to the consolidated financial statements for the year ended 31 May 2015**

Movement in the Plan assets and obligations during the prior year

all figures in \$ millions	Present value of obligation	Fair value of plan assets	Total
At 1 June 2013	(74.5)	74.8	0.3
Administration costs	(0.3)	-	(0.3)
Interest (expense) / income	(3.6)	3.6	-
	(78.4)	78.4	-
<i>Remeasurements:</i>			
Return on plan on assets excluding amounts included in interest expense	-	2.4	2.4
Gain from change in financial assumptions	(3.4)	-	(3.4)
Experience losses	0.2	-	0.2
	(3.2)	2.4	(0.8)
Exchange differences	(7.8)	7.8	-
<i>Payments from plans:</i>			
Benefit payments	2.9	(2.9)	-
Administration costs	0.3	(0.3)	-
At 31 May 2014	(86.2)	85.4	(0.8)

The principal assumptions used in the valuations of the Plan are

	2015 %	2014 %
Inflation (RPI)	3.4	3.6
Inflation (CPI)	2.4	2.6
Rate of increase in pensions in payment:		
Fixed 3%	3.0	3.0
Fixed 3.5%	3.5	3.5
RPI max 5% min 3%	3.7	3.8
RPI max 5% min 3.5%	3.9	4.0
Post 1988 Guaranteed minimum pension	2.1	2.2
Discount rate for plan liabilities	3.4	4.2

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

	2015 Years	2014 Years
Life expectancy for male currently aged 60	29.2	28.8
Life expectancy for a female currently aged 60	30.3	29.9
Life expectancy for male currently aged 40	30.6	30.8
Life expectancy for a female currently aged 40	32.7	31.9

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

The sensitivity of the defined benefit obligation to changes in the principal assumptions is.

	Change in assumption	Impact on defined benefit obligation (\$millions)
Discount rate	-0.1%	(0.8)
RPI inflation	+0.1%	(0.2)
Demographic change	1 year increase in life expectancy	(1.8)

The above sensitivity analysis on the discount rate is based on a change in an assumption while holding all other assumptions constant. The change in RPI inflation assumption impacts on the Consumer Prices Index ("CPI") assumption, revaluation in deferment and pension increase assumptions. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. This is consistent with sensitivities calculated in previous periods.

The Plan is exposed to a number of risks, the most significant of which are detailed below:

#### *Asset volatility*

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of growth assets (e.g. equities, property, absolute return fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The allocation to growth assets is monitored such that it is suitable with the Plan's long term objectives.

#### *Changes in bond yields*

A decrease in the corporate bond yields will increase the Plan's liabilities, although this will be partially offset by an increase in the value of the Plan's bond holdings.

#### *Inflation risk*

The majority of the Plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

#### *Life expectancy*

The majority of the Plan's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the liabilities.

The Plan uses the buy-in contract and liability matching assets (which includes swaps and cash funds) as matching assets. The remainder of the assets is used as growth assets. Funding levels are monitored on a quarterly basis and the next triennial valuation is due to be completed as at 31 May 2017.

There are no employer contributions expected to be paid to the Plan for the year ending 31 May 2016. The weighted average duration of the defined benefit obligation is approximately 16 years.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 21 Net cash flow generated from operations

all figures in \$ millions	Note	Year ended 31 May 2015	Year ended 31 May 2014
Operating profit		56.3	125.2
Amortisation of other intangible assets	7	210.2	200.9
Depreciation of property, plant and equipment	8	9.8	9.6
Capitalised developed software written off	7	3.3	-
Goodwill impairment	6	60.0	-
Differences between pension charge and cash contributions		0.5	(0.3)
(Gain)/loss on embedded derivatives	11	(7.9)	4.2
Unrealised foreign exchange gains		(22.3)	(9.9)
<i>Movements in working capital</i>			
(Increase) / decrease in trade and other receivables		10.4	(57.9)
Decrease in payables and provisions		(22.0)	(25.7)
Increase / (decrease) in deferred income		(6.6)	63.9
<b>Net cash flow generated from operations</b>		<b>291.7</b>	<b>310.0</b>

