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OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

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A20 23/06/2023 #39
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A26 31/05/2023 #160
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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NO[T for]**
You cannot use this for[m to register] an alteration of manne[r of compliance] with accounting requir[ements.]

Part 1 Corporate company name

Corporate name of overseas company ❶	Finastra Ltd
UK establishment number	B R 0 1 9 4 8 8

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	Cayman Islands Companies Act (2018 Revision)

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☑ Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.

Name of organisation or body ❸	International Standards on Accounting (UK) and IFRS

❸ Please insert the name of the appropriate accounting organisation or body.

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Statement of details of parent law and other information for an overseas company

A3	Audited accounts	
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No. Go to Part 3 'Signature'.** ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'.**	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	INTERNATIONAL STANDARDS ON ACCOUNTING (UK) AND IFRS	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X DocuSigned by: [signature] 974DB99B82D64BB... X
	This form may be signed by: **Director, Secretary, Permanent representative.**

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Company Secretarial Team
Company name	Finastra
Address	Four Kingdom Street
Post town	Paddington
County/Region	London
Postcode	W 2 6 B D
Country	England
DX	
Telephone	0203 3205023

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

FINASTRA

THE FUTURE OF
FINANCE IS OPEN

FINASTRA LIMITED

Annual report and consolidated financial statements for the year ended 31 May 2022

Finastra Limited

Annual report and consolidated financial statements for the year ended 31 May 2022

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Finastra Limited

Directors' report for the year ended 31 May 2022

The directors present their report for Finastra Limited and its subsidiaries (referred to as 'Finastra' or the 'Group') for the year ended 31 May 2022 (FY22).

Our Vision is that the future of finance is open.

Our Mission is to become the #1 open platform for innovation in financial services.

Our Purpose is to unlock the potential of people, businesses, and communities, everywhere.

We power the world's banking industry by providing mission-critical financial software, application, and marketplaces via our products and services across Lending, Payments, Treasury and Capital Markets, and Universal Banking. We extend our products and services to developers, fintech, data providers, and innovators around the world via our platform – Fusion Fabric.Cloud ('FFDC'), which helps unlock innovation for our customer base of around 8,600 financial institutions.

We delivered the world's first open platform for financial services, on top of our best-in-class Lending, Payments, Treasury and Capital Markets, and Universal Banking software, which lets us pursue our goal to lead in Banking as a Service ('BaaS'). BaaS represents a significant growth opportunity and the market is worth an estimated $7tn for Finastra and our customers. Our success in BaaS will help us realize our ambition: becoming a global orchestrator for providers and consumers of financial services, everywhere.

We will do this by being open in terms of open platform, open culture, open finance, and being open by default. Our commitment to 'open' and collaborative culture helps us redefine finance for good; uniting technology, people, and businesses to bridge the small and medium enterprises ('SME') funding gap, boost financial inclusion, eradicate bias from artificial intelligence, and tackle inequality. At Finastra, the difference is OPEN.

Pioneering 'open' reveals our customer-centric DNA. We measure success through customer outcomes, and when it comes to innovation, we hand the keys to our customers through our open architecture and platform ecosystem.

Customer Success	Architecture-led innovation	Collaboration-led innovation
Delivering customer success, whether the goals are growth, digitization, or simply greater efficiency relies on three pillars: a trusted portfolio of banking solutions, proactive and tailored support, and personalized implementation and management plans that deliver continuous strategic value.	Grounded in customer and market needs, our technology architecture comprises User experience (UX), Microservices, and Data layers that accelerate innovation and enable faster product development cycles, better personalization, and deeper insight and analytics abilities.	By opening our tech and adopting a collaborative, platform-first approach, we're helping our customers navigate new development, distribution and consumption models, and connecting them to a powerful and far-reaching ecosystem to drive mutual benefits.

Our product and service offering span four core Business Units:

Lending	We offer the most comprehensive portfolio of end-to-end lending solutions in the market - across syndicated, commercial, consumer, and mortgage lending. We deliver a consistent, frictionless digital borrower experience for a range of businesses, corporations, and consumers, while improving customer onboarding, increasing transparency, and streamlining back-office operations.
Payments	Our powerful payment solutions enable customers to adapt to the latest technology trends, with an open, cloud-based, and Application Programming Interface (API) first framework. We consolidate, simplify, and reduce costs with a single platform for your business.
Treasury and Capital Markets	We provide flexible and open cross-asset software solutions for better performance in trading performance, treasury performance and processing, investment banking, investment management, risk management, and compliance activities.
Universal Banking	We offer next-generation technology for retail banks, commercial banks, universal banks, Islamic banks, community banks, and credit unions. We help our customers to deliver the ultimate personalized customer experience, thanks to deep data insights using sophisticated analytics to better target and service consumers.

In addition to the above, our core business includes Fusion Invest, which covers the entire investment value chain, delivering portfolio insight and automated processes with a collaborative real-time Investment Book of Records. Additionally, our Cornerstone business comprises Canada-based Cheques and Student lending businesses, and our Sustained Enterprise Solutions (SES) portfolio.

Finastra Limited

Directors' report for the year ended 31 May 2022

We have opened our core products described above via open APIs on our Fusion Fabric.Cloud platform to enable financial institutions and other parties in the fintech ecosystem to develop applications on top of our solutions, thereby enhancing the value provided to our customers. This allows us to extend the capabilities and value of our core banking solutions, which are key to unlocking the $7tn Banking as a Service and embedded finance opportunities. Through Banking as a Service, we aim to enable the provision of a complete banking process using an existing licensed institution's secure, regulated infrastructure with modern API-driven platforms.

Our business has seen significant transformation since 2017 and to help us pursue our strategic vision, we have evolved our Mission 2021 strategy to a new strategy called 'Reach Beyond' in FY22. Our journey since the formation of Finastra in 2017 to date and beyond is presented below.

2017	2018 - 2020	2021 and beyond
Forming • One brand • One culture • One operating model • One employee experience	**Simplifying and Optimizing** • Simplified solution set • Simplified business model • Invested in Go to Market and customer success • Invested in control functions	• Be the #1 financial software company in our core business units • Lead in BaaS • Achieve our ambition of becoming a global orchestrator of open finance.

The below principles guide our approach to the operating model under the Reach Beyond strategy:

Overall	• Remain as One Finastra with interlocked strategies, accountabilities, and governance.
Customer	• The new operating model will improve the E2E customer journey through the right structure, KPIs, and incentives.
Business Unit (BU) led	• BUs will be responsible for the execution of the make/sell/serve pillars of our business with support from the central functions/teams.
Centre of Expertise	• Lead the creation and governance of the ONE Finastra framework. • Provide thought leadership and best practice across make/sell/serve. • Ensure world-class differentiation within each BU benefits the whole of Finastra.

Business review
In FY22, the Group pivoted to a new strategy called 'Reach Beyond' as described above. The financial results and key performance measures are explained in the Group financial review section below.

Impact of the war in Ukraine
We have seen a minimal impact on our results because of the war in Ukraine. Some customers have delayed purchasing decisions and the imposed sanctions have restricted our ability to service a limited number of customers. There has been no material impact on the Group and no adjustments have been required to reported amounts in the financial statements. The termination of contracts with Russian customers could result in the Group incurring significant costs and loss of revenues; however, this scenario is remote as the sanctions do not mandate the termination of contracts.

A working group has been established to continually monitor and evaluate the sanctions that are being imposed on Russian Financial Institutions and Russian individuals, taking suitable actions where necessary to ensure Finastra's compliance and adherence to them.

COVID 19 pandemic and its variants
We continue to carefully monitor the impact of COVID-19 and its variants on our employees, our operations, our suppliers, and our customers, and provide appropriate guidance to our customers and employees, consistent with updated government advice and regulated requirements around the world.

As the situation improved in many parts of the world with increased vaccinations, we have moved to a hybrid working model (four days a week working from home) and opened safe and secure workplaces for our employees. There were no material financial impacts of COVID-19 in FY22 and therefore, we have released the exceptional provisions of $8.6m taken in previous years and no further provisions or impairments were made during the year.

Executive leadership
During the year and as part of our new three year strategy the group has seen a number of changes to the Executive Leadership team to drive revenue and adjusted EBITDA growth in each of the Business Units. In addition to internal promotions, a number of external appointments have been made as the Group pivots to a Business Unit operating model.

Finastra Limited

Directors' report for the year ended 31 May 2022

Simon Paris	Chief Executive Officer
Carissa Kell	Chief Financial Officer
Neil Blagden	Chief Operating Officer
Simon Dowler	Group General Counsel
Elona Ruka-Wright	Chief Risk and Compliance Officer
Ravi Metta	Chief Technology Officer
Siobhan Byron	Universal Banking EVP
Isabel Fernandez	Lending EVP
Wissam Khoury	Treasury and Capital Markets EVP (from 1 June 2022)
Barry Rodrigues	Payments EVP
Eric Duffaut	President and Global Head of Customer Operations
Helen Cook	Chief People Officer (from 1 September 2022)

Research and Development ('R&D')

Ongoing investment in new technology and functionality has, and will continue to, enable the Group to maintain and strengthen its market-leading position as it accompanies its clients to a cloud-based digital world. The Group has invested $264.3m (May 2021: $261.0m) in R&D. This includes $131.7m (May 2021: $135.1m) of R&D costs capitalized during the year, which is 7% (May 2021: 7%) of adjusted revenue. 36% (May 2021: 38%) of our workforce is engaged in R&D.

In FY22, the R&D agenda entered its next strategic phase, with the launch of the Reach Beyond strategy and the organizational re-alignment into a Business Unit model. The transformational focus remains structured around three strategic initiatives and one big bet. Our three strategic initiatives are: 1) Acceleration of Cloud, 2) Customer Migrations to best-in-class strategic solutions, and 3) growth in the Middle East, Africa, and Asia Pacific ('MAAP') region. Additionally, our big bet is around Banking as a Service.

Transformational benefits are delivered incrementally in the latest versions of software that also encompass enhanced functionality, user experience, and improved margins. The transformation towards cloud, accelerated in FY22, was driven by a number of internal and external factors.

The pre-pandemic market resistance to the cloud has significantly waned, and Software as a Service ('SaaS') solutions are now expected in areas like international retail, payments, and lending compliance. Finastra's response has been to land a critical mass of early cloud adopters in the short term while accelerating the mid-term modernization of our solutions to improve the margin and scalability of those workloads.

Internal readiness to accelerate cloud has been enhanced due to the continued maturation of our cloud standards and tools, and in particular, FusionOperate, which is our standard internal platform for cloud-native workloads. This has created organizational scalability towards adopting consistent cloud-native technologies across multiple product teams and in particular the attainment of expected cloud benefits like continuous delivery, high margin, high resiliency, and high quality to provide scalable growth.

The new organization structure around the Business Unit (BU) model is expected to further accelerate both trends, as the market demand for cloud-native architectures is more readily converted into roadmap plans within the faster decision-making context of each Business Unit.

In this model, the Group Chief Technology Officer works in close partnership with all BUs to accelerate the modernization of the most high-priority products. In FY22, that was five of the seventeen growth products, and in the year-ended 31 May 2023 (FY23) that will be increased to eight products. These products are put on an accelerated path towards cloud-native technologies like containers and microservices, while leveraging platforms from the Chief Technology Officer, notably FusionFabric.cloud for all API openness needs and FusionOperate for consistently running cloud workloads at scale with high margin.

In parallel with our cloud efforts, the R&D team is also focused on modernizing and simplifying the end-to-end customer experience. The Group Chief Technology Officer has defined Design Thinking methodologies that are gradually becoming more standard in the R&D culture.

Our FusionFabric.cloud platform continues to have a strong ecosystem, and our focus is now pivoting towards increasing consumption. A particularly promising development is the initiative to include integration APIs in FusionFabric.cloud, starting with Treasury and Capital Markets. This will cause standard implementations to drive consumption while at the same time benefiting from the simplicity of the platform as they move to APIs in lieu of traditional software development kits ('SDKs').

Platform

During the year-ended 31 May 2021 (FY21), the Platform R&D team embarked on a transformation of Fusion Store, the app store of the platform. The store has evolved from a static catalog of applications to a digital store where customers can discover applications, engage with Finastra, and try or use the applications they have identified. The cornerstone of the new Fusion Store was the realization that the business-to-business ('B2B') e-commerce journey involves multiple stakeholders from the financial institutions, and that the digital Store needs to articulate its contribution to the end-to-end purchase experience.

Moreover, the Platform R&D team has built and delivered a new connector, namely the On-Premise Gateway, which enables financial institutions to benefit from FusionFabric.cloud, from the Store and the APIs even when their systems and data are running on-premise, in their corporate network, and have no authorization to connect to the Cloud. Our goal is to ensure that all customers can benefit from the R&D investment on the platform, in particular the standardized integration of systems with APIs, and the standardized onboarding of fintech vendors, without any hard prerequisite of having a Cloud version of the software or a Cloud integration of banking systems.

Finally, the Business Services team of the platform has accelerated the expansion of APIs to open Finastra products for the customers and participants to the open finance ecosystem. At the end of FY22, we have 378 APIs and datasets available on the developer portal. The strategy to accelerate during FY22 was to identify the distinct types of APIs and introduce a new type of APIs with high sophistication, some product-specific features, and support rich integration scenarios of core products with key fintech players.

Customer Technology and Operations

Customer Technology and Operations has continued to deliver on key strategies like cyber security, hosting availability, infrastructure reliability/resiliency, and location rationalization. In addition, the Group has pivoted to the Reach Beyond organizational structure, re-aligning to the Business Units and actively supporting cloud acceleration and development for Banking as a Service.

During FY22, the firm's cyber posture was further strengthened by executing ~15 key initiatives providing better identity access management, perimeter security, network observability, and recovery. These efforts introduced industry-leading technologies offering enhanced intrusion detection and response tooling, network and firewall fortification, tightly managed privileged identity management, and improved password/credentials controls. As a result, Finastra is much better positioned to react quickly to cyber security anomalies and threat agents.

Central to the Customer Technology and Operations strategy and directly aligned to the Reach Beyond strategy, the team introduced Infrastructure as Code ('IaC') and Infrastructure as a Service ('IaaS'). Using these approaches allows the business to deploy customer solutions in a more predictable manner. By managing and provisioning infrastructure through code (IaC) instead of through manual processes, the business is enabled to meet customer needs quickly and recognize revenue faster. The added ability to efficiently utilize essential compute, storage, and networking capacity on demand (IaaS) from our Cloud providers removed long-standing historical implementation bottlenecks.

Recognizing the importance of our people, the Customer Technology and Operations team is focused on progressing the skills and agility of the staff. Starting initiatives like the IT Academy, with over 400 attending the first few sessions, we succeeded in driving the Reach Beyond agenda, socializing Customer Technology and Operations strategy, and shifting the culture to the organization we want to become. To support these efforts, new roles have been established to create a more agile workforce, a data-driven team, and an organization that is shifting from legacy project management to product management.

Our FY23 focus revolves around our products, people, and processes. Priorities in maintaining production stability, increasing cyber security, reducing technology debt, adhering to regulatory/compliance guidelines, and enabling customer solutions will once again be top of the list. Implementing additional automation, introducing more modernization, simplifying our footprint, and educating/empowering the business to better use our services are among the goals we have set for the year ahead.

Business Unit specific delivery

Lending

Throughout the year, Finastra continued to deliver feature enhancements across its product portfolio. For the Lending Business Unit, through our orchestration of open and scalable lending solutions, Finastra is helping financial institutions to facilitate sustainable lending and deliver better customer experiences.

We're focused on taking our solutions to the cloud and helping our clients leverage the benefits of data security, speed and agility. In FY22, we took our market-leading loan document generation solution, LaserPro, to the cloud in pre-production. We developed a framework for Fusion Corporate Channels that is a key milestone in the product's journey to be cloud native. Our cloud journey is also about offering integrated but independent services as part of an on-premises solution. For Fusion Cash Management, we developed several as-a-Service solutions including liquidity management and virtual accounts.

At Finastra, we're steering the financial services ecosystem by connecting our solutions with other fintechs' solutions via orchestration services and open APIs. For Fusion Loan IQ, our market-leading lending software solution, we developed the Booking Service module, which supports automated loan onboarding. It enables us to open up to, and more easily integrate with, different fintechs and origination systems, and is a key element of our lending ecosystem orchestration strategy.

Two other key deliveries in FY22 relate to compliance and customer experience – two very different but important elements. In November 2021, we successfully supported the SWIFT CAT 7 upgrades across front-to-back Trade. This was one of the most significant changes to the trade finance messaging interface in nearly 30 years. And finally, we made significant enhancements to our trusted mortgage lending solution, Fusion Mortgagebot, helping banks to eliminate friction when it comes to offering mortgages, and deliver a better overall experience for their customers.

Treasury and Capital Markets ('TCM')

TCM modernization strategy is underpinned by three main pillars: Cloudification, interoperability, and new user experience. The Cloud adoption is phased and depends on each of our core products.

- Kondor Front-to-back-to-risk is now fully containerized and orchestrated on Kubernetes, certified as per Oracle Certified Professional. New microservices and a set of APIs (public and private) are now available to build the new added-value services and a Web front-end. Two first user interface components were delivered this year: eFX platform and Trading book risk.
- Opics is now fully containerized and can be deployed and run in an Azure Cloud. The time to value has been shortened with clients going live in a few months. Interoperability has been improved with more APIs, and the enablement of new features (Collateral, Reg reporting, and risk management) through FFDC.
- Summit is containerized and orchestrated through Kubernetes. AzureSQL and AWS RDS for Oracle are now available. New features such as matching are delivered as microservices. Complex risk measures and collateral management are enabled as a service through FFDC.
- ARC back end was modernized to provide parallelized Asset Liability Management calculation (to cope with increasing simulations) and document store persistence (to cope with increasing volumes). Docker and Kubernetes are now standard in ARC deployment, setting the baseline for the future of our ALM as a service offering.

This modernization strategy brings more agility in delivering our features, being regulatory (RFR, ISO20022/MX, trade/risk reporting), strategic (Front office, Post-trade, digitalization), and reducing the overall total cost of ownership for our clients.

Payments

During FY22 we continued to put emphasis on the cloud evolution and transformation of our Payments products. The key emphasis has been on Fusion Payments2Go, our SaaS offering for a Payments Hub, where a decision was also made to branch out Fusion Payments2Go from our Payments product line, to allow for accelerated cloud evolution and modernization. With this approach, we now have two separate product branches – Fusion Global PAY Plus for large enterprise customers, and Fusion Payments2Go for mid-tier customers consuming it as a SaaS offering. With this approach we have started introducing Fusion Payments2Go to our initial customers in the US, we are expanding our geographical footprint into Europe and later into APAC as well, ensuring the product is ready to be sold and services by partners globally and we are accelerating our cloud-native journey with the transition of Fusion Payments2Go over to Fusion Operate, the Finastra standard cloud operating and deployment framework.

Universal Banking

We have continued to invest in the modernization of our core banking software, this has been done through the development and expansion of our cloud-based retail banking solutions Fusion Essence and Fusion Phoenix. We continue to migrate customers from our classic solutions Ultradata, Sparak, Midas, and Equation to these modern solutions. Fusion Digital engagement platform has been migrated to Microsoft Azure and the product offering has been extended with the over 50 fintech partner apps on our FFDC platform.