#### 22 Reconciliation of movements in net debt

The Group defines net debt as borrowings excluding PECs, less cash and cash equivalents and restricted cash

all figures in \$ millions	Cash and cash equivalents	Restricted cash	Bank overdrafts	Bank loans	Net debt
At 31 May 2013	26.3	2.4	(5.3)	(1,605.9)	(1,582.5)
Acquisitions - IND	(41.5)	-	-	(2.8)	(44.3)
Cash flow	65.5	(1.0)	5.3	(209.6)	(139.8)
Non-cash movements	-	-	-	(18.3)	(18.3)
Differences on exchange	0.5	-	-	(7.1)	(6.6)
<b>At 31 May 2014</b>	<b>50.8</b>	<b>1.4</b>	<b>-</b>	<b>(1,843.7)</b>	<b>(1,791.5)</b>
Acquisitions - CCS	(24.9)	-	-	-	(24.9)
Cash flow	16.4	(0.5)	-	13.1	29.0
Non-cash movements	-	-	-	(16.8)	(16.8)
Differences on exchange	(2.0)	-	-	49.0	47.0
<b>At 31 May 2015</b>	<b>40.3</b>	<b>0.9</b>	<b>-</b>	<b>(1,798.4)</b>	<b>(1,757.2)</b>

Restricted cash of \$0.9m (2014: \$1.4m) is not available for the general use of the Group

Bank loans are inclusive of capitalised loan arrangement fees of \$5.3m (2014: \$3.2m) which have been reclassified to other receivables as described in note 16

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 23 Contingent liabilities

Contingent liabilities that are quantifiable arise from guarantees, letters of credit and bonds that have been issued in support of tenders submitted to prospective customers. These amount to \$1.1m (2014 \$0.7m).

A contingent liability exists in relation to the Group's defined benefit scheme (note 20) as a result of the proposed equalisation of Guaranteed Minimum Pension ("GMP"). The UK Government intends to implement legislation which could result in an increase in the value of GMP for males. This would increase the defined benefit obligation of the Plan. At this stage it is not possible to quantify the impact of this change.

The Company and its subsidiaries may be parties to legal actions and claims arising in the ordinary course of business. Whilst the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to the Group's financial position.

#### 24 Commitments

Commitments of the Group under non-cancellable operating leases at 31 May 2015

all figures in \$ millions	2015		2014	
	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment
Rental payments due within one year	26.6	0.3	30.8	0.2
Rental payments due between one and five years	77.0	0.2	88.9	0.2
Rental payments due after five years	43.1	-	49.7	-
Total	146.7	0.5	169.4	0.4

Total future sublease income under non-cancellable subleases is \$4.2m due within one year (2014 \$4.6m), \$10.5m due between one and five years (2014 \$14.0m) and \$4.9m due after 5 years (2014 \$7.3m).

#### 25. Related party transactions

##### Parent and subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

##### Remuneration of key management personnel

The key management personnel of the Group comprise the Managers and certain other senior management. Their remuneration is set out below in aggregate.

all figures in \$ millions	Year ended 31 May 2015	Year ended 31 May 2014
Short-term employment benefits	8.1	5.7
Post-employment benefits	0.1	0.2
Termination benefits	-	1.5
	8.2	7.4

The \$1,564.8m (2014, \$1,391.6m) PECs balance and associated accrued interest is owed to Misys Newco S.à r.l., the immediate parent entity of the Group.

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## **Misys Newco 2 S.à r.l.**

### **Notes to the consolidated financial statements for the year ended 31 May 2015**

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#### *Other related parties*

During the year, the Group acquired third party software from SumTotal Systems UK Limited, a company previously owned, during the year, by Vista Equity Partners for a consideration of \$0.2m (2014: \$0.4m)

The Group acquired services from Tibco Software Inc., a company owned by Vista Equity Partners, for a consideration of \$0.3m (2014: \$nil)

As at 31 May 2015, there were no outstanding balances due to SumTotal Systems UK Limited or Tibco Software Inc.

The Group utilised management consulting services from Vista Consulting Group LLC of \$1.4m (2014: \$2.4m)

The Group paid \$0.6m of expenses on behalf of Vista Equity Partners (2014: \$0.8m). Cumulative debt of \$1.2m was settled via a repayment of accrued interest on Series E PECs as is prescribed under the PEC agreement. There is a remaining receivable balance of \$0.2m (2014: \$0.8m) from Vista Equity Partners at 31 May 2015 which was not settled.

During the year, \$0.2m was charged to Aptean Corporation, a company owned by Vista Equity Partners, in respect of payroll recharges. As at 31 May 2015, \$0.1m was outstanding from Aptean Corporation.

#### **26 Financial Instruments: risk management**

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest rate and foreign exchange risks associated with the Group's activities under policies approved by the Board. As part of its strategy for the management of these risks, the Group uses derivative financial instruments. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes. Treasury policy is reviewed and approved by the Board and specifies the parameters within which treasury operations must be conducted, including authorised counterparties, instrument types, transaction limits and principles governing the management of liquidity, interest rate and foreign exchange risks.