Employee involvement

As an organization, the Group is committed to recognizing the correlation between employee engagement, organizational success, and financial performance. This means continuing to look for opportunities for our employees to provide feedback and tell us how they feel about working at Finastra.

Through an employee survey, the Group enables employees to provide feedback on a monthly basis, driving the implementation of actions to improve the experience for employees at Finastra. The results of this feedback are monitored closely by the Executive Leadership team. One of our Reach Beyond strategic initiatives is to become the most loved, inclusive, and diverse employer in fintech, and this is supported by an increase of ten points in the Employee Experience Monitor (EXM) score during the year. This was achieved by our executive leadership team taking actions on the feedback provided by the employees regarding hybrid working, health and safety, pay, etc., and communicating the decisions to all the employees every quarter.

The Finastra Group uses agile performance development discussions to drive personal growth and development, based on results, demonstrated behaviors and career aspirations, driving a successful and engaging environment. Each quarter we have a "90-Day Sprint Check-in" to set and align our goals for the quarter, share updates and progress, as well as to discuss feedback and opportunities for growth. With these conversations happening throughout the year, employees and managers are continuously connecting, gathering feedback, and reviewing results, as well as maximizing available reward levers and celebrating our successes. Development opportunities include bespoke programs and an all-employee subscription to LinkedIn Learning.

Reward is a critical component of employee value proposition, underpinned by a pay-for-performance philosophy. The Group balances rewarding the best and ensuring competitive and fair pay across our markets. As part of cultivating a high-performance culture, incentive programs are offered to eligible employees to celebrate and share success.

We are committed to our diversity, equality and inclusion agenda. We aim to be an organization that is recognized for its open approach to all employees, regardless of gender identity and expression, age, ethnicity, disability, culture, sexual orientation, and thought. The group has taken many positive steps this year including the continued investment in 'Women@Finastra', LGBTQ, special abilities, cultural inclusion, and generational inclusion.

We invest in our diversity, equity, and inclusion ('DEI') agenda through various channels. We have a dedicated DEI Finastra team and we have onboarded additional talent acquisition and reward team members who have experience in helping organizations achieve the DEI goals. Finastra is also working with third-party human resource agencies to bring more diverse talent into our organization and support a number of social mobility charity partners to identify, support and hire underrepresented youth. Our board is 67% diverse and our executive leadership team will be 50:50 female and male in the very near future. This demonstrates our commitment to lead from the top.

The diversity of our people is critical to our success in driving the best results and we continue our work to create an open environment where all our employees can achieve their full potential.

Environmental, Social, and Governance (ESG)

Finastra places the principles of Environment, Social, and Governance ('ESG') and our business mantra of 'doing well by doing good' at the heart of our OPEN and inclusive culture. Our corporate purpose is to orchestrate the sustainable financial empowerment of every single person on the planet through the collaborative power of our technology, diverse talent, and ecosystem.

This strategic approach and vision for ESG was formed at the inception of Finastra through our Corporate Social Responsibility ('CSR') strategy, launched in 2018. Our dedicated ESG team, which includes many members of our Executive Leadership Team, recognize the role all of our stakeholders play in the pursuit of our objectives to improve the well-being of our employees, customers, partners, society, and the environment in which we operate.

To date, Finastra employees delivered 79,000 volunteer hours to serve their communities, which included the support of financial inclusion initiatives, mentorship for social mobility youth, and environmental projects. Over the past three years, Finastra employees have fundraised over $783,000 across various charitable events worldwide to support causes they care about, much of which was matched by the Group. Finastra has hosted more than 20,000 children through its Hour of Code program since its launch in September 2018. The number of lives which have been positively impacted through these ESG initiatives is estimated at over 1.7 million. Through collaboration via partners, we have created leading financial education content in multiple languages and strive to provide financial education to 10 million people by the year-ended 31 May 2024 (FY24).

Environment Mission Initiative (climate change)

Finastra is acutely aware of its responsibility to minimize our impact on the environment together with our ability to reduce emissions in the financial services sector as an established fintech. This mission is delivered through three initiatives: net-zero Finastra by 2030, customer carbon footprint reduction and our sustainability agenda.

Net Zero Finastra by 2030

Finastra is constantly working to reduce emissions as a business, with a goal to be net-zero by 2030. To achieve this objective, Finastra has developed environmental corporate programs that focus on managing air travel, providing accessible audio-visual conferencing facilities, and managing energy consumption. Our employees also volunteer to support our ESG carbon offsetting programs, which include Planting Trees With Purpose, to improve air quality, reduce global warming, and prevent flooding in our communities.

Customer carbon footprint reduction

Finastra creates and deploys financial technology that helps reduce the carbon footprint of our global customer base. Whether it's through the reduction of employee travel, paper consumption, or energy that our solutions enable through the digitization and automation of banking processes, the digitalization of financial services through online banking, or moving our customers to energy-efficient cloud platforms, we are committed to reducing carbon emissions within our sector in collaboration with our customers and partners.

By FY24, Finastra is striving to achieve a 30% reduction in carbon emissions by transitioning one-third of its customers on to energy-efficient cloud platforms. The target is based on the carbon footprint reported in 2019 of 15,074 tco2e across our scope one and two emissions and 31,253 tco2e across our scope three emissions. Scope one emissions are direct emissions from owned or controlled sources, scope two emissions are indirect emissions from the generation of purchased energy, and scope three emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. So far, Finastra has migrated ten of our data centers onto Microsoft's carbon-neutral Azure cloud service.

Sustainability agenda

Finastra is keenly interested in supporting and partnering with organizations working in the areas of conservation and sustainability. We have established an ESG and Sustainability Executive Committee to deliver this agenda across the company, which is led by our Chief Executive Officer, as well as several members of the Finastra Leadership Team.

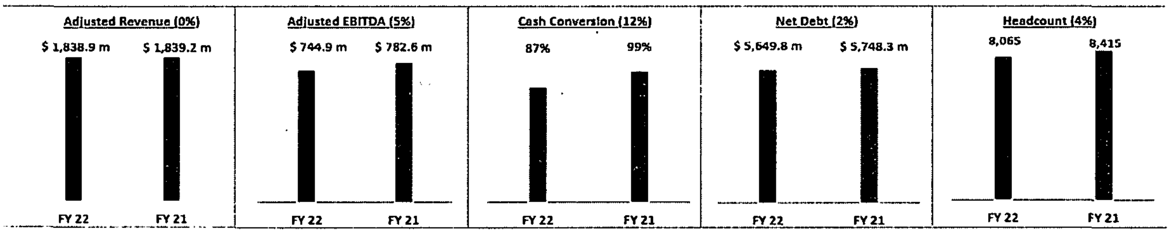
Group financial review

Key performance indicators ('KPIs')

The Group uses a number of key performance indicators ('KPIs') internally to monitor and track the performance of the business. Certain KPIs reflect adjusted operating metrics and reconciliations between reported and adjusted numbers are provided on the following pages.

The Group uses adjusted figures as key performance measures, as management believes these better reflect the underlying trading performance of the Group as they exclude the impact of acquisitions, disposals, other non-operational items, and foreign exchange fluctuations. Management has defined these items as amortization and impairment of acquisition-related goodwill and other intangible assets; depreciation of tangible assets; share based payment expenses; exceptional items as defined in note 6.3 to the consolidated financial statements; investor management fees; profits or losses on termination or disposal of businesses; unrealized changes in the fair value of financial instruments; and other non-operational costs incurred outside of the ordinary course of business.

These unaudited non-IFRS financial measures should be read in conjunction with the Group's consolidated financial statements prepared per IFRS, as discussed in the Group financial review below. These measures are Finastra defined and may be different to similar metrics applied by other Companies. The KPI results for the year plus a brief description of how they are calculated are presented below.



a) Adjusted revenue in constant currency excludes the impact of acquisition accounting adjustments to revenue. Acquisition accounting adjustments arise due to the IFRS 3 (Revised) Purchase Price Accounting ('PPA') treatment applied by the Group. In relation to revenue, these adjustments relate to the amortization of the fair value adjustments on deferred revenue acquired which on acquisition significantly reduced the carrying values of liabilities and are now subsequently unwound over the associated contract terms.

b) EBITDA is earnings before interest, tax, depreciation, and amortization. Adjusted measures in constant currency further exclude impairment charges, acquisition-related costs and accounting, share-based payment expenses, and exceptional items as defined in note 6.3

c) Cash Conversion is defined as operating cash flows from continuing operations before payments relating to taxes, interest, and exceptional items as a percentage of Adjusted EBITDA.

d) Net Debt is defined as borrowings and interest accruals offset by cash and cash equivalents, net of overdrafts, restricted cash, lease liabilities, and certain financial instruments used to manage interest rate and foreign exchange movements on borrowings.

e) The Headcount metric provides insight into the total number of permanent employees in the Group.

f) The FY21 adjusted revenue and adjusted EBITDA numbers presented above have been translated at a constant currency rate which is used by management in all internal financial reporting during the year. This makes results more comparable year on year In the prior year these were $1,787.9m and $765.0m for adjusted revenue and adjusted EBITDA, respectively.

Revenue

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021	Change (%)
Revenue as reported under IFRS	**1,740.2**	1,742.4	**0 %**
Acquisition accounting adjustments[1]	**41.9**	56.9	**(26)%**
Change in scope of a customer contract[2]	**7.4**	(2.9)	**(354)%**
Currency translation[3]	**49.4**	42.8	**15 %**
Adjusted revenue[4]	**1,838.9**	**1,839.2**	**0 %**

[1]Acquisition accounting adjustments arise due to the IFRS 3 (Revised) Purchase Price Accounting ('PPA') treatment applied by the Group. In relation to revenue, the PPA adjustment reduced the deferred revenue that was previously held on acquisition. This adjustment unwinds the impact of the PPA adjustment, which has the impact of increasing the revenue recorded under the non-statutory adjusted revenue metric, with revenue being unwound over the original associated contract terms.
[2]As explained in more detail below.
[3]The table above has translated the results at a constant currency rate which is used by management in all internal financial reporting during the year. This makes results more comparable year on year.
[4]Prior year of adjusted revenue has been restated at FY22 constant currency rate.

Revenue, as reported under IFRS, is flat year on year.

Adjusted revenue from continuing operations is one of the key measures of performance used by management. It excludes the impacts of purchase price allocation ('PPA') adjustments arising from the acquisitions completed in prior periods and change in scope of customer contract excluded for internal management reporting but included under IFRS.

PPA adjustments reduced revenue as deferred income balances held at acquisition were 'fair valued' to zero as part of the adjusted revenue revaluation and are unwound over the original associated contract terms. The PPA adjustment has reduced by $15.0m in FY22 compared to FY21 and therefore the impact on adjusted revenue is lower than the comparative period.

Adjusted revenue of $1,838.9m (May 2021: $1,839.2m) has stayed flat year on year driven by a 3% increase in the revenues recognized over time excluding Services and Cornerstone (2% increase as reported under IFRS) and a 16% increase in upfront revenues excluding Cornerstone (14% increase as reported under IFRS), offset by a 1% decline in Services (2% decline as reported under IFRS) and a 20% decline in Cornerstone (19% decline as reported under IFRS).

The 3% increase in revenue recognized over time shows the continued focus of the Group moving to a recurring revenue base, which provides increased visibility of the future full-year plans. The 16% increase in upfront revenues was driven by large deals in the Treasury and Capital Markets Business Unit. Services revenues were down 1% due to the Group moving away from traditional implementation to value-added services and the Cornerstone business was down 20% driven by large declines in SES and Cheques, offset by an increase in Student Lending.

The IFRS results for the year include the impact of significant changes to the scope of a customer contract resulting in a cumulative adjustment to the traded position of the contract. We have adjusted our progress to completion during FY22 which also impacted three prior years. The impact is immaterial and does not warrant a restatement of the IFRS results however, the adjusted revenue measure has been adjusted to provide a better underlying view of performance with a fairer comparison year over year.

Operating loss and adjusted EBITDA

Adjusted earnings before interest, taxation, depreciation and amortization and other adjustments ('Adjusted EBITDA') is the key measure of performance used by management. Adjusted EBITDA is presented because it is widely used by securities analysts, investors and other stakeholders to evaluate the profitability of companies. The reconciliation between Adjusted EBITDA and operating loss as reported under IFRS is shown below. All amounts are from continuing operations only.

Finastra Limited

Directors' report for the year ended 31 May 2022

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Operating loss as reported under IFRS	**(247.3)**	(225.5)
Exceptional items[1]	**60.4**	63.8
Other non-operational costs[2]	**1.9**	—
Net foreign exchange loss/(gain)	**83.7**	(144.2)
Investor management fees	**0.3**	2.7
Acquisition accounting adjustments under *IFRS 3*	**30.3**	40.8
(Gain) / loss on derivatives	**(32.7)**	67.6
Share based payment charge	**9.6**	0.6
Impairment of leased assets	**7.3**	0.1
Change in scope of a customer contract	**9.6**	(3.4)
Adjusted operating profit / (loss)	**(76.9)**	**(197.5)**
Impairment of goodwill and intangible assets	**195.0**	371.8
Amortization of intangible assets	**557.9**	537.5
Depreciation of property, plant and equipment	**51.5**	56.1
Currency translation[3]	**17.4**	14.7
Adjusted EBITDA[4]	**744.9**	**782.6**

[1]Exceptional items consist of acquisition and integration costs, transaction fees and restructuring-related charges and the reversal of impairment of trade receivables as a related to COVID-19 (note 6.3). [2]Other non-operational costs are unique items that management has deemed to be incurred outside of the ordinary course of business, and as such are excluded from Adjusted EBITDA. [3]The table above has translated the results at a constant currency rate which is used by management in all internal financial reporting during the year. This makes results more comparable year on year. [4]Prior year figure of adjusted EBITDA has been restated at FY22 constant currency rate.

Operating loss as reported under IFRS was $247.3m (May 2021: loss of $225.5m) for the year, which is a $(21.8)m decrease year on year, driven by the lower operating expenses while revenue remained flat. The main driver of lower operating expenses was the reduced goodwill impairment charge of $194.5m (May 2021: $371.5) during the year, offset with a net foreign exchange loss of $83.7m (May 2021: $144.2m gain) due to appreciation of US dollars against EURO and GB Pound and an increase in amortization of intangible assets of $557.9m (May 2021: $537.5m).

Acquisition accounting adjustments comprise the unwinding of $41.9m (May 2021: $56.9m) of deferred revenue offset by $11.6m (May 2021: $16.1m) of contract costs that have been recognized in the Consolidated Statement of Income as PPA adjustments.

The IFRS results for the year include the impact of significant changes to the scope of a customer contract resulting in a cumulative adjustment to the traded position of the contract. The impact is immaterial and does not warrant a restatement of the IFRS results, however, the adjusted EBITDA measure has been adjusted to provide a better underlying view of performance.

Adjusted EBITDA was $744.9m (May 2021: $782.6m), a decrease of 5% primarily driven by the planned investments during the year in Go To Market and research and development to drive long term revenue growth, increased travel spend as compared to prior year and decrease in Cornerstone EBITDA driven by decline in revenues in SES and Cheques.

Adjusted net cash generated from operating activities

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Operating cash flows before payments relating to taxes	**586.2**	681.9
Payments relating to exceptional items[1]	60.1	69.9
Adjusted net cash generated from operating activities	**646.3**	**751.8**

[1] Payments relating to exceptional items consist of acquisition and integration costs, transaction fees and restructuring-related charges (refer note 6.3) and associated working capital movements.

Adjusted net cash generated from operating activities represents the cash flow from operations before taxes and exceptional items. The Group has generated (14)% less adjusted net cash from operating activities in FY22. Operating cash flows before tax has decreased by $95.7m or (14)% with adjusted EBITDA to cash flow conversion at 87% (May 2021: 96%).

Goodwill and intangibles impairment, amortization and depreciation charges

In FY22, as part of the Reach Beyond strategy, the Group has been reorganized at the Business Unit level. The reorganization triggered a reallocation of the goodwill from the cash generating unit ('CGU') basis to the Business

Units ('BU'), to reflect the way the Group manages its operations and with which goodwill would naturally be associated. Prior to the reallocation of the goodwill from the CGUs to the Business Units, the Group has conducted an impairment test on the goodwill at the CGU level as of 30 November 2021 which resulted in an impairment of $14.6m in the Merchant Services CGU as a result of lower margins for this CGU as compared to the previous year and $19.5m in the Cheque CGU as a result of a significant customer that was lost. Further details are disclosed in note 9 to the consolidated financial statements.

Subsequently, the Group has conducted an annual impairment test at 31 May 2022 on the carrying value of goodwill, based on the recoverable amount of the Business Units to which goodwill has been reallocated. The results of these reviews are disclosed in note 9 to the consolidated financial statements and show an impairment in the Cornerstone, Universal Banking, and Treasury & Capital Markets ('TCM') Business Units in the amounts of $70.6m, $58.3m, and $31.5m, respectively. The Cornerstone BU was impaired due to the declining revenues in this part of the business, while Universal Banking and TCM were impaired due to higher costs as a percentage of revenue and effects of the allocation from CGU to BU.

Total amortization and depreciation charges of $609.4m (May 2021: $593.6m) have been recognized, of which $557.9m (May 2021: $537.5m) includes amortization of intangible assets recognized at fair value from the acquisitions made by the Group. The remaining charges relate to amortization incurred on R&D assets and third-party software and depreciation on property, plant, and equipment.

Exceptional items

As explained in note 6.3 of the consolidated financial statements, the Group separately identifies and discloses items referred to as exceptional items, that are judged to be material by their size or nature and which are exceptional or non-operational in nature.

The Group recognized $60.4m (May 2021: $63.8m) of charge during the year related to exceptional items mainly driven by $32.0m (May 2021: $34.7m) of integration costs including people-related costs, $16.0m (May 2021: $20.7m) of employee costs including severance incurred as a direct result of headcount reductions, and $15.2m (May 2021: $9.3m) of other strategic initiatives primarily related to potential corporate mergers and acquisitions (M&A activities), offset by $8.6m (May 2021: $0) release of COVID-19 related exceptional provisions. The integration costs were principally IT-related costs relating to developing a One Finastra platform for the whole business.

Net finance costs and tax

Net finance costs were $364.8m (May 2021: $378.0m), predominantly reflecting interest costs on term loans related to $3,582m and €940m First Lien Term Loans, $1,245m Second Lien Term Loan, and revolving credit facility. The associated interest on the facilities was $314.6m (May 2021: $325.6m) of total finance costs with the cost of financing decreasing as the year progressed. This was due to the cross currency and interest rate swaps which were taken up to mitigate interest rate and foreign currency risk, expiring in the first half of the financial year. Interest rates remained flat until April 2022 and have since begun to increase. The Group is reviewing further interest rate swaps to mitigate the risk of fluctuations in the interest rates. Net interest expense of $10.9m (May 2021: $10.0m) related to leases from IFRS 16 was recognized during the year.

The Group recorded a tax charge of $22.1m (May 2021: tax credit of $18.7m) due to current taxation charges of $45.2m (May 2021: $71.7m) offset by deferred tax credits of $23.1m (May 2021: $90.4m). The deferred tax credit relates to a credit of $70.9m (May 2021: $105.3m) on the amortization of acquired intangible assets, offset by a charge of $19.8m (May 2021: $22.9m) for the recognized tax losses incurred and a $28.0m charge (May 2021: credit of $8.0m) on other deductible temporary differences, mostly related to the benefit of interest deductions that are not being recognized.