The Group's principal financial instruments, other than derivatives, are cash, short term deposits, bank loans, PECs, trade and other receivables and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

#### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group reviews the non-US Dollar net cash flow exposure of the Group and hedges forecast exposures which exceed the limit specified by management using external forward contracts.

The Group's net exposure to foreign currency risk is illustrated by the sensitivity analysis in note 29.

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk on floating rate loans, overdrafts and cash held on deposit. The Group's borrowings are a mix of floating and fixed rates with variable interest rates set for periods of three months or less. The Group's variable rate term loan debt references LIBOR, with a specified floor of 1%. Based on various scenarios, the Group manages its cash flow interest rate risk using interest rate hedging instruments such as caps or swaps. As at 31 May 2015 the Group held no interest rate hedging instruments (2014: none).

The Group's net exposure to interest rate risk is illustrated by the sensitivity analysis in note 29.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions but primarily from outstanding trade receivables and committed transactions. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Derivative and cash transactions are limited to high-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. For customer contracts, the Group and each reporting subsidiary have specified risk control and authorisation procedures in place to assess the credit quality of a customer. Where there is no independent risk rating for a customer, such an assessment takes into account financial position, past experience and other factors.

The Group has no significant concentrations of credit risk, with exposures spread over a large number of customers and counterparties.

#### Liquidity risk

The Group manages its cash and borrowing requirements centrally to minimise net interest expense within risk parameters set by the Board, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of the business. The long term forecast cash and borrowings profile of the Group is monitored to ensure that adequate headroom remains under current and projected borrowing facilities.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's non-derivative financial liabilities.

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2015 Total
Borrowings	150.8	150.2	2,052.6	-	2,353.6
Trade and other payables	155.9	-	-	-	155.9
<b>Total cash flows - 2015</b>	<b>306.7</b>	<b>150.2</b>	<b>2,052.6</b>	<b>-</b>	<b>2,509.5</b>

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2014 Total
Borrowings	157.9	182.0	2,273.2	-	2,613.1
Trade and other payables	185.6	2.2	6.2	1.4	195.4
Other liabilities	10.6	-	0.2	0.2	11.0
<b>Total cash flows - 2014</b>	<b>354.1</b>	<b>184.2</b>	<b>2,279.6</b>	<b>1.6</b>	<b>2,819.5</b>

The Group has also issued PECs with a maturity of 49 years as outlined in Note 17. At the reporting date, the PECs have 46 years outstanding to maturity. The PECs have not been taken into account in the above maturity analysis of undiscounted contractual cash flows. The total impact for the PECs in 46 years on an undiscounted contractual cash flow basis is \$377,251.9m following the \$1.2m repayment of PEC interest during the year (2014: \$377,663.1m).

The table below analyses the Group's outflow and inflow from derivative financial instruments into relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted gross cash flows.

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2015 Total
Derivative financial instruments (gross settled)					
- inflows	267.4	105.4	1.9	2.2	376.9
- outflows	(253.0)	(101.6)	(0.5)	(0.2)	(355.3)
<b>Net cash flows - 2015</b>	<b>14.4</b>	<b>3.8</b>	<b>1.4</b>	<b>2.0</b>	<b>21.6</b>

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 Years	2014 Total
Derivative financial instruments (gross settled)					
- inflows	370.1	81.6	0.7	-	452.4
- outflows	(372.7)	(82.6)	(2.7)	-	(458.0)
<b>Net cash flows - 2014</b>	<b>(2.6)</b>	<b>(1.0)</b>	<b>(2.0)</b>	<b>-</b>	<b>(5.6)</b>

#### Netting arrangements of derivative financial instruments

The gross fair value of derivative financial instruments as presented in the Group consolidated statement of financial position, together with the Group's rights to offset associated with recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements is summarised as follows

May 2015 Consolidated statement of financial position				May 2014 Consolidated statement of financial position		
all figures in \$ millions	Gross amount	Amount presented	Net amount	Gross amount	Amount presented	Net amount
<b>Financial assets</b>						
Derivative financial instruments	20.8	20.8	16.9	3.6	3.6	1.7
<b>Financial liabilities</b>						
Derivative financial instruments	(4.0)	(4.0)	(0.1)	(5.9)	(5.9)	(4.0)
	16.8	16.8	16.8	(2.3)	(2.3)	(2.3)

Net amounts show the effect if all amounts were netted off for each individual counter party

#### Capital risk

The capital structure of the Group consists of net debt, PECs (note 17) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity and note 14. The Group manages its capital with the objective that all entities within the Group continue as a going concern while maintaining an efficient structure to minimise the cost of capital

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

The Group is subject to certain financial covenants under its loan facilities. These specify a maximum ratio of net debt to operating profit, before depreciation, amortisation and exceptional items, deducting capitalised research and development costs. This covenant has not been breached during the year

## 27 Financial instruments: categories

#### Fair value measurement hierarchy

Fair value measurements of financial instruments (where relevant) are classified using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements



## Misys Newco 2 S.à r.l

### Notes to the consolidated financial statements for the year ended 31 May 2015

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

all figures in \$ millions	Fair value hierarchy <sup>1</sup>	Fair value through P&L	Loans & receivables	Amortised cost	Non-financial instrument <sup>2</sup>	Current	Non-current
<b>At 31 May 2015</b>							
<b>Financial assets</b>							
Investments	Level 2	2.5	-	-	-	-	2.5
Derivative financial instruments	Level 2	26.7	-	-	-	18.5	8.2
Trade and other receivables		-	345.8	-	21.7	334.3	33.2
Restricted cash		-	0.9	-	-	0.9	-
Cash and cash equivalents		-	40.3	-	-	40.3	-
		29.2	387.0	-	21.7	394.0	43.9
<b>Financial liabilities</b>							
Derivative financial instruments	Level 2	(5.1)	-	-	-	(4.0)	(1.1)
Borrowings and PECs		-	-	(3,368.5)	-	-	(3,368.5)
Trade and other payables		-	-	(167.9)	(23.5)	(182.6)	(8.8)
		(5.1)	-	(3,536.4)	(23.5)	(186.6)	(3,378.4)

all figures in \$ millions	Fair value hierarchy <sup>1</sup>	Fair value through P&L	Loans & receivables	Amortised cost	Non-financial instrument <sup>2</sup>	Current	Non-current
<b>At 31 May 2014</b>							
<b>Financial assets</b>							
Investments	Level 2	2.8	-	-	-	-	2.8
Derivative financial instruments	Level 2	4.9	-	-	-	3.5	1.4
Trade and other receivables		-	372.9	-	26.2	375.8	23.3
Restricted cash		-	1.4	-	-	1.4	-
Cash and cash equivalents		-	50.8	-	-	50.8	-
		7.7	425.1	-	26.2	431.5	27.5
<b>Financial liabilities</b>							
Derivative financial instruments	Level 2	(10.5)	-	-	-	(6.2)	(4.3)
Borrowings		-	-	(3,238.5)	-	-	(3,238.5)
Trade and other payables		-	-	(206.3)	(19.5)	(213.8)	(12.0)
		(10.5)	-	(3,444.8)	(19.5)	(220.0)	(3,254.8)

<sup>1</sup>Fair value hierarchy shows the fair value measurement categories as described below.

<sup>2</sup>Assets that do not qualify as a financial instrument include prepayments of \$21.7m (2014: \$26.2m). Liabilities that do not qualify as financial instruments are tax and other social security payments of \$23.5m (2014: \$19.5m).

#### a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the close of business on the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise investments in quoted marketable securities.

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## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Forward exchange rates valuation technique was used to value financial instruments.

#### Financial assets

Cash and cash equivalents primarily comprise cash deposits and investments. Cash which bears interest at nominal rates comprises \$16.1m (2014 \$26.3m) in US Dollar, \$3.0m (2014 \$1.6m) denominated in Pound Sterling, \$3.0m (2014 \$8.2m) in Euro and \$18.2m (2014 \$14.7m) in other currencies. Restricted cash comprises \$0.9m (2014 \$0.8m) denominated in US Dollar and \$nil (2014 \$0.6m) in other currencies.

#### Forward foreign exchange contracts

The fair value of foreign exchange derivatives was a net asset of \$16.8m (2014 liability of \$2.3m).

#### 28. Financial Instruments: fair values

The fair values of each category of the Group's financial instruments are approximate to their carrying values in the Group's statement of financial position as the impact of discounting is not significant.

#### 29. Financial Instruments: sensitivity analysis

##### Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to Pound Sterling, the Euro and Indian Rupee. The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity for every 10% increase and decrease, in relation to the US Dollar, in the Euro, Pound Sterling and Indian Rupee exchange rates at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the Managers' assessment of a reasonably possible change for the foreseeable future.

Outstanding forward contracts used to hedge the non-US Dollar net cash flow exposure of the Group as described in note 28 are included in this analysis. It is anticipated that on maturity of the hedges an underlying future anticipated cash flow exposure will crystallise and offset any gain or loss.