Group earnings

The final loss for the year as reported under IFRS was $634.2m (May 2021: $588.2m). This reflects the operating loss of $247.3m (May 2021: loss of $225.5m), net finance costs of $364.8m (May 2021: $378.0m), and a net tax charge of $22.1m (May 2021: credit of $18.7m), all as described above.

Overall loss after tax has increased by $46.0m primarily as a result of revenue remaining flat, taxes of $22.1m compared to a tax benefit of $18.7m in FY21, and an increase in foreign exchange losses, partially offset by reduced finance costs and a reduction to the goodwill impairment charge. The directors monitor the Group based on the performance set out in the Group financial review above and therefore do not consider the net profit / loss as the indicator of the financial performance of the Group.

The directors do not recommend a dividend for FY22 (May 2021: No dividend was declared in the previous year).

Finastra Limited

Directors' report for the year ended 31 May 2022

Financial position

A summary of our Consolidated Statement of Financial position is below.

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Non-Current Assets	6,350.1	7,052.6
Current Assets	838.5	756.9
Total Assets	**7,188.6**	**7,809.5**
Non-Current Liabilities	(5,977.9)	(6,030.0)
Current Liabilities	(1,193.3)	(1,194.5)
Net Assets	**17.4**	**585.0**

Non-current assets of $6,350.1m (May 2021: $7,052.6m) primarily comprise goodwill of $4,541.3m (May 2021: $4,850.9m), other intangible assets of $1,134.6m (May 2021: $1,572.9m), tangible fixed assets (predominantly leased assets, office furnishings, and information technology equipment) of $180.8m (May 2021: $195.2m), and deferred tax assets of $181.8m (May 2021: $171.2m). Non-current trade and other receivables of $309.0m (May 2021: $259.9m) predominantly comprise of revenue recognized but not yet billed to customers, credits on qualified R&D expenditure, and contract costs related to capitalized commissions, royalties, and implementation fees.

Current assets of $838.5m (May 2021: $756.9m) largely comprise billed and unbilled receivables of $682.5m (May 2021: $619.0m), unrestricted cash balances of $129.8m (May 2021: $109.9m), and current tax assets of $23.5m (May 2021: $24.9m).

Non-Current Liabilities mostly consist of borrowings of $5,305.6m (May 2021: $5,442.5m), deferred income of $310.4m (May 2021: $232.7m), and deferred tax liabilities of $210.0m (May 2021: $207.0m) which relate to intangible assets acquired through business combinations offset by temporary differences on other intangible assets and losses.

Current liabilities are predominantly made up of trade and other payables of $315.4m (May 2021: $363.5m) and deferred income of $539.3m (May 2021: $493.8m). Deferred income is primarily derived from software licenses and annual maintenance where the Group bills in advance but recognizes revenue over the course of the service period.

As of 31 May 2022, net assets were $17.4m (May 2021: $585.0m).

Group cash flow and net debt

The Group's available liquidity at the year-end is $219.9m (May 2021: $294.9m), with an unlevered free cash flow generated of $300.9m (May 2021: $374.9m). Unlevered free cash flow is net cash flow generated from operating activities, less capitalized software development costs, purchase of other intangible assets, purchase of property, plant and equipment, principal elements of lease payments, and interest received from sublease arrangements as disclosed in the consolidated statement of cash flows.

The Group's cash conversion at actual foreign currency exchange rates has reduced to 87% (May 2021: 99%) (at constant currency 89%, May 2021: 98%) during the year, as a result of adverse movements in working capital. Cash conversion is calculated using net cash generated from operating activities of $646.3m over adjusted EBITDA of $744.9m.

Net cash flow generated from operating activities was $507.1m (May 2021: $616.2m). This is driven by increases in travel, IT, hosted client, and agency fees, creating a decrease in operating cash flows before working capital movements by $43.3m. The net change in working capital has also decreased adversely by $52.4m in the year driven by an increase in trade receivables, contract assets, and contract costs, in addition to a decrease in trade payables. This has been offset partially by an increase in tax payments by $13.4m in the year.

Net cash outflow used in investing activities was $168.5m (May 2021: $200.8m) primarily due to $131.7m (May 2021: $135.1m) of expenditure on internally developed software, $12.8m (May 2021: $25.4m) on the purchase of leasehold improvements, computer equipment, and other capital equipment, and purchase of third-party software of $25.7m (May 2021: $42.5m).

Net cash outflow used in financing activities was $299.7m (May 2021: $616.2m) due to interest payments of $311.9m (May 2021: $330.0m) and $46.5m (May 2021: $47.2m) of principal repayments on the first lien loan facilities and a net drawings of $96.0m of the RCF (May 2021: $200.0m net repayment).

Finastra Limited

Directors' report for the year ended 31 May 2022

Principal business risks and uncertainties

The Group has a robust framework in place to enable it to utilize risk management as part of its day-to-day decision-making. This includes an Audit and Risk Committee composed of senior leadership and also an Executive Enterprise Risk Oversight Committee who are both supported by our internal audit and risk departments.

Throughout each financial year risks are identified, evaluated, and mitigated to ensure we manage the risks and uncertainties that influence the successful delivery of our strategic objectives. The COVID-19 pandemic continues to have an impact on certain parts of our business and details of our response and the impacts on our risk assessments are included below.

The principal 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.

COVID-19 Pandemic

The impact of new variants of COVID-19 or further lockdowns could potentially impact the Group's ability to deliver the implementation of our products. Hence, the Group has put in place a fully scalable Business Resiliency Program and Pandemic Plans including cross-functional teams providing additional support and services to address any potential impacts to our services if required. In 2020, we had successfully transitioned over 95% of our workforce to safe remote working in less than a week, enabling us to continue business operations without disruption while protecting employee health and safety.

While monitoring continues, we expect the remaining impact of the pandemic on the Group to be insignificant and expect the probability of the occurrence of material risks to be remote. We are working through a program of property rationalization and hybrid working model enhancements as the Group and its workforce continue to work through the lingering impacts of the pandemic.

Leverage, liquidity and restrictive covenants

The Group aims to achieve strong financial performance to maintain the 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. The Group has credit facilities in place which carry a significant amount of debt with associated interest and repayment requirements. Additionally, the Group has access to a Revolving Credit Facility ('RCF') which has financial covenant compliance obligations attached and were Finastra unable to draw under the available facilities, this could have a significantly adverse impact on the Group's ability to operate as a going concern. Compliance with the terms is monitored on a quarterly basis. Further details of the terms of covenants are available in note 18.2.

The credit facilities have floating interest rate components which are subject to increase based on the global economic conditions. A significant increase in interest rates could severely restrict the liquidity of the Group.

A failure to comply with any covenants or obligations under our consolidated indebtedness could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. There can also be no assurance that we will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs. If the amounts become repayable due to an inability to comply with covenants, or if we are unable to extend the terms of the facilities at the time of renewal, the loss of the credit facilities could have an adverse effect on our business.

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 optimization. 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 first lien and second lien facilities are due for renewal in June 2024 and June 2025, respectively, and the revolving credit facilities in March 2024. The Group aims to renew all of the credit facilities by June 2023, 12 months before the due date for the first lien to ensure the Group has sufficient facilities in place to operate the business effectively.

Ability to protect against cyber-security risks

Cybersecurity threats continue to increase in frequency and intensity. This has been exacerbated by the COVID-19 pandemic, which has been characterized by an increase of sophisticated targeted attacks on financial institutions and technology companies, including Finastra.

The Group has to ensure appropriate security of its information technology ('IT') infrastructure, products, and intellectual property. As a part of certain of our business/product lines, we collect, process, store, and transmit confidential and personal information, including sensitive proprietary information, relating to our businesses as well as those of our clients (including personal data of our clients' customers). We invest a great deal of time and effort in protecting our IT infrastructure and data, including any sensitive data held. Our hosting and Cloud offerings go through external security reviews and product security and vulnerability testing is a part of the software development lifecycle.

Finastra was a target of Cyber-attack in financial year 2020 and has consequently put a number of additional measures in place. Our Cyber steering committee continues to oversee the Cyber program framework to identify, protect, detect, respond, and recover from Cybersecurity threats.

We remain vigilant knowing that significant cyber security events can have a material impact on the Group and no further material events have arisen.

Actions from regulators or investigations against the Group

The Group operates globally and is subject to various regulations and laws in each country including health and safety rules, data protection regulations, employment laws, tax regulations, Company laws, economic sanctions, Modern Slavery Act, the US FCPA, and the UK Bribery Act.

The Group is a technology service provider ('TSP') and is subject to regulatory oversight by the Federal Banking agencies (the 'FBA'). Periodic examinations are performed using FBA guidelines to identify potential risks that could adversely affect serviced financial institutions.

The FBA's examination process is grounded in the concept of ongoing, risk-based supervision. The examinations of Technology Service Providers ('TSPs') focuses on the risks associated with management of technology, integrity of data, confidentiality of information, availability of services, compliance, and financial stability that can affect insured depository institutions or the TSP's clients.

The FBA examines risks such as credit, interest rates, liquidity, and market risks to identify any processing errors related to investment income or repayment assumptions that could affect the risks of serviced financial institutions.

Failure to comply with laws and regulations could lead to termination of our customer contracts or liability for breach thereof, cancellation of credit agreements, imposition of fines or penalties, or denial, revocation, or delay of the renewal of permits and licenses by governmental authorities. We may also be susceptible to lawsuits and claims brought against us, either directly or indirectly, by governmental authorities and third parties, including purported class actions.

The Group's global operations, particularly in emerging economies, increase the risk of inappropriate business conduct. The Group manages this risk through, amongst other things, a prescribed code of conduct, anonymous whistle-blower sites, anti-bribery training to relevant staff, and regular monitoring of customer facing staff and partners. The Group employs dedicated internal regional legal teams supported by legal advisers and experienced business staff. 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 at all times.

Changes in macro-environment that impact the Group and its customers' businesses

We market and sell our products and services across approximately 130 countries globally. As a result, we may be exposed to ever changing economic climates, in particular against a background of increasing inflation and high interest rates. We are subject to a number of risks customary for international operations, including economic or political changes in international markets, currency and exchange rate fluctuations, disputes with customers with respect to inflation linked annual increase of recurring billing, greater difficulty in accounts receivable collection and longer collection periods, and increase in costs of staffing. Any of these effects, and others that may evolve over time, could adversely affect our business, operating results and financial condition.

Impact of the war on Ukraine

The Group is compliant with the sanctions imposed on Russia as a result of the war on Ukraine and has seen no material impact to the operations of the Group and does not expect any material impact in the future based on the current list of sanctions. Additional sanctions which may result in the termination of contracts with Russian customers, could have material impact on the operations of the Group; however, it would not be significant enough to affect the going concern of the Group.

Competition

The market for our products and services is competitive. We encounter competition from a number of sources and these competitors vary in size and in the scope and breadth of the products and services they provide. Some of our competitors have a longer operating and product development history, a larger installed client base, substantially greater financial, technical, and marketing resources, and/or willingness to lower their prices and margins to gain access to increased market shares. As such, we are exposed to competition which could lead to loss of contracts or reduced margins and could have an adverse effect on our business.

In addition, changes in technologies, industry standards, the regulatory environment, customer requirements, and new product introductions and investment by existing or future competitors could render our existing products or service offerings obsolete and unmarketable, or less competitive. This could negatively affect our ability to attract new customers or to maintain contract renewal rates. It may require us to develop new products or service offerings, which may create risks with respect to the retention of key customers and overall customer retention rates.

The Group manages the risks related to ongoing product investments and product development through the use of agile product development methodologies, product investment reviews, and hiring experienced product managers, product strategy experts, and business analysts who understand various market requirements. The Group also uses customer advisory boards which bring together key client stakeholders to discuss and validate the top priorities for Finastra product roadmaps. Approximately 36% (FY21: 38%) of the Group's staff is 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.

The impact of any potential defects, implementation delays, or system failures on the Group's business and reputation

Our products are complex, require regular updating and may contain undetected errors, defects, or 'bugs'. This may result in delays in implementing products or cancellations by our clients, interruption in our customers' use of products, loss of market acceptance of products, diversion of resources, injury to our reputation, and increased service and warranty expenses and/or payment of damages.

Any failure by us to provide solutions that are compliant in an ever-evolving regulatory environment could result in significant fines or liability, including liability of our clients and their customers, for which we may bear ultimate liability or could result in a breach of our contractual obligations to these clients.

The Group manages these risks by utilizing a combination of service support and service delivery processes to identify, address, and mitigate the risks associated with technology defects and system failures.

Intellectual property ('IP') infringement

The Group's ongoing development efforts result in the creation of IP and our ability to compete depends on our proprietary systems, software and technology. We rely on a combination of trademark and copyright laws, patent laws, trade secret protection, and confidentiality and license agreements to protect our IP. IP laws afford limited protection, and the steps we have taken to protect our IP and proprietary rights may not prevent the misappropriation of our technology. Agreements entered into for that purpose may not be enforceable or may not provide us with adequate remedies. Policing unauthorized use of our proprietary rights is difficult. There is no assurance that competitors will not independently develop products and services that are substantially equivalent or superior to our products and services and this would have a material adverse effect on our business.

Concentration risk/loss of key client

While we serve over 8,600 clients, no single customer represents more than 10% of our total revenues. Our Canadian operations remain dependent upon certain significant customers and several large mortgage intermediaries, as well as a significant contract with the Government of Canada in respect of the Canada Student Loan Program and several large banks that purchase significant amounts of products. Loss of a major contract, due to consolidation amongst customers, competition, or other reasons may have material adverse effects on our business.

There can be no assurance that our contracts with our key customers will be renewed or that our services will be utilized by those parties. Although our retention rates have been high historically, there is no guarantee that our customers will renew their contracts at the same or higher levels of service, if at all. There could be material adverse effects on our business, financial results, or results of operations if we fail to renew our contracts with these parties, if these parties merge or are acquired by other businesses that have established relationships with other service providers, or if these parties decide to perform the applicable product, service, or technology solution supply functions in-house.

Foreign exchange risks

Finastra's financial statements are presented in US Dollars as it is the currency which represents the largest single operating cash flow currency within the Group. However, a significant amount of the Group's cash flows are denominated in other currencies particularly Euro, Canadian Dollar, and Pound Sterling based on where significant business is conducted around the world.

The Group's credit facilities are denominated predominantly in US Dollars. Borrowings in Euro are revalued into US Dollars for reporting purposes and, as a result, fluctuations in the applicable foreign exchange rate may impact the value of reported net debt. In addition, Finastra's bank leverage covenant under our credit facilities is calculated in US Dollars, and a strengthening of the Euro against the US Dollar is likely to adversely impact our leverage. An adverse effect on our leverage could make it more difficult for us to comply with those leverage covenants and increase the potential for default under our credit facilities.

Litigation, investigations or other actions against the Group

The Group operates globally and is subject to various laws and regulations in each country including in relation to anti-corruption, regulatory oversight of suppliers to financial services providers, data protection, employment legislation, health and safety rules, tax regulations, and global economic sanctions. Failure to comply with laws and regulations could lead to termination of our customer contracts or liability for breach thereof, cancellation of credit agreements, imposition of fines or penalties, or denial, revocation, or delay of the renewal of permits and licenses by governmental authorities.

In addition, from time to time the Group has been subject to litigation claims from existing and former employees, customers, and business partners. While the Group has appropriate processes 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.

The Group manages this risk through, amongst other things, a prescribed code of conduct, anonymous whistle-blower sites, anti-bribery training to relevant staff, and regular monitoring of customer facing staff and partners. The Group employs dedicated internal regional legal teams supported by legal advisers and experienced business staff.

Controlling interest

The Group is controlled by two equity funds managed by Vista Equity Partners, a private equity firm organized in the United States of America. The funds hold 94.4% of Finastra Limited's ordinary shares and jointly have a controlling interest in the Group. Maneet Saroya and Steven White, directors of the Company, are employees of Vista Equity Partners. The remaining ordinary shares are held by current and former members of management.

Directors

The names of the directors who held office during the year and up to the date of signing the consolidated financial statements, except as otherwise stated, were as follows:

Simon Paris
Gary E Bischoping (resigned 11 June 2021)
Carissa Kell (appointed 11 June 2021)
Maneet Saroya
Steven White
Akber Jaffer (resigned 31 May 2022)
Simon Dowler (appointed 17 June 2022)

Finastra Limited

Directors' report for the year ended 31 May 2022

Directors' indemnity and insurance

In accordance with the Articles, the Company has granted a deed of indemnity, to the extent permitted by law, to directors. Qualifying third-party indemnity provisions were in force during the year ended 31 May 2022 and remain in force. The Company also maintains directors' and officers' liability insurance for its directors and officers.

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude that it is appropriate to prepare the financial statements on a going concern basis. Having reviewed the Group's plans and available financial facilities, including the modeling of a severe but plausible downside scenario and available mitigating actions, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months following the signing of the financial statements.

The Group has remained in compliance with all financial covenant requirements of the debt agreements and is forecast to continue to do so for at least the next 12 months from the date of issuance of the annual report and consolidated financial statements. For this reason, the Group continues to adopt the going concern basis in preparing the Group's financial statements. Full details are provided in note 2.1 to the Financial Statements.

Cautionary statement regarding forward-looking information

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the group financial statements in accordance with the basis of preparation and accounting policies in note 2 for the purpose of fulfilling their stewardship obligations and fiduciary responsibilities in respect of the requirements of the First Lien Credit Agreement, most recently amended 17 October 2019, and Second Lien Credit Agreement dated 13 June 2017 with Barclays Bank Plc, Morgan Stanley Senior Funding, Inc., Citigroup Global Markets Limited, Macquarie Capital (USA) Inc., and Nomura Securities International, Inc.

The directors must not approve the financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 2 to the financial statements. In preparing the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and accounting estimates that are reasonable and prudent;
- stating the basis of preparation and accounting policies applied; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

Auditors and disclosure of information to auditors

Each of the directors who held office at the date of approval of the annual report and financial statements confirms that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware and that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Signed on behalf of the board:

Carissa Kell
Director
18 October 2022

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Carissa Kell
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Independent auditors' report to the directors of Finastra Limited

Report on the audit of the financial statements

Opinion

In our opinion, Finastra Limited's group financial statements for the year ended 31 May 2022 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 2 and accounting policies as contained within the notes to the financial statements.

We have audited the financial statements, included within the Annual report and consolidated financial statements for the year ended 31 May 2022 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 May 2022; the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we draw attention to the basis of preparation as described in note 2. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, save that the combination of the former Misys Group into the Finastra Limited Group has been treated as an acquisition under common control for which the directors have elected to follow acquisition accounting in accordance with IFRS 3, 'Business Combinations'. The financial statements are prepared in accordance with a special purpose framework for the directors for the specific purpose as described in the Use of this report paragraph below. As a result, the financial statements may not be suitable for any other purpose.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the basis of preparation in note 2 and accounting policies contained within the notes to the financial statements and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to anti-corruption, data protection, health and safety, employment, and sanction regimes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in the application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Group's whistleblowing hotline and results of management's investigation of such matters;
- Assessment of assumptions made by management in determining significant accounting estimates and judgements. In particular we assessed the significant accounting estimates and judgements in relation to revenue recognition and the valuation of goodwill and intangible balances. We have tested significant

accounting estimates and judgements to supporting documentation, considering alternative information where available along with considering the appropriateness of the related disclosures in the financial statements;

- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance; and
- Assessment of the Group's compliance with sanctions imposed to Russian owned and controlled banks and financial institutions, including the financial impact arising from any sanctioned entities with which the Group has previously entered into contractual agreements and discussions with the Group's internal and external legal counsel.

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

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

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors as a body fulfilling the requirements of the First Lien Credit Agreement as amended on 17 October 2019 and Second Lien Credit Agreement dated 13 June 2017 with Barclays Bank Plc, Morgan Stanley Senior Funding, Inc., Citi Group Global Markets Limited, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc. in accordance with our engagement letter dated 30 May 2022 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

London

18 October 2022

Finastra Limited

Consolidated Statement of Income for the year ended 31 May 2022

all figures in $ millions	Note	Year ended 31 May 2022	Year ended 31 May 2021
Revenue	5	**1,740.2**	1,742.4
Operating expenses	6	**(1,987.5)**	(1,967.9)
Operating loss		**(247.3)**	**(225.5)**
Finance costs	7	**(366.1)**	(379.9)
Finance income	7	**1.3**	1.9
Net finance costs	7	**(364.8)**	**(378.0)**
Loss before taxation from continuing operations		**(612.1)**	**(603.5)**
Taxation	8	**(22.1)**	18.7
Loss for the year from continuing operations		**(634.2)**	**(584.8)**
Loss for the year from discontinued operations		**—**	(3.4)
Loss for the year		**(634.2)**	**(588.2)**

Consolidated Statement of Comprehensive Income for the year ended 31 May 2022

all figures in $ millions	Note	Year ended 31 May 2022	Year ended 31 May 2021
Loss for the year		**(634.2)**	(588.2)
Other comprehensive income / (expense)			
Items that will not be reclassified to the Consolidated statement of income:			
Net actuarial gains on defined benefit pension schemes	21	**6.4**	2.6
Items that may subsequently be or have been reclassified to the Consolidated statement of income:			
Exchange difference on the translation of foreign operations		**60.2**	162.6
Other comprehensive income for the year (net of taxation)		**66.6**	**165.2**
Total comprehensive expense for the year		**(567.6)**	**(423.0)**
Attributable to:			
- Owners of the parent		**(567.6)**	**(423.0)**
Total comprehensive expense attributable to equity shareholders arises from:			
– Continuing operations		**(567.6)**	(419.6)
– Discontinued operations		**—**	(3.4)
		(567.6)	**(423.0)**

The notes on pages 25 to 71 form part of these consolidated financial statements.

Finastra Limited

Consolidated Statement of Financial Position as at 31 May 2022

all figures in $ millions	Note	31 May 2022	31 May 2021
Non-current assets			
Goodwill	9	**4,541.3**	4,850.9
Other intangible assets	10	**1,134.6**	1,572.9
Property, plant and equipment	11	**180.8**	195.2
Deferred tax assets	8	**181.8**	171.2
Investments		**2.6**	2.5
Trade and other receivables	14	**309.0**	259.9
		6,350.1	**7,052.6**
Current assets			
Inventories		**1.9**	1.5
Trade and other receivables	14	**682.5**	619.0
Current tax asset		**23.5**	24.9
Restricted cash	18	**0.8**	1.6
Cash and cash equivalents	18	**129.8**	109.9
		838.5	**756.9**
Total assets		**7,188.6**	**7,809.5**
Equity and liabilities			
Share capital	15	**(298.4)**	(298.4)
Share premium	15	**(2,714.3)**	(2,714.3)
Other equity	16	**(182.6)**	(116.0)
Accumulated loss		**3,177.9**	2,543.7
Total shareholders' equity		**(17.4)**	**(585.0)**
Non-current liabilities			
Trade and other payables	17	**(0.5)**	(4.4)
Borrowings	18	**(5,305.6)**	(5,442.5)
Deferred tax liabilities	8	**(210.0)**	(207.0)
Lease liability	12	**(133.2)**	(118.6)
Provisions for other liabilities and charges	19	**(2.9)**	(3.8)
Deferred income	20	**(310.4)**	(232.7)
Retirement benefit obligations	21	**(15.3)**	(21.0)
		(5,977.9)	**(6,030.0)**
Current liabilities			
Trade and other payables	17	**(315.4)**	(363.5)
Borrowings	18	**(293.7)**	(217.0)
Derivative financial instruments	13	**—**	(28.4)
Current tax liabilities		**(20.3)**	(50.7)
Lease liability	12	**(19.6)**	(27.2)
Provisions for other liabilities and charges	19	**(5.0)**	(13.9)
Deferred income	20	**(539.3)**	(493.8)
		(1,193.3)	**(1,194.5)**
Total equity and liabilities		**(7,188.6)**	**(7,809.5)**

These consolidated financial statements and the notes to the consolidated financial statements on pages 25 to 71 were approved by the board of directors on 18 October 2022 and signed on its behalf by:

Carissa Kell
Director
18 October 2022

DocuSigned by:
Carissa Kell
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Finastra Limited

Consolidated Statement of Changes in Equity for the year ended 31 May 2022

all figures in $ millions	Share capital	Share premium	Other equity	Accumulated loss	Total equity
Balance at 1 June 2020	298.4	2,714.3	(49.2)	(1,955.5)	**1,008.0**
Loss for the year	—	—	—	(588.2)	**(588.2)**
Other comprehensive income (Note 16)	—	—	165.2	—	**165.2**
Total comprehensive income	—	—	**165.2**	**(588.2)**	**(423.0)**
Balance at 31 May 2021	**298.4**	**2,714.3**	**116.0**	**(2,543.7)**	**585.0**
Loss for the year	—	—	—	**(634.2)**	**(634.2)**
Other comprehensive income (Note 16)	—	—	**66.6**	—	**66.6**
Total comprehensive income	—	—	**66.6**	**(634.2)**	**(567.6)**
Balance at 31 May 2022	**298.4**	**2,714.3**	**182.6**	**(3,177.9)**	**17.4**

The notes on pages 25 to 71 form part of these consolidated financial statements.

Finastra Limited

Consolidated Statement of Cash Flows for the year ended 31 May 2022

all figures in $ millions	Note	Year ended 31 May 2022	Year ended 31 May 2021
Operating activities			
Operating loss		**(247.3)**	(225.5)
Loss from discontinued operations		**—**	(3.4)
Amortization of other intangible assets	10	**557.9**	537.5
Depreciation of property, plant and equipment	11	**51.5**	56.1
Impairment of goodwill and intangible assets	9, 10	**195.0**	371.8
Loss on disposal and impairments of non-current assets		**0.7**	—
(Gain) / loss on remeasurement of lease liabilities	12	**(11.4)**	1.3
Loss on disposal of ROU assets		**7.2**	—
Impairment of right of use assets	12	**7.3**	—
Unrealized foreign exchange loss / (gain)		**85.2**	(145.0)
Unrealized (gain) / loss on derivatives		**(27.6)**	69.0
Operating cash flows before movements in working capital		**618.5**	661.8
(Increase) / decrease in inventories		**(0.4)**	0.9
Increase in contract costs		**(19.4)**	(25.9)
Increase in contract assets		**(16.8)**	(76.3)
(Increase) / decrease in trade and other receivables		**(60.3)**	34.4
(Decrease) / increase in trade and other payables		**(58.7)**	6.5
Increase in contract liabilities		**123.3**	80.5
Operating cash flows before payments relating to taxes		**586.2**	681.9
Net taxation paid		**(79.1)**	(65.7)
Net cash flow generated from operating activities		**507.1**	616.2
Investing activities			
Proceeds from disposal		**1.0**	8.7
Purchase of business, net of cash acquired		**—**	(6.7)
Capitalized software development costs		**(131.7)**	(135.1)
Purchase of other intangible assets		**(25.7)**	(42.5)
Purchase of property, plant and equipment		**(12.8)**	(25.4)
Reduction in restricted cash		**0.8**	0.3
Investment in venture capital fund		**(0.1)**	(0.1)
Net cash flow used in investing activities		**(168.5)**	(200.8)
Financing activities			
Repayment of borrowings	18	**(189.7)**	(347.2)
Payment of fees on borrowings		**(1.2)**	—
Proceeds from borrowings	18	**239.2**	100.0
Financing interest paid		**(311.9)**	(330.0)
Principal and interest elements of lease payments	12	**(38.6)**	(43.2)
Proceeds from sublease arrangements	12	**2.5**	4.2
Net cash flow used in financing activities		**(299.7)**	(616.2)
Increase / (decrease) in cash and cash equivalents in the year		**38.9**	(200.8)
Net cash and cash equivalents at the start of the year		**92.8**	292.1
Differences on exchange		**(2.8)**	1.5
Net cash and cash equivalents at the end of the year	18	**128.9**	92.8
Included in the following lines of the Group Balance Sheet:			
Cash and cash equivalents		**129.8**	109.9
Overdrafts included within borrowings	18	**(0.9)**	(17.1)

Finastra Limited

Consolidated Statement of Cash Flows for the year ended 31 May 2022

The notes on pages 25 to 71 form part of these consolidated financial statements.

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2022

1. General Information

Finastra Limited (the 'Company') is a private company registered in the Cayman Islands and incorporated in the United Kingdom. The registered address is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

2. Basis of preparation

These non-statutory financial statements of Finastra Limited have been prepared in accordance with section 5.01 of the First Lien Credit Agreement as amended on 17 October 2019 and Second Lien Credit Agreement dated 13 June 2017 with Barclays Bank Plc, Morgan Stanley Senior Funding, Inc., Citi Group Global Markets Limited, Macquarie Capital (USA) Inc., and Nomura Securities International, Inc.

Save for the area detailed below, the financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') interpretations as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

On 12 June 2017, Finastra Limited, through its ultimate controlling party, Vista Equity Partners, acquired the Misys Group ('Misys'). In order to be consistent with the accounting treatment adopted in the consolidated financial statements of Tahoe Bidco Limited, an intermediate parent company, which are prepared in accordance with IFRS and IFRIC as adopted by the European Union, the combination of Misys into the Finastra Limited group has been treated as an acquisition under common control for which the directors have elected to follow acquisition accounting in accordance with IFRS 3 (Revised), 'Business Combinations', with Finastra Limited being treated as the acquirer. This resulted in Misys being recognized at fair value in the financial statements for the year ended 31 May 2018 and subsequently. Due to Finastra Limited being incorporated as the parent company to Misys prior to Finastra Limited's acquisition by Tahoe Bidco Limited, IFRS would otherwise have required this transaction to be accounted for as a group reorganization reflecting the continuation of the Misys group at its previous carrying values.

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

2.1. Going concern

The Directors and Group have critically reassessed the going concern basis of preparing the financial statements considering the impact of inflation, increasing interest rates, and a global economic downturn. The Group is subject to a single financial EBITDA covenant called the "first lien leverage ratio", which is the ratio of the first lien net debt to covenant EBITDA, and the ratio should be less than 7.8 for the reported financial quarter. The covenant EBITDA is measured on a frozen GAAP basis and therefore, excludes the impact of IFRS 16, 'Leases'.

A failure to comply with the EBITDA covenant or our obligations to report the covenant assessments to the lenders in accordance with the credit agreements could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, our assets would not be sufficient to repay such indebtedness in full, thereby impacting the going concern of the Group. The details of the credit facilities including their maturity date and applicable interest rates are provided in note 18.1.

Using cash flow forecasts approved by the Directors and our committed and available credit facilities, in addition to recent interest rate projections, the base case assessment of going concern demonstrates that we comply with the first lien leverage ratio test and do not exceed the available credit facilities within our going concern horizon of at least twelve months from the date of signing the financial statements.

In addition to global economic forces such as rising interest rates, during the year the Group's adjusted EBITDA has declined by 1% as compared to the forecast and cash conversion has declined by nine percentage points year-on-year (at constant currency). As such, the Group's projections have been stress tested, considering performance against prior year forecasts and a reduced cash flow conversion achievement. After considering the above factors, the Group has formed a severe but plausible scenario that assumes, versus the base case, a drop in adjusted EBITDA of 8%, a decrease in cash conversion of 10%, and an increase in the interest rate on credit facilities of one percentage point. When considered together, the severe but plausible scenario shows that although the Group would comply with the EBITDA covenant, it would not be able to operate within the level of its current financing facilities. Therefore, the Group would need to take certain discretionary measures if required in this severe but plausible scenario, including deferral or non-payment of employee bonuses, and/or deferral of mid-year salary increases. The Group can also accelerate cash payments from customers for future billing by offering incentives, which has been done successfully in prior years. Such measures would help preserve cash and maintain sufficient liquidity to continue operations within our going concern forecast horizon.

The Group is compliant with all current sanctions imposed on Russia and any Russian individuals who have significant influence on our customers and has concluded that the impact of the invasion of Ukraine by Russia does not affect the Group's ability to continue as a going concern. Furthermore, the Group has decided to not renew its contracts with Russian, or Russian-owned, customers and, where contractually permissible, terminate ongoing services, which will have an impact on the future revenues of the Group in FY24 and beyond. In the worst-case scenario, if we are required to incur the costs of termination, we can still operate within our facilities for the next twelve months from the date of signing the financial statements even when considering the severe but plausible downside, including mitigating actions, noted above. However, as we are in the eighth month since the start of the war and no new sanctions have been levied on Russia or Russian individuals who have significant influence on our customers recently, we consider any further sanctions resulting in the termination of the contracts remote.

Finastra has a significant recurring revenue base of multiyear software solution contracts and provides mission-critical software to leading financial institutions, which underpins continuing financial resilience. Our unsatisfied performance obligation disclosure (note 5.4) has remained flat year-on-year and $1.4bn of revenue is already secured for the next fiscal year, which enhances the Group's ability to more accurately forecast revenue over the going concern assessment period. In addition to this, a number of financial levers remain available to the Group such as deferral of discretionary payments and offering incentives to customers to accelerate cash receipts. Lastly, while the Group's first lien debt matures in June 2024 (note 18.1), we would not need to refinance this debt to meet the going concern basis of preparing these financial statements.

Based on the above, the Directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period of at least twelve months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.2. Standards, amendments and interpretations effective or adopted

At the date of authorization of these financial statements, the following standards and interpretations that are potentially relevant to the Group, and which have not been applied in these financial statements, were in issue but were either not yet effective or not adopted:

- Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2 (effective 1 January 2021)
  The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

  The Group has borrowings of $5,401.1m (note 18.1) and short term facilities of $280.0m (note 18.3) which are charged at interest rates plus LIBOR. The Group has concluded that the risk associated with LIBOR transition is limited due to the delay of USD LIBOR cessation to June 2023. Therefore, the recommended alternative USD rate SOFR and EUR rate ESTR will be incorporated in the term loan agreements as part of refinancing of the 1st lien and 2nd lien debt by June 2023.

- COVID-19 - related rent concessions (Amendment to IFRS 16)
  The rent concessions relief related to COVID-19 have been extended by one year effective from April 2021. There are no material additional COVID-19 related concessions for the Group.

- IAS 38 – Configuration or Customization Costs in Cloud Computing Arrangements – the update was adopted in FY21. There was no material impact to the Group from the adoption of this amendment.

- A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16 effective from 1 January 2022.
  - Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'.

2.3. New and amended accounting standards that have been issued but are not yet effective

The following new or amended standards and interpretations are applicable in future periods and the Group will adopt the new standards, amendments and interpretations from the effective dates as per regulatory guidelines.

The amendments and interpretations listed below are not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 1, Presentation of financial statements, on the classification of liabilities, effective not earlier than 1 January 2024.
  These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, effective 1 January 2023
  The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

2.4. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company. Subsidiaries are all entities (including structured entities) over which the Group has control. Control is exercised over 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The results of subsidiaries acquired or disposed of during the period are consolidated from the effective date of acquisition (at which point the Group gains control over a business as defined by *IFRS 3 (Revised) and* applies the acquisition method to account for the transaction as a business combination) or up to the effective date of disposal, as appropriate.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture, associate or financial asset.

Inter-company transactions and balances between Group companies are eliminated. The unrealized gain / loss on the revaluation of intercompany transactions are reflected in the Consolidated statement of income.

3. Critical accounting estimates and judgments

Consistent with International Financial Reporting Standards, the Group makes estimates and assumptions concerning the future and in the application of accounting judgments. The following items are the most significant areas of estimate and judgment in the financial statements:

- Revenue from Contracts with Customers (Note 5)
- Exceptional items (Note 6)
- Taxation (Note 8)
- Valuation of Goodwill (Note 9)
- Capitalization of expenditure on internally developed intangible assets (Note 10)
- Retirement benefit obligations (Note 21)

The Group continues to critically evaluate the impact of the COVID-19 pandemic on our financial statements including trading performance, cash flows, forecasts and the carrying values of assets. No COVID-related impairments have been recognized in FY22.

4. Significant accounting policies that apply to the overall financial statements

4.1. Impairment of non-financial assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill and capitalized development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An impairment loss is recognized in the Consolidated statement of income to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognized in previous periods for an asset other than goodwill, intangible assets and property, plant and equipment are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized in previous periods.

4.2. Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit and loss, gains and losses are recorded in the profit or loss. The Group does not have any financial assets classified as fair value through other comprehensive income ('FVOCI') at 31 May 2022.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group classifies its financial assets at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The assets that are classified at amortized cost are mainly trade receivables (refer note 14). The Group holds these assets and does not factor or sell them.

5. Revenue

The Group enters into revenue arrangements with customers to provide software solutions and software-related services such as cloud, hosting and maintenance, and related professional services, either individually or as part of an integrated offering of multiple services. Revenue is recognized in accordance with the 5-step model of IFRS 15 'Revenue from Contracts with Customers' and the following critical judgments arise.

Critical accounting judgments made in relation to revenue recognition

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

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

In the financial services software industry, there are circumstances where the utility of core functionality of the licensed software would degrade significantly during the term of a license if the vendor were not to fulfill its promise to provide updates for changes. Where there is effectively a reasonable certainty that updates will be provided that are integral to the customer's ability to continue to derive substantive benefit from the software license (i.e. its utility to the customer) throughout the license period, the license and maintenance are viewed as a combined performance obligation for revenue recognition purposes.

For the Group, we have identified many of our licenses where maintenance is viewed as critical because the core functionality of the software relies on regular updates for i) financial transaction infrastructure changes (e.g. SWIFT/ACH) and/or ii) regulatory compliance reporting/functionality changes. In these cases, we combine the license and the maintenance into a single performance obligation and recognize the combined revenue over time.

Implementation services and other professional services are typically considered distinct performance obligations, however where professional services involve significant complex customization or modification of an underlying solution or offering, or if the services are complex and not available from a third-party provider and must be completed prior to a customer having the ability to benefit from a solution or offering, then such services are combined with the underlying software solution and are accounted for as a single performance obligation. This judgment is applied on a contract by contract basis and is informed through detailed contractual reviews and an in depth understanding of the particulars of each implementation.

Recognizing revenue
The Group recognizes revenue when, or as, it satisfies a performance obligation by transferring control of the good or service to a customer. The judgment of when to recognize revenue is intrinsically linked to the performance obligation assessment because revenue can only be recognized when or as the performance obligation is satisfied.