Positive figures represent an increase in operating profit.

all figures in \$ millions	Consolidated income statement	
	2015	2014
US Dollar strengthens by 10%		
Euro	(13.0)	(12.8)
Pound Sterling	(2.0)	(5.3)
Indian Rupee	4.8	4.1
US Dollar weakens by 10%		
Euro	13.0	15.3
Pound Sterling	2.0	6.0
Indian Rupee	(4.8)	(5.0)

Year average exchange rates applied in the above analysis are Euro 1.22, Pound Sterling 1.59 and Indian Rupee 0.02 (2014 Euro 1.37, Pound Sterling 1.67 and Indian Rupee 0.02).

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### Interest rate sensitivity analysis

The Group's variable rate debt references LIBOR with a floor of 1%. The Group is exposed to increases in interest rates beyond this floor. The table below illustrates the hypothetical sensitivity of the Group's reported profit to a 0.5% increase in interest rates beyond the 1%, assuming all other variables remain unchanged. The sensitivity of 0.5% represents the Managers' assessment of a reasonably possible change for the foreseeable future.

all figures in \$ millions	Consolidated income statement	
	2015	2014
Interest rate increase of 0.5%	(6.7)	(9.6)
Interest rate decrease of 0.5%	6.7	9.6

#### 30. Principal subsidiary undertakings

The Company is the beneficial owner and has 100% of the nominal value and voting rights over all the equity share capital, through subsidiary undertakings, of the following principal operating subsidiary undertakings:

These develop and license application software products to customers in well-defined vertical markets together with undertaking transaction processing, professional services and e-commerce activities.

Company name	Country of incorporation and operation	Markets served
Misys International Banking Systems GmbH	Germany	All of these subsidiaries offer Global products and services in the following areas: <ul style="list-style-type: none"><li>▪ Retail and international branch banking</li><li>▪ Transaction banking</li><li>▪ Treasury and capital markets</li><li>▪ Enterprise-wide market and credit risk management</li><li>▪ Software integration technology</li></ul>
Misys International Banking Systems Inc	USA	
Misys International Banking Systems Limited	England and Wales	
Misys International Banking Systems Pty Limited	Australia	
Misys International Banking Systems Limited	Hong Kong	
Misys International Financial Systems Pte Limited	Singapore	
Misys France SAS	France	
Misys Europe SA	Luxembourg	
Misys International Financial Systems Technology (Beijing) Limited	China	
Misys Ireland Limited	Republic of Ireland	
Misys Italy S r l	Italy	Portfolio and risk management services in the following areas: <ul style="list-style-type: none"><li>▪ Investment banks</li><li>▪ Treasury and capital markets</li><li>▪ Fund management</li><li>▪ Pension funds</li></ul>
Misys Global Limited	England and Wales	

#### 31 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Misys Newco S.à r.l. This company files consolidated financial statements in Luxembourg.

The party which controls the Company is Vista Equity Partners based in USA.

## Misys Newco 2 S.à r.l.

### Notes to the consolidated financial statements for the year ended 31 May 2015

#### 32. Parent undertaking guarantee

Certain UK and German subsidiaries in the Group have elected to make use of the audit exemption, for non-dormant subsidiaries, under section 479A of the UK Companies Act and by virtue of section 264(3) HGB of the German Commercial Code as relevant. The German subsidiary listed below has also elected to make use of the exemption to publish its financial statements in the electronic federal gazette. In order to fulfil the conditions set out in the regulations, the Company has given a statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial year to 31 May 2015. The companies which have made use of the audit exemption as follows

Company name	Company Number	Registered office
Kapiti Limited	1841697	One Kingdom Street, London, W2 6BL, UK
MIBS Holdings Limited	874912	One Kingdom Street, London, W2 6BL, UK
Misys Africa Limited	3079792	One Kingdom Street, London, W2 6BL, UK
Misys Global Limited	7830889	One Kingdom Street, London, W2 6BL, UK
Misys Group Holdings Limited	3379662	One Kingdom Street, London, W2 6BL, UK
Misys International Banking Systems (CIS) Limited	3259295	One Kingdom Street, London, W2 6BL, UK
Misys Holdings Limited	1752099	One Kingdom Street, London, W2 6BL, UK
Misys Services Limited	1941076	One Kingdom Street, London, W2 6BL, UK
Summit Asia Limited	2698761	One Kingdom Street, London, W2 6BL, UK
MIBS Germany GmbH	HRB36797	Hedderichstrasse 36, 60594 Frankfurt, Germany

#### 33. Events after the reporting date

As at the date of approval of the consolidated financial statements no significant or material events affecting the Group have been identified