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

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

Critical accounting estimates made in relation to revenue recognition

Estimates for Revenue Allocations
The consideration received in a customer contract is allocated to each performance obligation using a standalone selling price ('SSP') methodology. The standalone selling price is the observable price at which the Group sells a

promised good or service separately to a customer, or the estimated standalone selling price where sufficient standalone sales do not exist. Standalone selling prices are updated annually.

Estimating SSP requires data informed decisions using all information that is reasonably available and maximizing observable inputs with approaches including historical pricing, cost plus a margin or using a residual approach. The estimate is important because the SSP used will influence the resulting revenue allocation relative to the other goods and services sold in the same contract.

Significant accounting policies that relate to revenue from Contract with Customers

Contract existence and term
Where customers are granted a set term contract but are granted a right to terminate before the end of the term, a judgment is required on the enforceable term of the contract. Where the termination right allows a termination for convenience with no penalty this suggests that a shorter contract term should be considered. This judgment changes the total contract value assessed at inception for subsequent allocations and the value of revenue allocated to unsatisfied performance obligations.

Contract modifications
Contract modifications arise when there is an agreed change to the scope or price (or both) of a contract. When a contract modification occurs, it requires the Group to exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, or (iii) a cumulative catch up adjustment to the original contract. Most commonly the Group experiences type i and type ii modifications for an increase in the scope and price of a contract as customers add additional license modules or renew the terms of their contract.

Revenue to recognize: 'The transaction price'
Total contract revenue or 'the transaction price' is determined based on the consideration that the Group expects to receive in a contract with a customer. The Group's expectation is informed by the stated contract value plus any estimates of variable consideration, that is where the Group expects to receive a variable amount based on the occurrence or non-occurrence of future events. Variable consideration is present in a number of our customer contracts for usage-based fees in hosting and cloud arrangements or tiered pricing offered through lower rate charges as clients move through tiers.

Variable consideration is also present in certain transactions in the form of discounts, credits, price concessions, penalties, inflationary price rises, and similar items and the Group develops estimates of variable consideration based on both historical information and current trends. Where necessary, variable consideration included in the transaction price is constrained such that a significant revenue reversal is not probable should a future event reduce the amount of consideration due from a customer.

Software license revenue
When a software license requires frequent updates that are integral to maintaining the utility of the license to the customer, the Group combines the software license and the maintenance into a single performance obligation, and revenue for the combined performance obligation is recognized as the maintenance is provided, consistent with the treatment described for maintenance above. When a software license contract also includes professional services that provide significant modification or customization of the software license, the Group combines the software license and professional services into a single performance obligation, and revenue for the combined performance obligation is recognized as the professional services are provided, consistent with the methods described below for professional services revenue.

For software licenses that are distinct and have significant standalone functionality, the Group recognizes software license revenue upon delivery, assuming a contract is deemed to exist. Revenue allocated to distinct software licenses are recognized at a point in time upon delivery of the license. Contracts that contain software licenses often have non-standard terms that require significant judgments that may affect the amount and timing of revenue recognized.

The Group has contracts where the licensed software is offered in conjunction with hosting services. The licensed software may be considered a separate performance obligation from the hosting services if the customer can take possession of the software during the contractual term without incurring a significant penalty and if it is feasible for the customer to run the software on its own infrastructure or hire a third party to host the software. If the licensed software and hosting services are separately identifiable, license revenue is recognized when the hosting services commence and it is within the customer's control to obtain a copy of the software. If the software license is not separately identifiable from the hosting service, then the related revenue for the combined performance obligation is recognized ratably over the hosting period.

Occasionally, the Group offers extended payment terms on its license transactions and evaluates whether any potential significant financing components exist. Judgment is required to determine whether these arrangements contain a significant financing component. The Group evaluates whether there is a significant difference between the amount of promised consideration over the rental term and the cash selling price of the software license, the degree to which financing is the reason for any such difference, and the overall impact of the time value of money on the transaction. If we conclude a significant financing component exists, then the transaction price is adjusted for the time value of money at the Group's incremental borrowing rate by recording a contract asset and interest income. The Group does not adjust the promised amount of consideration for the effects of the time value of money if the difference between the promised consideration and the cash selling price arises for reasons other than the provision of finance or it is expected, at contract inception, that the period between when the Group transfers a promised solution or service to a customer and when the customer pays for that solution or service will be one year or less.

Software maintenance revenue

Software maintenance is comprised of technical support services and unspecified software updates and upgrades provided on a when-and-if-available basis. Software maintenance revenue is generally based on an in advance annual recurring fee. Contract terms vary and can span multiple years. The Group generally satisfies its maintenance-related performance obligations evenly using a straight-line method over the contract term given there is no discernible pattern of performance.

Professional services

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

The Group's professional services that are separate performance obligations are recognized in two ways. Where they are billed on a fixed fee basis, services are satisfied as they are rendered and we use a cost-based input method, which reflects the transfer of those services, to determine the amount of revenue to recognize. Where they are billed on a time and materials basis, revenue is recognized using an output method that corresponds with the time and materials billed and delivered, which also is reflective of the transfer of the services to the customer.

For services revenue, which is recognized over time, the Group frequently uses an input method to measure progress which relies on the Group's internal measure of progress compared to total anticipated costs. The scope of projects frequently change and most frequently in agreement with customer modifications. Consequently, the estimate of total anticipated costs is subjected to a high level of review at all stages in a project life cycle.

The ability to estimate the final cost outcome is critical and if it cannot be reliably estimated revenue is constrained to the extent of costs recognized only, with no margin recognized. This estimation of total anticipated costs is inherently judgmental and depends upon the complexity of work being undertaken, any customizations being made to software and the customer environment being interfaced to. During the year we have constrained revenue to the extent of recoverable costs only on a number of projects as we are still scoping the full estimate of costs required to complete.

Cloud solutions

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

Technology Enabled Management Services ('TEMS')

The Group generates non-software related revenue principally from the following sources: student lending and cheques. The Group is a leader in student lending technology and program management, servicing key clients such as the Government of Canada and provincial governments as part of a single contract. The Group's services include student enrollment, management of funds disbursement, loan tracking, student support services, reporting, and collections. Revenue from the student lending program is recognized based on the number of student loans managed by the Group. The Group also earns incentive-based revenue from targeted improvements to its clients' specific lending programs, along with revenue from professional services work connected to program enhancements requested by the lenders. Revenue is recognized following delivery and acceptance of these projects. Finastra is the primary supplier of personal and business cheques for most financial institutions in Canada. The Group's personal cheque program offers cheque and related products. The Group's revenue is recognized as cheques are delivered to customers.

5.1. Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes disaggregated revenue by the Group's solution portfolios.

Year ended 31 May 2022							
all figures in $ millions	**Lending**	**Payments**	**Treasury and Capital Markets**	**Universal Banking**	**Investment Management**	**Cornerstone**	**Total**
Primary geographical markets							
Europe	53.6	138.4	146.3	57.1	35.9	0.8	**432.1**
Americas	398.7	125.7	51.0	139.2	6.4	180.4	**901.4**
MAAP	116.1	45.1	154.4	76.1	14.4	0.6	**406.7**
Total	**568.4**	**309.2**	**351.7**	**272.4**	**56.7**	**181.8**	**1,740.2**
Major product lines							
Licenses	226.7	50.9	147.8	65.8	24.1	2.1	**517.4**
Maintenance	117.4	51.1	156.5	78.6	24.3	14.5	**442.4**
Professional services	67.7	88.0	44.4	23.3	8.2	3.3	**234.9**
Cloud	100.0	86.7	1.5	97.3	0.1	9.0	**294.6**
Transaction processing	49.2	21.1	—	—	—	—	**70.3**
TEMS	—	—	—	—	—	152.9	**152.9**
Other	7.4	11.4	1.5	7.4	—	—	**27.7**
Total	**568.4**	**309.2**	**351.7**	**272.4**	**56.7**	**181.8**	**1,740.2**
Timing of revenue recognition							
Point in time	61.7	21.9	41.7	15.1	0.3	1.6	**142.3**
Over time	506.7	287.3	310.0	257.3	56.4	180.2	**1,597.9**
Total	**568.4**	**309.2**	**351.7**	**272.4**	**56.7**	**181.8**	**1,740.2**
Year ended 31 May 2021							
all figures in $ millions	**Lending**	**Payments**	**Treasury and Capital Markets**	**Universal Banking**	**Investment Management**	**Cornerstone**	**Total**
Primary geographical markets							
Europe	74.6	126.0	147.6	68.8	34.9	0.7	**452.6**
Americas	392.8	117.8	40.3	157.0	7.5	219.7	**935.1**
MAAP	95.7	36.2	112.2	83.5	22.5	4.6	**354.7**
Total	**563.1**	**280.0**	**300.1**	**309.3**	**64.9**	**225.0**	**1,742.4**
Major product lines							
Licenses	236.3	38.5	90.0	64.9	31.0	23.4	**484.1**
Maintenance	113.4	48.9	164.4	95.6	25.8	13.0	**461.1**
Professional services	69.1	79.3	43.5	37.2	6.9	3.3	**239.3**
Cloud	92.7	86.0	2.2	97.6	0.1	16.0	**294.6**
Transaction processing	48.1	21.1	—	—	—	—	**69.2**
TEMS	—	—	—	—	—	167.6	**167.6**
Other	3.5	6.2	—	14.0	1.1	1.7	**26.5**
Total	**563.1**	**280.0**	**300.1**	**309.3**	**64.9**	**225.0**	**1,742.4**
Timing of revenue recognition							
Point in time	75.2	8.2	3.9	25.2	10.4	25.0	**147.9**
Over time	487.9	271.8	296.2	284.1	54.5	200.0	**1,594.5**
Total	**563.1**	**280.0**	**300.1**	**309.3**	**64.9**	**225.0**	**1,742.4**

As part of our Reach beyond strategy which has been launched for FY22, the group now identifies six core Business Units. The revenue disaggregation has been aligned to this Business Unit structure. As a result, the prior year comparators has been represented to reflect the same. The geographical market MAAP stands for Middle East, Africa, and Asia Pacific.

Licenses include revenue from contracts in which licenses are not considered distinct from the maintenance services they are sold with. Of the value shown above of $517.4m (May 2021: $484.1m), $399.8m (May 2021: $362.2m) is recognized over time as a single performance obligation. Licenses also include revenue from contracts which are considered a standalone performance obligation and recognized at a point in time and independently of the maintenance they are sold with.

Revenue includes the impact of unwinding of $41.9m (May 2021: $56.9m) deferred revenue acquisition accounting adjustments arising from the purchase price allocations in respect of the acquisition accounting applied. These acquisition accounting adjustments are split $36.0m (May 2021: $48.3m), $5.9m (May 2021: $8.2m) and $0 (May 2021: $0.4m) between license fees, professional services and cloud respectively.

5.2. Contract balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers.

all figures in $ millions	31 May 2022	31 May 2021
Receivables, which are included in, 'Trade and other receivables'	**318.4**	244.6
Contract assets which are included in, 'Trade and other receivables'	**349.6**	332.8
Contract liabilities which are included in, 'Deferred income'	**(849.7)**	(726.5)

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

Contract assets refers to accrued income and arises when revenue is recognized, but invoicing is contingent on performance of other performance obligations or on completion of contractual milestones. Contract assets are transferred to receivables when the rights become unconditional, typically upon invoicing of the related performance obligations in the contract or upon achieving the requisite project milestone.

Contract liabilities refer to deferred income and results from customer payments in advance of the satisfaction of the associated performance obligations and relates primarily to prepaid maintenance or other recurring services. Deferred income is released as revenue is recognized.

Significant changes in the contract assets and contract liabilities balances during the period are as follows:

	31 May 2022		31 May 2021	
all figures in $ millions	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized from brought forward contract liabilities	**-**	**493.8**	-	451.4
Net amounts billed in advance of revenue recognition	**-**	**(617.0)**	-	(531.9)
Billing of contract assets (moved to trade receivables)	**(219.7)**	**-**	(162.2)	-
New contract assets arising from revenue recognition	**236.5**	**-**	238.5	-

5.3. Contract costs

The Group incurs costs as a result of obtaining and fulfilling our contracts with customers. Obtainment costs relate primarily to the payment of sales commissions and agent fees that are directly related to sales transactions. Fulfillment costs include the cost of implementation services related to software as a service ('SaaS') and other arrangements when the implementation service is non-distinct from the ongoing service. When obtainment costs and fulfillment costs that will be used to satisfy future performance obligations are directly related to the execution of our contracts with customers, and the costs are recoverable under the contract, the costs are capitalized as a deferred contract cost. Impairment losses are recognized if the carrying amounts of the deferred contract costs are not recoverable.

The Group amortizes obtainment costs for both initial contracts and renewals over the expected benefit period to which the deferred contract cost relates. Capitalized fulfillment costs are amortized over the lesser of the contractual term and the useful life of the software.

As permitted by *IFRS 15*, the Group recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

The following table provides information about contract costs by category of asset:

all figures in $ millions	31 May 2022	31 May 2021
Commission fees	**101.8**	89.4
Royalty and agent fees	**10.3**	10.5
Deferred implementation fees	**76.1**	68.9
	188.2	**168.8**

In FY22, the impairment loss recognized in relation to the costs capitalized was immaterial.

5.4. Transaction price allocated to the remaining performance obligations

The total amount of revenue allocated to unsatisfied performance obligations is $4.3bn (May 2021: $4.3bn). We expect to recognize approximately $1.4bn (May 2021: $1.2bn) in the next 12 months, $1.6bn (May 2021: $1.6bn) in 1 to 3 years and the remainder in 3 years or more time. Revenue recognized in the current year that was deferred as the start of the year was $1.2bn.

The amount represents our best estimate of contractually committed revenues that are due to be recognized as we satisfy the contractual performance obligations in these contracts. Generally, the majority of our customer contracts are long term in nature (over five years) and license fees, maintenance fees, and hosting fees are contractually committed for the full term.

We do not include potential revenues which are transactional in nature unless there is a minimum commitment amount (a floor) in which case the floor value is included. We also do not include more than 12 months of transaction price where we are billing annually in advance and the customer has to decide to renew each year. In such cases only the current invoiced amount remaining to be recognized as revenue is included until the date of renewal when a full year will be captured.

6. Operating expenses

Operating expenses include the following items:

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Cost of sales	**168.0**	153.8
Employee costs	**692.0**	695.6
Sales commission	**45.5**	46.2
Capitalized software development costs	**(131.7)**	(135.1)
Information systems costs	**117.4**	109.6
Subcontractor costs	**84.2**	80.8
Exceptional items (see Note 6.3)	**60.4**	63.8
Impairment of goodwill and intangibles	**195.0**	371.8
Amortization of other intangible assets	**557.9**	537.5
Depreciation of property, plant and equipment	**51.5**	56.1
Share based payments charge	**9.6**	0.6
Realized gain on closure of derivative instruments (see Note 13)	**(5.1)**	(1.4)
Unrealized gain on derivative instruments	**(27.6)**	69.0
Other costs including net foreign exchange	**170.4**	(80.4)
Total	**1,987.5**	**1,967.9**

Cost of sales includes items such as transaction fees related to the provision of payment processing services, the cost of customer facing data center hosting, third-party royalties, support services, and agency fees. Employee costs, information system costs, and subcontractor costs also include some expenses that relate to generating revenue.

Operating expenses include the unwinding of $11.6m (May 2021: $16.1m) of contract costs related to acquisition accounting adjustments arising from the PPA adjustments related to the acquisition of Misys and D+H groups. Amortization of other intangible assets includes $557.9m (May 2021: $537.5m) which relates to the amortization of fair value of intangible assets from the acquisition accounting adjustments and amortization of R&D assets and purchased software.

6.1. Employee information

The average number of persons employed by the Group (including executive directors) by location was:

	Year ended 31 May 2022	Year ended 31 May 2021
United States of America	**1,459**	1,425
Canada	**842**	939
United Kingdom	**539**	509
Mainland Europe	**1,658**	1,689
India	**2,492**	2,519
Rest of the World	**1,284**	1,240
Total	**8,274**	**8,321**

The number of employees as on 31 May 2022 is 8,065 (May 2021: 8,415).

Group employee costs comprise the following items:

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Wages, salaries and benefits including non-exceptional redundancy costs	**608.2**	620.6
Social security costs	**53.3**	47.8
Pension costs (note 21)	**30.5**	27.2
Total	**692.0**	**695.6**

Remuneration of key management personnel is disclosed in note 23 to the consolidated financial statements. In addition to the above, the Group incurred exceptional employee costs of $16.0m (May 2021: $20.7m) as disclosed in note 6.3 below.

6.2. *Auditors' remuneration*

During the period, the Group obtained the following services from the Company's auditors and their associates which are included in legal and professional costs above:

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Fees payable for the audit of the consolidated financial statements	**1.7**	1.9
Audit of the Company's subsidiaries	**1.2**	0.9
Total audit fees	**2.9**	2.8
Fees payable to the Company's auditors and its associates for other services:		
Tax services	**—**	0.1
Audit related assurance services	**1.9**	2.3
Total	**4.8**	5.2

6.3. *Exceptional items*

Significant accounting policies that apply to exceptional items

Exceptional items are those that are judged to be material, either because of their size or their nature, and that are exceptional or non-operational in nature. The exceptional items disclosed below only consider those costs which are added back to the Group's operating profit as reported under IFRS to arrive at adjusted EBITDA, and exclude those costs which are already considered as adjusting items, such as goodwill impairment charges. A full list of adjusting items considered when arriving at adjusted EBITDA is disclosed in the director's report.

The items disclosed below include the acquisition or disposals of businesses, business restructuring program related people, legal and professional fees, and integration costs, asset impairment charges, and property rationalization programs. These costs are assessed consistently each year and are disclosed separately in the consolidated financial statements where it is necessary to provide further understanding of the financial performance of the Group.

Critical accounting judgments made in relation to exceptional items

The judgment of whether an item is considered to be an exceptional item is critical because inclusion of an item will improve the key performance indicator of adjusted EBITDA which strips out these amounts. The Group has a well-defined policy in place that is well understood across the Group and is applied consistently each year. A central budget is maintained, and all new proposals for exceptional items are subject to significant scrutiny by senior employees.

Exceptional items are broken down by type as follows:

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Employee costs including severance	**16.0**	20.7
Occupancy costs	**0.8**	(0.7)
Integration related costs	**32.0**	34.7
Legal & professional fees related to exceptional items	**4.1**	1.0
Other strategic initiatives related to potential corporate M&A activities	**15.2**	9.3
Reversal of impairments of trade receivables due to COVID19	**(8.6)**	—
Cyber-attack incident response costs	**0.9**	(1.2)
Total	**60.4**	**63.8**

Integration related costs include the costs of simplifying the Group's internal systems and processes into a single and unified operating model.

The severance costs incurred in FY22 relates to a restructuring initiative as a result of both the Reach Beyond strategy and to meet the adjusted EBITDA target as of FY23. The severance costs incurred in FY21 relate to a Group-wide simplification through headcount reduction.

Cyber-attack costs include professional services and additional counter measures deployed to evaluate and neutralize the threat of the event. The $0.9m above in relation to Cyber-attack response for FY22 relates to the costs incurred directly in response to the Cyber attack in March 2020.

In March 2020, the Group faced a cyber-attack and as a result in FY21, insurance claims were made to compensate the customers who were impacted by the interruption of our services and also to cover the costs related to the use of cyber specialists and engagement with law enforcement agencies. The ($1.2m) of cyber related costs in FY21 includes $11.1m settlement from insurers for the Cyber-attack costs. The insurance reimbursement relating to customer settlements amounted to $3.8m and these have been recognized within other revenue (note 5.1) in line with where the initial revenue reductions were booked as part of customer settlements. $0.2m has been recognized within information system costs to offset the initial cyber defense expenses incurred. The remaining $7.1m has been recognized as exceptional income items net against where the vendor costs and settlement expenses were initially taken as exceptional items.

7. Net finance costs

all figures in $ millions	Note	Year ended 31 May 2022	Year ended 31 May 2021
Interest cost on term loans and overdrafts		**(314.6)**	(325.6)
Amortization of financing facility costs		**(31.4)**	(29.4)
Net financing charge relating to pensions	21	**(0.5)**	(1.0)
Lease interest expense		**(11.4)**	(11.1)
Other finance costs		**(8.2)**	(12.8)
Finance costs		**(366.1)**	**(379.9)**
Lease interest income		**0.5**	1.1
Interest received on cash and cash equivalents		**0.3**	0.2
Accretion of discount on trade and other receivables		**0.5**	0.6
Finance income		**1.3**	**1.9**
Net finance costs		**(364.8)**	**(378.0)**

8. Taxation

Significant accounting policies that apply to taxation

Taxation comprises current and deferred tax. Taxes are recognized in the Consolidated statement of income except to the extent that it relates to items recognized directly in shareholders' equity or otherwise in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates and laws which are expected to apply in the year when the liability is settled, or the asset is realized. Deferred tax assets are only recognized to the extent that recovery is probable.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities where they intend to settle current tax liabilities and assets on a net basis.

In determining the amount of current and deferred tax, the Group considers the impact of uncertain tax positions. The Group adopted IFRIC 23 'Uncertainty over income tax treatments' to determine if it is probable that the tax authorities will accept an uncertain tax treatment. If not probable, the Group will determine the impact of the uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. Accrued interest and penalties on uncertain tax positions are charged to interest expense or penalty expense in determining income / loss before taxation.

8.1. Taxation on loss

The taxation note details the different tax charges and rates, including current and deferred tax arising in the Group. The current tax charge is the tax payable on this period's taxable profits together with amendments in respect of tax provisions made in earlier years. Deferred tax represents the tax on differences between the accounting carrying values of assets and liabilities and their tax bases. These differences are temporary and are expected to unwind in the future.

Taxation on ordinary activities:

all figures in $ millions	Note	Year ended 31 May 2022	Year ended 31 May 2021
Current tax			
Corporation tax on losses for the year		**(44.2)**	(62.4)
Adjustments for prior period		**8.0**	8.5
Irrecoverable withholding taxes		**(9.0)**	(17.8)
Total current tax charge		**(45.2)**	(71.7)
Deferred tax			
Origination and reversal of temporary differences		**65.5**	60.6
Change in tax rates		**(6.2)**	31.0
Adjustments for prior period		**(36.2)**	(1.2)
Total deferred tax credit	8.2	**23.1**	90.4
Tax credit / (charge) recognized in the consolidated statement of income		**(22.1)**	18.7

The difference between actual tax credit computed using the UK tax rate of 19% and the tax computed on the Group's loss can be explained as follows:

all figures in $ millions	Year ended 31 May 2022	Year ended 31 May 2021
Loss before taxation	**(612.1)**	(603.5)
Tax (charge) / credit recognized in the Consolidated statement of income	**(22.1)**	18.7
Effective tax rate	**(3.6)%**	**(3.1)%**
Tax on loss at 19% - UK Statutory Tax Rate	**116.3**	115.3
Tax effects of:		
Effects of tax rates in different jurisdictions	**26.5**	18.2
Non-deductible goodwill impairment losses	**(47.4)**	(69.9)
Permanent differences	**(2.9)**	(11.1)
Re-measurement of deferred tax due to changes in tax rates	**(6.2)**	31.0
Tax charge from changes in unrecognized deferred tax assets and liabilities	**(84.2)**	(40.0)
Adjustments for prior period	**(28.2)**	7.3
Irrecoverable withholding tax	**(9.0)**	(17.8)
Tax reserves	**13.3**	(5.7)
Other differences	**(0.3)**	(8.6)
Tax (charge)/ credit	**(22.1)**	**18.7**

8.2. Deferred taxation

all figures in $ millions	Losses	Other deductible temporary differences	Goodwill and acquired intangibles	Total
At 1 June 2020	113.0	68.9	(306.1)	**(124.2)**
Credited / (charged) to the Consolidated statement of income (note 8.1)	(22.1)	(12.8)	94.1	**59.2**
Impact of change in tax rates taken to the Consolidated statement of income (note 8.1)	(0.8)	20.7	11.2	**31.1**
Credited / (charged) to Other comprehensive income	—	1.1	—	**1.1**
Other movements	—	(1.0)	—	**(1.0)**
Exchange adjustments	8.1	8.1	(18.2)	**(2.0)**
At 31 May 2021	**98.2**	**85.0**	**(219.0)**	**(35.8)**
Credited / (charged) to the Consolidated statement of income (note 8.1)	**(19.3)**	**(24.4)**	**73.0**	29.3
Impact of change in tax rates taken to the Consolidated statement of income (note 8.1)	**(0.5)**	**(3.6)**	**(2.1)**	(6.2)
Credited / (charged) to Other comprehensive income	—	**0.7**	—	0.7
Other movements	**(4.6)**	**(0.3)**	**(2.2)**	(7.1)
Exchange adjustments	**(9.3)**	**(4.6)**	**4.8**	(9.1)
At 31 May 2022	**64.5**	**52.8**	**(145.5)**	**(28.2)**

Estimates made in determining the recoverability of the deferred tax assets are made on the basis of the budgets and forecasts as well as considering the likely movement in subsequent periods based on growth given from known internal and external factors, thereby justifying the recognition of deferred tax assets included in the statement of financial position.

Recent announcements by the UK government have called into question whether the main rate of corporation tax (CT) will increase to 25% or will remain at 19%. If UK deferred tax assets and liabilities had been measured at 19% as of 31 May 2022, the impact would have been to reduce the deferred tax asset by $17.7m with a corresponding charge to the income statement.

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

					31 May 2022
all figures in $ millions	**Losses**	**Other temporary differences**	**Goodwill and acquired intangibles**	**Offset**	**Total**
Deferred tax assets	**64.5**	**52.8**	—	**64.5**	**181.8**
Deferred tax liabilities	—	—	**(145.5)**	**(64.5)**	**(210.0)**
As shown above	**64.5**	**52.8**	**(145.5)**	—	**(28.2)**

					31 May 2021
all figures in $ millions	**Losses**	**Other temporary differences**	**Goodwill and acquired intangibles**	**Offset**	**Total**
Deferred tax assets	98.2	85.0	—	(12.0)	**171.2**
Deferred tax liabilities	—	—	(219.0)	12.0	**(207.0)**
As shown above	**98.2**	**85.0**	**(219.0)**	—	**(35.8)**

Included within the net deferred tax liability of $28.2m (May 2021: $35.8m) is $145.5m (May 2021: $219.0m) arising from acquired intangibles and goodwill. The deferred tax liability is expected to reverse by $73.0m (May 2021: $94.1m) within one year. Deferred tax assets are recognized to the extent that it is probable that there will be sufficient future profits in the respective tax jurisdiction to utilize the assets.

The Group has a total of $571.6m (May 2021: $505.1m) in deferred tax assets that are not recognized as their utilization is not deemed to be probable due to insufficient future profits expected to arise or because there are restrictions on their use. The largest components of the unrecognized assets are corporate tax losses in the UK and Luxembourg and interest deductions in the UK and US.

9. Goodwill

During FY22, the Group launched a three-year strategy called 'Reach Beyond', focused on the development of Banking as a Service solutions including product development and acceleration of Fusion Fabric.Cloud ('FFDC'), customer migrations to new software versions, migrating customers to the cloud instance of our software, and accelerating our cloud development. As a result, the Group has been reorganized at a Business Unit level.

For the goodwill impairment test, each CGU or group of CGUs to which the goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Therefore, for the impairment test at 31 May 2022, the goodwill has been reallocated from the CGU level to the Business Unit level, which reflects the way the Group manages its operations and which is the level at which the goodwill is monitored. The Business Units to which the goodwill is reallocated are individually not larger than the operating segments of the Group. It is important to note that there is no change in the CGUs to which the goodwill was allocated in the prior years and the CGUs continue to represent the smallest separable component that generates independent cash inflows.

Prior to the reallocation of goodwill from CGUs to Business Units, the Group performed an impairment test on the goodwill as of 30 November 2021, at the CGU level. This impairment test resulted in an impairment of $14.6m in the Merchant Services CGU and $19.5m in the Cheque CGU. The assumptions used in the impairment test and the related sensitivity analysis are set out below. The carrying value of goodwill post the impairment test was used to reallocate the goodwill balances from the CGU level to the Business Unit level.

The goodwill was reallocated from CGU to the Business Unit level by mapping the underlying products in the CGUs to the Business Units. Of the 15 CGUs, 10 CGUs were directly mapped to the Business Units and the remaining 5 CGUs were mapped to multiple Business Units, applying the relative value approach. The relative values were determined based on the product level revenue forecasts over a period of four and a half years. For practical purposes, the forecasts available as of 30 November 2021 were used for the allocation of goodwill to the Business Units as there were no material changes to the forecasts between 30 November 2021 and 6 December 2021.

The reallocation of goodwill from 15 CGU to the 6 Business Units is set out below:

Cash Generating Unit	Business Unit
Fusion Capital	Treasury and Capital Markets
Fusion Risk	Treasury and Capital Markets
Fusion Invest	Treasury and Capital Markets
FB Lending	Lending
Mortgage technology	Lending
Cash management	Lending
Financial messaging	Payments
Payments	Payments
Student Lending	Cornerstone
Cheques	Cornerstone
FB Transaction banking	Lending and Payments
FB Core banking	Lending, Treasury and Capital Markets and Universal Banking
Lending solutions	Lending and Cornerstone
Integrated Core	Lending, Universal Banking and Cornerstone
Merchant Services	Payments and Cornerstone

Critical accounting judgments made in relation to the valuation of goodwill

The below critical judgments have been used in relation to the valuation of goodwill, the incorrect evaluation of which will change the comparisons of the recoverable amount of each CGU and the cash flows included to generate the value-in-use ('VIU').

Determining the CGUs of the Group is inherently judgmental. A CGU is defined as the smallest separable component that generates independent cash inflows and establishing the appropriate level of this requires judgment to isolate distinct groups from one another.

The goodwill has been reallocated from the CGUs to the Business Units using the relative value approach, based on the product level revenues over a forecast period of four and a half years. There are five CGUs that have been reallocated across various Business Units as described above. The reallocation of goodwill to the Business Units requires judgment to allocate the values to various Business Units.

As management uses judgment in estimating the fair value of its CGUs or groups thereof or the Business Units, imprecision in any assumptions used in the fair value calculations could influence the determination of goodwill impairment and affect the valuation of goodwill.

Significant accounting policies that apply to goodwill

The acquisition of subsidiaries is accounted for using the acquisition method at the point the Group gains control over a business as defined by IFRS 3 (Revised). As disclosed in the basis of preparation (note 2) the combination of Misys into the Finastra Limited group has been treated as an acquisition under common control with Finastra Limited being treated as the acquirer.

Goodwill arising from a business combination represents the excess of the consideration transferred, the amount of the non-controlling interests, and the acquisition date fair value of any previously held interest in the acquiree over the Group's interest in the fair value of the identifiable net assets acquired. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Acquisitions involving entities under common control are outside the scope of IFRS 3 (Revised) and there is no specific guidance elsewhere in IFRS. In applying IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors', management has developed an accounting policy that provides relevant and reliable information and has determined the application of the acquisition method in accordance with IFRS 3 (Revised) is appropriate.

At 30 November 2021 and 31 May 2022, the carrying amount of the goodwill amounts to $4,690.3m and $4,541.3m (May 2021: $4,850.9m).

all figures in $ millions	
Cost	
At 1 June 2020	**5,861.3**
Acquisitions	6.1
Differences on exchange	355.2
At 31 May 2021	**6,222.6**
Differences on exchange	(152.2)
At 30 November 2021	**6,070.4**
Differences on exchange	14.9
At 31 May 2022	**6,085.3**

Provision for impairment	
At 1 June 2020	**(969.8)**
Impairment charge	(371.5)
Differences on exchange	(30.4)
At 31 May 2021	**(1,371.7)**
Impairment charge	(34.1)
Differences on exchange	25.7
At 30 November 2021	**(1,380.1)**
Impairment charge	(160.4)
Differences on exchange	(3.5)
At 31 May 2022	**(1,544.0)**

Net book value as of	
31 May 2020	**4,891.5**
31 May 2021	**4,850.9**
30 November 2021	**4,690.3**
31 May 2022	**4,541.3**

Goodwill impairment as of 30 November 2021

Critical accounting judgments made in relation to the valuation of goodwill

The VIU calculations include a significant number of estimates. These include future cash flows, derived from the forecasts, discount rates for each CGU, growth prospects for each CGU, and long-term growth rates for the Group as a whole.

Cash flows were based on FY21 medium term plan ('MTP'), being the latest approved forecast available as of 30 November 2021, and adjusted for the effects of constant currency changes in FY22. Cash flows were projected over four and a half years and arriving at a reliable estimate requires significant care based on data-informed judgments and the prospects of the goods and services being sold. The FY21 MTP has been considered appropriate for the impairment test as of 30 November 2021, as there were no significant changes to the business or our forecasted figures. We have performed an assessment of the forecasts related to recurring revenues, upfront revenues, and costs by comparing these forecasts with the actual results as of 30 November 2021 and concluded that there is no material impact on the goodwill impairment for each of the CGUs, using the cash flows based on the FY21 MTP.

The Group's estimate of future performance is dependent on a number of global economic and business-specific trends in the markets where products and services are sold. The assumptions used in our estimates and the potential impacts of changes in them are disclosed below.

9.1. Goodwill impairment testing results as of 30 November 2021

Based on the goodwill impairment test as of 30 November 2021, the carrying amount of goodwill allocated to CGU groups and the discount rate applied is as follows:

	30 November 2021		31 May 2021	
all figures in $ millions	**Goodwill**	**Pre-tax discount rate %**	**Goodwill**	**Pre-tax discount rate %**
Lending				
FB Lending	**318.6**	**10.0**	318.6	9.9
Lending Solutions	**1,327.4**	**10.1**	1,401.3	10.0
Mortgage Technology	**111.9**	**11.1**	116.2	10.5
Retail Banking				
FB Core Banking	**657.6**	**11.5**	657.6	11.4
Integrated Core	**405.6**	**10.2**	425.8	10.3
Merchant Services	**7.2**	**9.8**	23.1	10.0
Transaction Banking				
FB Transaction Banking	**251.4**	**11.2**	251.4	10.9
Cash Management	**6.9**	**12.7**	7.3	13.0
Payments	**344.9**	**8.9**	364.3	9.9
Financial Messaging	**48.8**	**10.3**	51.5	9.9
Trade and Capital Markets				
Fusion Capital	**956.7**	**11.1**	956.8	11.3
Fusion Invest	**63.4**	**9.7**	63.4	9.8
Fusion Risk	**152.8**	**11.0**	152.8	10.8
Technology Enabled Management Services				
Student Lending	**37.1**	**10.8**	39.2	10.9
Cheque Program & Enhancement Services	**—**	**16.3**	21.6	15.2
Total	**4,690.3**		**4,850.9**	

9.1.1. Key assumptions

The key assumptions in the VIU calculations are the discount rate applied to each CGU, the revenue growth and operating margin utilized in the cash flow forecast, and the long-term growth rate to the terminal value.

Discount rate

Discount rates as of 30 November 2021 reflect specific market and country risks relating to the relevant CGU. The Group bases its estimate for the discount rate on a WACC using observable market and industry data to derive the appropriate inputs to the calculation. The capital asset pricing model ('CAPM') is used to estimate the cost of capital. Both the cost of capital and cost of debt are derived using market participant assumptions of comparable companies.

Cash flow forecast

Specific operating assumptions are applicable to the budgeted cash flows for the period ending 30 November 2021 and relate to revenue forecasts, expected project outcomes, and forecast operating margins in each of the CGUs. The relative value ascribed to each assumption will vary between CGUs / operating segments as the budgets are built up from the underlying products within each CGU / operating segments.

Management determined budgeted revenue growth based on the sales pipeline and Total and Constrained Addressable Market ('TAM' and 'CAM') at a product level. Costs are forecast based on prior performance and the margins achievable based on revenue assumptions.

Long term growth rate

A long-term growth rate of 2.3% (May 2021: 2.2%) has been used for most CGUs for the impairment test as of 30 November 2021 and is based on a forecast long-term US inflation rate as of 30 November 2021. This metric is chosen as it matches the inflation assumptions implicit in the WACC and the cash flows used to derive the value in use.

A long-term declining rate has been used for the Cheque CGU as the business is expected to decline in the long term due to lower dependency on paper based cheques in the future.

9.1.2. Summary of results related to impairment test as of 30 November 2021

The impairment reviews indicated sufficient headroom to not result in an impairment on an aggregated basis in comparison to the total carrying value of the combined CGUs.

For Merchant Services and Cheque, the recoverable amounts were less than their carrying values, and therefore an impairment charge of $14.6m and $19.5m, respectively, were recognized against the carrying value of goodwill in the period ended 30 November 2021. The main driver of the impairment charge in the Merchant Services CGU is due to low margins in the forecast period and the driver for the impairment in the Cheque CGU was the loss of a significant customer.

Goodwill impairment as of 31 May 2022

Critical accounting judgments made in relation to Goodwill

The VIU calculations include a significant number of estimates. These include future cash flows, derived from the latest budget approved by the Board of Directors, discount rates for each Business Units, growth prospects for each Business Unit, and long-term growth rates for the Group as a whole. Cash flows were projected over four years and arriving at a reliable estimate requires significant care based on data-informed judgments and the prospects of the goods and services being sold.

These estimates are informed through a robust process of evaluation and involve stakeholders across the Group. The Group benchmarks estimates of discount rates and growth prospects against peer companies and industry-specific data. The Group's estimate of future performance is dependent on a number of global economic and business-specific trends in the markets where products and services are sold. The assumptions used in our estimates and the potential impacts of changes in them are disclosed below.

9.2. Goodwill impairment testing results as of 31 May 2022

Based on the goodwill impairment test as of 31 May 2022, the carrying amount of goodwill allocated to BUs and the discount rate applied is as follows:

		31 May 2022
all figures in $ millions	**Goodwill**	**Pre-tax discount rate %**
Lending	1,996.2	10.2
Payments	520.5	10.1
Treasury and Capital Markets	1,078.6	10.7
Investment Management	63.4	9.7
Universal Banking	811.6	10.8
Cornerstone	71.0	15.7
Total	**4,541.3**	

Prior year comparators are not presented as FY22 is the first year of testing the goodwill impairment at the Business Unit level.

As a result of the November impairment exhausting all remaining goodwill balance in the Cheque CGU, we applied the remaining $4.9m directly to the beginning goodwill balance in the Cornerstone BU since the Cheque CGU rolls into Cornerstone in full. We deem this appropriate due to the nature of the restructuring and to better reflect the Cornerstone BU goodwill balance going forward.

9.2.1. Key assumptions

The key assumptions in the VIU calculations are the discount rate applied to each Business Unit, the revenue growth and operating margin utilized in the cash flow forecast, and the long-term growth rate to the terminal value.

Discount rate
Discount rates as of 31 May 2022 reflect specific market and country risks relating to the relevant Business Units. The Group bases its estimate for the discount rate on a WACC using observable market and industry data to derive the appropriate inputs to the calculation. The capital asset pricing model ('CAPM') is used to estimate the cost of capital. Both the cost of capital and cost of debt are derived using market participant assumptions of comparable companies.

Cash flow forecast
Specific operating assumptions are those which represented management's forecast of cash flows as of 31 May 2022 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the Business Units. The relative value ascribed to each assumption will vary between Business Units as the budgets are built up from the underlying products within each of the Business Units.

Management determined budgeted revenue growth based on the sales pipeline and Total and Constrained Addressable Market ('TAM' and 'CAM') at a product level. Costs are forecast based on prior performance and the margins achievable based on revenue assumptions.

Long-term growth rate
A long-term growth rate of 2.4% has been used for all Business Units for the impairment test as of 31 May 2022 and is based on an average forecasted long-term US inflation rate as of 31 May 2022. This metric is chosen as it matches the inflation assumptions implicit in the WACC and the cash flows used to derive the value in use.

9.2.2. Summary of results related to impairment test as of 31 May 2022

The impairment review indicated sufficient headroom to not result in an impairment on an aggregated basis in comparison to the total carrying value of the combined BUs.

The impairment review indicated that impairment would be recognized in the following BUs - Universal Banking, Treasury and Cash Management ('TCM'), and Cornerstone - which resulted in an impairment of $58.3m, $31.5m, and $70.6m, respectively. The Universal Banking and TCM impairment was driven by higher costs as a percentage of revenue and effects of the reallocation from CGU to BU, and the Cornerstone BU impairment was due to declining revenues in the Cornerstone business mainly driven by the SES and Cheques businesses.

9.2.3. Sensitivity to changes in assumptions

The results of the Group's impairment tests are dependent upon estimates and judgments, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in the key assumptions has been undertaken based on the following sensitivities in isolation:

Cash flow forecast
A 4% decrease in EBITDA and a reduction in the cash flow conversion to 84% from 87%, based on recent historical results and the lowest of the recent three years of cash conversion rates, would represent a reasonable estimate in the potential downside risk in the cash flow forecasts for the business.

Discount rate
A 0.5% change in the absolute discount rate is considered reasonably possible for the business, based on the sensitivity of the equity risk premia assumptions and the levered beta when determining the discount rate. Therefore, an increase of 0.5% has been modeled within the sensitivity analysis.

Long term growth rate
When calculating the long-term growth rate, the possible range for the estimate was considered to be between 2.0% and 2.9%. Therefore, our sensitivity analysis includes the impact of moving this assumption to the upper and lower end of this range.

	Change in assumption	Impact on impairment charge increase / (reduction) ($m)
Cash flow forecast reduction	EBITDA - (4.0%), Cash conversion – (3.0%)	115.1
Discount rate	0.5%	166.8
Long-term growth rate	0.5%	(90.7)
Long-term growth rate	(0.4)%	115.2
Combined Sensitivity	Combination of EBITDA drop (4.0%), Cash Conversion drop (3.0%), Discount rate increase 0.5%, and LTGR drop (0.4%)	368.4

Specific Business Unit

In addition to the above Group wide sensitivities, management evaluates individual Business Unit performance against budget and forecasts. Applying the adverse sensitivities above would trigger additional impairment as set out below. A reasonable change in the assumptions would not result in an impairment in the rest of the Business Units.

Business Unit	Increase in impairment charge over base case	
	Increase in discount rate by 0.5%	Long term growth rate decrease by 0.4%
Universal Banking	69.3	48.0
Treasury & Capital Markets	95.5	66.5
Cornerstone	2.0	0.7
Total	**166.8**	**115.2**

10. Other intangible assets

Critical accounting judgments made in accounting for Other Intangible Assets

Expenditure on developed software is capitalized 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.

Assessing when these criteria are achieved is a critical judgment and is informed through a robust and regular product life cycle assessment during which management estimates the future sales and long-term operating margins of the asset. Determining the internal rates of staff time that is eligible for capitalization is also a key judgment and is decided in a biannual rates assessment which involves rigorous time sheet reviews and eligibility assessments.

Significant accounting policies that relate to Other intangible assets

Intangible assets acquired through a business combination are initially measured at fair value and amortized 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 amortized on a straight-line basis. The amortization period is reviewed annually.

The determination of estimated useful lives is a critical estimate as it influences the speed of the resulting amortization charges. Our estimates by major class of assets are as follows:

Complete technology	3 - 7 years
Customer relationships	5 - 22 years
Trade names and brands	2 - 15 years
Developed software	3 - 5 years
Third-party software	3 - 7 years

Internally developed software costs recognized as assets are amortized over their estimated useful lives, which is between three and five years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Intangible assets purchased separately, such as software licenses that do not form an integral part of related hardware, are capitalized at cost and amortized over their useful economic lives of between three and seven years.

The Consolidated statement of financial position contains significant other intangible assets. Completed technology, customer relationships, and trade names and brands arise when Finastra acquires a business.

all figures in $ millions	Complete technology[1]	Customer relationships[1]	Trade names and brands[1]	Developed software[2]	Third-party software[3]	Total
Cost						
At 1 June 2021	1,962.6	955.5	124.3	430.4	73.0	3,545.8
Additions	—	—	—	131.7	25.8	157.5
Disposal	—	—	—	—	(14.4)	(14.4)
Exchange adjustments	(34.8)	(22.5)	(2.6)	(25.3)	(3.6)	(88.8)
At 31 May 2022	1,927.8	933.0	121.7	536.8	80.8	3,600.1
Accumulated amortization						
At 1 June 2021	(1,445.5)	(321.2)	(56.2)	(121.8)	(28.2)	(1,972.9)
Amortization charges (note 6)	(345.4)	(79.0)	(13.6)	(90.5)	(29.4)	(557.9)
Impairment	—	—	—	(0.5)	—	(0.5)
Disposal	—	—	—	—	14.4	14.4
Exchange adjustments	28.8	10.9	1.4	8.3	2.0	51.4
At 31 May 2022	(1,762.1)	(389.3)	(68.4)	(204.5)	(41.2)	(2,465.5)
Net book value						
At 1 June 2021	517.1	634.3	68.1	308.6	44.8	1,572.9
At 31 May 2022	165.7	543.7	53.3	332.3	39.6	1,134.6

all figures in $ millions	Complete technology[1]	Customer relationships[1]	Trade names and brands[1]	Developed software[2]	Third-party software[3]	Total
Cost						
At 1 June 2020	1,871.8	897.1	117.6	277.0	66.0	3,229.5
Acquisitions	1.1	—	—	—	—	1.1
Additions	—	—	—	135.1	42.8	177.9
Disposal	—	—	—	—	(44.1)	(44.1)
Exchange adjustments	89.7	58.4	6.7	18.3	8.3	181.4
At 31 May 2021	1,962.6	955.5	124.3	430.4	73.0	3,545.8
Accumulated amortization						
At 1 June 2020	(1,026.0)	(219.3)	(39.7)	(53.1)	(40.4)	(1,378.5)
Amortization charges (note 6)	(355.3)	(77.6)	(13.4)	(65.1)	(26.1)	(537.5)
Impairment	—	—	—	(0.3)	—	(0.3)
Disposal	—	—	—	—	44.1	44.1
Exchange adjustments	(64.2)	(24.3)	(3.1)	(3.3)	(5.8)	(100.7)
At 31 May 2021	(1,445.5)	(321.2)	(56.2)	(121.8)	(28.2)	(1,972.9)
Net book value						
At 31 May 2020	845.8	677.8	77.9	223.9	25.6	1,851.0
At 31 May 2021	517.1	634.3	68.1	308.6	44.8	1,572.9

[1]The remaining amortization periods of complete technology assets, customer relationships, and trade names and brands are approximately 0.5 year, 7 years, and 3 years, respectively.
[2]Developed software is amortized over its useful economic life which is estimated to be five years. The balance of developed software comprises capitalized costs arising from the development phase of the R&D projects undertaken by the Group.
[3]Developed software and third-party software include assets under construction with a cost of $65.2m (May 2021: $58.4m) and $7.1m (May 2021: $12.4m), respectively, which are not amortized.

Total development expenditure for the year was $264.3m (May 2021: $261.0m) and the total capitalized software development costs was $131.7m (May 2021: $135.1m).

11. Property, plant and equipment

Significant accounting policies that relate to 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 to write off the cost, less estimated residual value of each asset, over its expected useful life. 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:

Leased assets (Buildings, Data centers and vehicles)	20 - 40	years
Leasehold improvements	5 - 15	years or the period of the lease if shorter
Computers (included within Computers and fixtures and fittings)	4	years
Fixtures and fittings (included within Computers and fixtures and fittings)	10 – 15	years

all figures in $ millions	Leasehold improvements[1]	Right of use - Leased Assets (note 12)	Computers and fixtures and fittings	Total
Cost				
At 1 June 2020	**72.2**	**169.8**	**104.4**	**346.4**
Additions	**9.1**	**11.8**	**16.5**	**37.4**
Disposal	**(1.2)**	**(5.3)**	**(1.9)**	**(8.4)**
Exchange adjustments	**6.9**	**12.1**	**14.9**	**33.9**
At 31 May 2021	**87.0**	**188.4**	**133.9**	**409.3**
Additions	**4.3**	**52.0**	**8.4**	**64.7**
Disposal	**(2.2)**	**(39.2)**	**(13.9)**	**(55.3)**
Exchange adjustments	**(5.5)**	**(12.0)**	**(12.9)**	**(30.4)**
At 31 May 2022	**83.6**	**189.2**	**115.5**	**388.3**
At 1 June 2020	**(19.7)**	**(72.4)**	**(53.7)**	**(145.8)**
Depreciation charges (note 6)	(11.0)	(23.3)	(21.8)	**(56.1)**
Impaired	—	(0.1)	—	**(0.1)**
Disposal	0.3	5.0	1.8	**7.1**
Exchange adjustments	(2.4)	(5.0)	(11.8)	**(19.2)**
At 31 May 2021	**(32.8)**	**(95.8)**	**(85.5)**	**(214.1)**
Depreciation charges (note 6)	(11.4)	(21.9)	(18.2)	**(51.5)**
Impaired	—	(7.3)	—	**(7.3)**
Disposal	1.8	32.0	13.6	**47.4**
Exchange adjustments	2.8	4.9	10.3	**18.0**
At 31 May 2022	**(39.6)**	**(88.1)**	**(79.8)**	**(207.5)**
Net book value				
At 31 May 2021	**54.2**	**92.6**	**48.4**	**195.2**
At 31 May 2022	**44.0**	**101.1**	**35.7**	**180.8**

[1]Leased assets and leasehold improvements includes assets under construction (AUC) with a cost of $1.2m (May 2021: $0.3m). AUC are presented without depreciation.

12. Leases

Significant accounting policies that relate to leases

We assess whether a contract contains a lease at inception of the contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. We recognize lease liabilities with corresponding right-of-use assets for all lease agreements, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term.

Lessee Accounting
We record a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- The initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- Any initial direct costs incurred; and
- An estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- Any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the lease term, unless we expect to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- The non-cancellable period of the lease;
- Periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. We generally use our incremental borrowing rate as the interest rate implicit in our leases cannot be readily determined.

To determine the incremental borrowing rate, the group uses a build-up approach that starts with the current secondary market rate of its facilities. These were then adjusted for the specific financing conditions in the individual lease, e.g. term, country, and currency. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:
- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that we are reasonably certain to exercise, lease payments in an optional renewal period if we are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless we are reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or if we change our assessment of whether or not we will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The lease liability is also remeasured when the underlying lease contract is amended.

We have elected not to separate fixed non-lease components and account for the lease and any fixed non-lease components as a single lease component. Certain leases require us to make payments that relate to property taxes, insurance, and other non-rental costs. These non-rental costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability.

Lessor Accounting
In some cases, generally relating to the sublease of an unoccupied property, we act as a lessor. At the inception of the lease, we determine if the lease is financing or operating. In order to classify each lease as either finance or operating, we make an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If it does, the lease is a finance lease; if not, it is an operating lease.

We recognize lease payments received under operating leases into income on a straight-line basis. For leases classified as financing, the ROU asset related to the underlying lease is derecognized, and a net investment in sublease is recorded as the present value of future lease payments receivable. The difference between the head lease and sublease asset is recognized through profit and loss.

Right-of-use Assets.
The Group's significant right-of-use assets under leases are buildings, data centers, and vehicles. Right-of-use assets are presented in Property, plant and equipment in the statement of financial position and are shown in note 11 within the leased assets category. The following table shows the net carrying amounts for the year ended 31 May 2022.

Impairment of right-of-use assets
The Group assesses right-of-use assets for indicators of impairment at each reporting period. If indicators exists, then a full impairment test would be conducted. For right-of-use assets, indicators of impairment may include the fact that we are no longer using the leased asset for its intended use or to generate an economic benefit. An impairment loss is then recognized for the amount by which the right-of-use asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

all figures in $ millions	**31 May 2022**	**31 May 2021**
Buildings	**94.9**	84.3
Data Centers	**6.2**	7.9
Vehicles	**—**	0.4
Right-of-use assets net book value	**101.1**	92.6

See note 11 for additional disclosure on the right-of-use asset.

The group has also recognized sublease assets of $3.8m (May 2021: $2.0) as a net investment in sublease where the group has acted as a lessor when entering into sublease arrangements. This amount is included within other receivables.

Lease Liabilities

all figures in $ millions	31 May 2022	31 May 2021
Current	**(19.6)**	(27.2)
Non-current	**(133.2)**	(118.6)
Total lease liabilities	**(152.8)**	(145.8)

See note 24 for the maturity analysis of the undiscounted remaining contractual cash flows of the Group's lease liabilities.

Leases in the Consolidated statement of income
The following table provides the depreciation charge and other expenses related to leases recognized in the Consolidated statement of income.

all figures in $ millions	31 May 2022	31 May 2021
Buildings	**(18.5)**	(18.6)
Data Centers	**(3.4)**	(4.2)
Vehicles	**—**	(0.5)
Depreciation charge of right-of-use assets	**(21.9)**	(23.3)

all figures in $ millions	31 May 2022	31 May 2021
Interest expense on lease liabilities	**(11.4)**	(11.1)
Interest income on subleases	**0.5**	1.1
Impairment expense on right-of-use assets	**(7.3)**	(0.1)
Gain/loss on modification of leases	**11.4**	(1.3)
Loss on disposal of ROU assets	**(7.2)**	—
Variable lease payment expenses not included in the measurement of lease liabilities	**(6.6)**	(5.6)
Expenses for short-term leases and leases of low value assets	**(0.9)**	(2.4)

Variable lease payment expenses not included in the measurement of lease liabilities includes variable income from subleases of $0.7m (May 2021: $0.6m).

Leases in the Statement of Cash Flows
Total cash outflow related to leases was $38.6m (May 2021: $43.2m) offset by $2.5m (May 2021: $4.2m) of proceeds from sublease arrangements for the year ended 31 May 2022.

13. Derivative financial instruments

Significant accounting policies that relate to derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts and cross currency swaps and exposure to interest rate risk using interest rate swaps.

Derivative financial instruments are classified as FVPL (held for trading) unless they are in a designated hedge relationship.

Derivatives are initially recognized at fair value at the date a derivative contract is entered and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in the Consolidated statement of income, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated statement of income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

13.1. 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. The following is a summary of the derivative financial instruments held on the Group's statement of financial position. All cross currency and interest rate swaps expired during the year. The Group has no open derivative financial instruments at 31 May 2022. See note 24 for additional disclosure.

all figures in $ millions	31 May 2022		31 May 2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps and cross currency swaps	—	—	—	(28.4)
	—	—	—	**(28.4)**
Analyzed as follows:				
Current	—	—	—	(28.4)
Non-current	—	—	—	—
	—	—	—	**(28.4)**

13.2. Interest rate swaps

The Group held floating-to-fixed interest rate swaps and US Dollar Euro cross currency swaps to hedge interest rate and foreign exchange risk on its US-Dollar-denominated First Lien Loans. Foreign exchange risk arises on a portion of the US Dollar denominated debt as it is held in a non-US Dollar entity. The notional principal amounts of the outstanding interest rate swap contracts at 31 May 2022 were $0 (May 2021: $1,300m). The notional principal amounts of the outstanding cross-currency interest rate swap contracts at 31 May 2022 were $0 (May 2021: $714.0m). See note 24 for additional disclosure.

14. Trade and other receivables

Significant accounting policies that relate to trade receivables

Trade receivables are initially recognized at fair value, which are based on the original invoice amount and are subsequently measured at amortized cost using the effective interest rate method less allowance for ECL.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of twelve months before 31 May 2021 or 1 June 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information and macroeconomic factors affecting the ability of the customers to settle the receivables. Due to the short term nature of our trade receivables, the forward looking information is not as relevant to the ECL calculation.

The ECL was adjusted to take into account the economic impact of COVID-19 and based on forward looking information, the probability weighted outcome of that assessment remains materially appropriate.

Significant accounting policies that relate to other receivables

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

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

all figures in $ millions	31 May 2022	31 May 2021
Trade receivables	**335.0**	272.4
Less: allowance for doubtful debts	**(16.6)**	(27.8)
Net trade receivables	**318.4**	**244.6**
Commission fees	**30.6**	23.8
Royalty and agent fees	**6.6**	5.7
Deferred implementation costs	**17.6**	16.6
Total current contract costs	**54.8**	**46.1**
Other receivables	**48.6**	57.8
Withholding tax	**20.7**	6.4
Prepayments	**41.2**	44.4
Accrued income	**198.8**	219.7
Current trade and other receivables	**682.5**	**619.0**
Commission fees	**71.2**	65.6
Royalty and agent fees	**3.7**	4.8
Deferred implementation costs	**58.5**	52.3
Total non- current contract costs	**133.4**	**122.7**
Other receivables	**19.1**	20.8
Prepayments	**1.9**	1.3
Accrued income	**150.8**	113.1
Net Investment in sublease	**3.8**	2.0
Non-current trade and other receivables	**309.0**	**259.9**
Total trade and other receivables	**991.5**	**878.9**

Included within other receivables are R&D tax credits of $27.7m (May 2021: $29.1m), VAT debtor balance of $10.7m (May 2021: $13.5m), deposits of $4.9m (May 2021: 7.9m), receivable MEP (Management Equity Plan) of $9.0m (2021: $9.0m), and sundry receivables of $15.4m (May 2021: $19.1m).

The aging analysis of net trade receivables is as follows:

all figures in $ millions	31 May 2022	31 May 2021
Current	**187.0**	137.4
0-30 days	**54.9**	33.6
31-60 days	**18.9**	13.9
61-90 days	**14.6**	11.4
91-120 days	**2.9**	9.2
121-180 days	**22.4**	24.7
Over 180 days	**17.7**	14.4
	318.4	244.6

The movement in the allowance for doubtful debts in respect of trade receivables during the period was as follows:

all figures in $ millions	
At 1 June 2020	**(23.2)**
Allowance for expected credit losses	**(13.2)**
Receivables written off during the period as uncollectible	**3.8**
Unused amounts reversed	**6.0**
Foreign exchange adjustments	**(1.2)**
At 31 May 2021	**(27.8)**
Allowance for expected credit losses	**(6.1)**
Receivables written off during the period as uncollectible	**4.4**
Unused amounts reversed	**12.2**
Foreign exchange adjustments	**0.7**
At 31 May 2022	**(16.6)**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The fair value of trade and other receivables approximates book value due to the short-term maturities associated with these items.

15. Share capital and share premium

Significant accounting policies that relate to 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.

	Authorized, allotted, fully paid share capital	Share capital	Share premium
	Number of shares	*$*	*$*
Ordinary shares of $0.1 each (at 31 May 2022 and 31 May 2021)	**2,983,762,438**	**298,376,244**	**2,714,252,864**

16. Other equity

all figures in $ millions	Capital contribution reserve	Currency translation reserve	Actuarial gains and losses reserve	Total
At 1 June 2020	(11.0)	64.8	(4.6)	**49.2**
Exchange adjustments	—	(162.6)	—	**(162.6)**
Actuarial loss	—	—	(2.6)	**(2.6)**
At 31 May 2021	**(11.0)**	**(97.8)**	**(7.2)**	**(116.0)**
Exchange adjustments	—	**(60.2)**	—	**(60.2)**
Actuarial loss	—	—	**(6.4)**	**(6.4)**
At 31 May 2022	**(11.0)**	**(158.0)**	**(13.6)**	**(182.6)**

Capital contribution reserve
A loan between Tahoe Midco Ltd, the intermediate parent company of the Group, and the Group was capitalized as of 10 November 2017.

Currency translation reserve
The currency translation reserve comprises exchange adjustments on the translation of the Group's foreign operations.

Actuarial gains and losses reserve
The actuarial gains and losses reserve reflect the cumulative actuarial gains on defined benefit pension schemes and the deferred tax thereon.

Dividends
The directors do not recommend a dividend for FY22 (May 2021: No dividend was declared in the previous year).

17. Trade and other payables

Significant accounting policies that apply to trade and other payables

Trade payables are recognized initially at fair value, which are based on the original invoice value, and subsequently measured at amortized cost using the effective interest method. If payment is due within one year or less, payables are classified as current liabilities, if not, they are presented as non-current liabilities.

all figures in $ millions	31 May 2022	31 May 2021
Trade payables	**(59.1)**	(52.8)
Other taxation and social security	**(25.2)**	(27.0)
Other payables	**(22.1)**	(15.0)
Accrued expenses	**(209.0)**	(268.7)
Current trade and other payables	**(315.4)**	**(363.5)**
Other payables (non-current)	**(0.2)**	(0.5)
Accrued expenses (non-current)	**(0.3)**	(3.9)
Non-current trade and other payables	**(0.5)**	(4.4)
Total trade and other payables	**(315.9)**	**(367.9)**

Accrued expenses comprise:

all figures in $ millions	31 May 2022	31 May 2021
Third-party royalties and agency fees	**(5.2)**	(8.6)
Staff-related costs	**(103.2)**	(172.6)
External interest	**(28.2)**	(26.1)
Rent expense	**(3.7)**	(4.7)
Other operating costs	**(69.0)**	(60.6)
Total accrued expenses	**(209.3)**	**(272.6)**

Staff-related accrued expenses relate to accruals for bonus, commissions, and people-related costs.

18. Borrowings

Significant accounting policies that apply to Interest-bearing loans and other borrowings

All interest-bearing loans and other borrowings with banks and similar institutions are initially recognized at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, discount, or premium. The difference between the proceeds (net of directly attributable transaction costs) and the redemption value is recognized in the Consolidated statement of income, 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 12 months after the reporting date.

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

On the Consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities. The Group's main credit facilities consist of $3,582m and €940m First Lien Term Loans, a $1,245m *Second Lien Term Loan, and a $385m committed Multi-Currency Revolving Credit Facility* ('RCF').

Net Debt is defined as borrowings and interest accruals offset by cash and cash equivalents, net of overdrafts, restricted cash, and lease liabilities, and includes the net position on certain derivative financial instruments used to manage interest rate and foreign exchange movements on borrowings.

18.1. Borrowings

			31 May 2022			31 May 2021		
all figures in $ millions	Coupon rate (%)	Principal (m)	Current	Non-current	Total	Current	Non-current	Total
Term loans (by maturity date)								
12 June 2024	Floating	$3,582	(35.8)	(3,200.7)	**(3,236.5)**	(35.8)	(3,236.5)	**(3,272.3)**
12 June 2024	Floating	€940	(10.2)	(909.4)	**(919.6)**	(11.6)	(1,043.8)	**(1,055.4)**
12 June 2025	Floating	$1,245	—	(1,245.0)	**(1,245.0)**	—	(1,245.0)	**(1,245.0)**
			(46.0)	(5,355.1)	**(5,401.1)**	(47.4)	(5,525.3)	**(5,572.7)**
Revolving credit facility			(280.0)	—	**(280.0)**	(184.0)	—	**(184.0)**
Overdraft			(0.9)	—	**(0.9)**	(17.1)	—	**(17.1)**
Capitalized arrangement fees			33.2	49.5	**82.7**	31.5	82.8	**114.3**
Borrowings			**(293.7)**	**(5,305.6)**	**(5,599.3)**	**(217.0)**	**(5,442.5)**	**(5,659.5)**

The Groups borrowings and applicable interest rates are set out below:

Borrowings	31 May 2022	Interest rate applicable
1st Lien USD term loan	$3,236.5m	3.50% + Libor (1% floor)
1st Lien EUR term loan	$919.6m	3.00% + Libor (1% floor)
2nd Lien USD term loan	$1,245.0m	7.25% + Libor
Revolving credit facility ($385m up to October 2022 / $375m up to March 2024)	$280.0m	3.75% + Libor (1% floor)
Total	**$5,681.1m**	

18.2. Term loans and covenants

Effective from 30 November 2017, principal repayments of $9.0m and €2.4m are being made every three months on the $3,582m and €940m First Lien Term Loans, respectively. No principal repayments are due on the $1,245m Second Lien Term Loan.

Under the terms of the credit agreements, a covenant EBITDA to net debt ratio is only tested when more than 35% of the RCF is drawn at a financial quarter end. The covenant EBITDA is on a frozen GAAP basis and therefore does not include the impact of leases in accordance with IFRS 16, 'Leases'. At 31 May 2022, $280.0m (May 2021: $184.0m) was outstanding under the RCF and therefore exceeding the 35% limit per the covenant. Therefore, a test of the financial covenant was required at the balance sheet date. The ratio was measured, and the Group is comfortably within the limit permitted with significant EBITDA headroom.

The leverage ratio includes the Group's First Lien Term Loans, amounts capitalized under finance leases, and letters of credit, and is net of unrestricted cash. The consolidated EBITDA, for the purposes of the leverage ratio, is calculated on a twelve-month trailing basis as net income plus interest expense, depreciation and amortization, income tax expenses, other non-cash expenses, and certain restructuring and transaction expenses, to the extent expensed in the Consolidated Statement of Income. There are further permitted add-backs to net income including share-based payments expense and impacts of acquisition accounting adjustments to revenues with respect to the business acquisitions.

Borrowings under the facilities are secured by participation in the security arrangements of the First and Second Lien credit agreements. Borrowing obligations are guaranteed by entities comprising the majority of the profitability of the Group. These entities are subject to a guarantor coverage test, on an annual basis.

The first lien USD and EUR term loans are due to mature on 1 June 2024 and 2nd lien term loan is due to mature on 1 June 2025. The Group aims to refinance these loans along with the revolving credit facility by June 2023, to ensure sufficient facilities are available for the Group to operate in the future.

18.3. Short-term facilities

The Group's principal short-term debt facility is the Revolving Credit Facility ('RCF'), a committed borrowing facility provided by commercial banks. The RCF has a total availability of $385.0m up to October 2022 and $375.0m thereafter, a portion of which can be used at the option of the Group to issue guarantees. The interest rate on drawings under the RCF is at a floating rate of borrowing being US LIBOR +3.75%. The Group also has other uncommitted short-term overdraft and guarantees facilities which total approximately $30.3m, comprising a $10.0m Multi-Option Facility and an additional $20.3m guarantee facility. At 31 May 2022, $280.0m (May 2021: $184.0m) of short-term loans were drawn under the facilities and guarantees of $13.5m (May 2021: $13.5m) were drawn under the RCF, the Multi-Option facility was not utilized (May 2021: $7.1), and the remainder of $9.6m (May 2021: $9.3m) was issued under the dedicated $20.3m guarantee facility.

The Group renewed its RCF effective September 2021. The renewal was tested for significance under IFRS 9 'Financial Instruments'. As the difference between the net present value of the modified debt and the net present value of the original debt is greater than 10%, per IFRS 9 the modification is accounted for as an extinguishment, with the new debt recognized at fair value. The fees associated with the renewal have been recorded in the Consolidated Statement of Income as a finance cost.

18.4. Loan arrangement and other fees

There were no new loan arrangement fees capitalized during the year. The unamortized amounts remaining on the Consolidated statement of financial position at 31 May 2022 were $82.7m (May 2021: $114.3m), of which $33.2m (May 2021: $31.5m) relates to current borrowings. The amortization expense for the period of $31.4m (May 2021: $29.4m) is included in finance costs in the Consolidated statement of income.

18.5. Cross-currency and interest rate swaps

To manage interest rate and foreign exchange risk on the US-Dollar-denominated First Lien Term Loans, the Group entered into floating-to-fixed rate interest rate swaps and cross currency swaps in previous years. Under the swap agreements, the Group has agreed with commercial institutions to exchange, at quarterly intervals, the difference between floating interest rates and fixed contract rates on an initial notional principal amount of $0 (May 2021: $1,300m) and the difference between US Dollar floating rate interest and Euro fixed contract rates on an initial notional principal of $0 (May 2021: $714.0m).

During the year, USD-EUR cross currency swap with notional amount of $714m were closed before the maturity date and the resulting gain of $5.1m was recognized in the Consolidated statement of income.

The remaining interest rate swaps expired on 30 November 2021. As of 31 May 2022 there were no cross currency or interest rate swaps held within the Group.

The fair values based on future expected cash flows associated with interest rate swaps are shown in note 24 to the consolidated financial statements.

18.6. Net debt summary

Net Debt is defined as borrowings and interest accruals offset by cash and cash equivalents, net of overdrafts, restricted cash, and lease liabilities, and includes the net position on certain derivative financial instruments used to manage interest rate and foreign exchange movements on borrowings.

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all figures in $ millions	Bank loans and interest accruals	Cash and cash equivalents, net of overdrafts	Restricted cash	Derivative financial instruments	Lease liabilities	Net debt
At 1 June 2020	(5,790.3)	292.1	1.9	38.9	(163.6)	(5,621.0)
Cash inflow from additional borrowings	(100.0)	—	—	—	—	(100.0)
Cash outflow from repayment of borrowings	347.2	—	—	—	—	347.2
New Leases	—	—	—	—	(0.2)	(0.2)
Revaluation	—	—	—	(69.7)	—	(69.7)
Increase in interest payable	(325.6)	—	—	—	(11.1)	(336.7)
Financing interest paid	330.0	—	—	—	—	330.0
Amortization of borrowings	(29.4)	—	—	—	—	(29.4)
Cash flows	—	(200.8)	—	—	43.2	(157.6)
Movement in restricted cash	—	—	(0.3)	—	—	(0.3)
Other adjustments	—	—	—	—	(6.3)	(6.3)
Exchange adjustments	(100.4)	1.5	—	2.4	(7.8)	(104.3)
At 31 May 2021	**(5,668.5)**	**92.8**	**1.6**	**(28.4)**	**(145.8)**	**(5,748.3)**
Cash inflow from borrowings	(239.2)	—	—	—	—	(239.2)
Cash outflow from repayment of borrowings	189.7	—	—	—	—	189.7
New Leases	—	—	—	—	(43.5)	(43.5)
Revaluation	—	—	—	27.6	—	27.6
Increase in interest payable	(314.6)	—	—	—	(11.4)	(326.0)
Financing interest paid	311.9	—	—	—	—	311.9
Amortization of borrowings	(31.4)	—	—	—	—	(31.4)
Cash flows	—	38.9	—	5.1	38.6	82.6
Movement in restricted cash	—	—	(0.8)	—	—	(0.8)
Other adjustments	—	—	—	—	(0.3)	(0.3)
Exchange adjustments	125.5	(2.8)	—	(4.3)	9.6	128.0
At 31 May 2022	**(5,626.6)**	**128.9**	**0.8**	**—**	**(152.8)**	**(5,649.7)**

Restricted cash of $0.8m (May 2021: $1.6m) is not available for the general use of the Group.

19. Provisions for other liabilities and charges

Provisions are recognized 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 measured reliably. If such an obligation is not capable of being reliably estimated, no provision is recognized, and the item is disclosed as a contingent liability where material.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the Consolidated statement of income within finance costs.

The total provisions are $7.9m (May 2021: $17.7m). The provisions are comprised of restructuring provisions of $3.3m (May 2021: $11.8m), property provisions of $3.0m (May 2021: $4.2m), and other provisions of $1.6m (May 2021: $1.7m).

	Property	Restructuring	Other
At June 1, 2020	5.3	14.7	4.5
Release of provisions		(3.0)	(1.2)
Utilization of provisions	(2.2)	(21.4)	(3.1)
Additions to provisions	1.2	20.6	0.9
Exchange differences	(0.1)	0.9	0.6
At May 31, 2021	4.2	11.8	1.7
Release of provisions	—	**(1.8)**	**(0.1)**
Utilization of provisions	**(2.3)**	**(8.0)**	**(0.1)**
Additions to provisions	**1.1**	**2.4**	**0.1**
Exchange differences	—	**(1.1)**	—
At May 31, 2022	**3.0**	**3.3**	**1.6**

	Property	Restructuring	Other
Current	**1.2**	**3.3**	**0.5**
Non-current	**1.8**	**—**	**1.1**
Total	**3.0**	**3.3**	**1.6**

The decrease in provisions of $9.9m is mainly driven by $8.5m decrease in restructuring provisions relating to severance payable to employees, $0.2m decrease in other provisions relating to open legal and contractual disputes and loss-making contracts, and $1.2m relating to vacant and sublet properties for expenses that are not considered in the measurement of the lease liability

20. Deferred income

all figures in $ millions	31 May 2022	31 May 2021
Current	**(539.3)**	(493.8)
Non-current	**(310.4)**	(232.7)

Deferred income primarily represents amounts invoiced in advance for software and services. Software deferred income relates to license fees for software products recognized as revenue over time for which the revenue recognition criteria are yet to be satisfied. This also includes deferred maintenance fees for 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. Maintenance fees are recognized as revenue over time as the services are performed over the period of the contract. Services deferred income represents amounts invoiced, in respect of professional services for which the revenue recognition criteria are yet to be satisfied.

21. Retirement benefit obligations

Critical accounting estimates that apply to 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 which is a critical piece of accounting estimation. Modest changes in this estimate can have a significant impact on the value of pension liabilities. The sensitivity of this and other estimates is discussed below.

Significant accounting policies that apply to employee benefits

Pension obligations
The Group operates defined benefit and defined contribution pension schemes which cover the majority of its employees.

Defined benefit 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. 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.

Pension scheme assets are measured at fair value. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognized in full on the Consolidated statement of financial position. Any current or past service cost and administration expenses are recognized in the Consolidated statement of income as are the net interest on the schemes' liabilities.

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.

Contributions to defined contribution schemes are charged to the Consolidated statement of income as incurred.

Other post-employment obligations
Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of those benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

21.1. Defined contribution schemes

The Group operates a number of defined contribution pension schemes covering most of its employees. The cost of these pension schemes is $26.9m (May 2021: $24.6m) and was charged to the Consolidated statement of income as incurred and included within employee costs. There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

21.2. Defined benefit schemes

The Group operates defined benefit pension plans across the world. The most significant plans are in the UK and Switzerland, with smaller plans in India, Canada, Philippines, Japan, Indonesia, United Arab Emirates, and the US. The plans in Switzerland, the UK, Philippines, Japan, and India are funded, and the remaining plans are unfunded. The total expense for all benefit plans charged to operating loss is $3.6m (May 2021: $2.7m). The net defined pension obligation at 31 May 2022 was $15.3m (May 2021: $21.0m).

The amounts recognized on the Consolidated statement of financial position in respect of these schemes are as follows:

all figures in $ millions	**31 May 2022**	**31 May 2021**
Present value of funded obligations	(99.0)	(130.0)
Fair value of plan assets	105.2	133.2
Surplus/(Deficit) of funded plans	6.2	3.2
Present value of unfunded obligations	(10.6)	(10.5)
Total deficit of defined benefit pension plans before unrecognized asset	(4.4)	(7.3)
Unrecognized asset due to limit in *IAS 19 'Employee benefits'* paragraph 64	(10.9)	(13.7)
Net defined benefit obligation	**(15.3)**	**(21.0)**

The following table shows a breakdown of the defined benefit obligation and plan assets by country:

all figures in $ millions				31 May 2022
	UK	**Switzerland**	**Other**	**Total**
Present value of obligation	**(58.4)**	**(27.9)**	**(23.3)**	**(109.6)**
Fair value of plan assets	**69.3**	**25.6**	**10.3**	**105.2**
Net defined benefit asset/(obligation) before unrecognized asset	**10.9**	**(2.3)**	**(13.0)**	**(4.4)**
Unrecognized asset due to limit in *IAS 19 'Employee benefits'* paragraph 64	**(10.9)**	**—**	**—**	**(10.9)**
Net defined benefit obligation at 31 May 2022	**—**	**(2.3)**	**(13.0)**	**(15.3)**

all figures in $ millions				31 May 2021
	UK	**Switzerland**	**Other**	**Total**
Present value of obligation	(79.7)	(36.7)	(24.1)	(140.5)
Fair value of plan assets	93.4	29.7	10.1	133.2
Net defined benefit asset/(obligation) before unrecognized asset	13.7	(7.0)	(14.0)	(7.3)
Unrecognized asset due to limit in *IAS 19 'Employee benefits'* paragraph 64	(13.7)	—	—	(13.7)
Net defined benefit obligation at 31 May 2021	**—**	**(7.0)**	**(14.0)**	**(21.0)**

The movement in the plans' assets and obligations during the year were as follows:

all figures in $ millions	Present value of obligation	Fair value of plan assets	Total
At 1 June 2021	**(140.5)**	**133.2**	**(7.3)**
Current service cost	**(3.6)**	**—**	**(3.6)**
Interest (expense) / income	**(2.4)**	**1.9**	**(0.5)**
Past service cost and gains / losses on settlement	**1.5**	**(0.5)**	**1.0**
Re-measurements:			
Return on plan on assets excluding amounts included in interest expense	**—**	**(2.8)**	**(2.8)**
Gain from change in demographic assumptions	**1.5**	**—**	**1.5**
Gain / (loss) from change in financial assumptions	**17.2**	**(1.1)**	**16.1**
Experience adjustments	**(1.3)**	**(10.7)**	**(12.0)**
Employer contributions	**8.4**	**(7.0)**	**1.4**
Plan participants' contributions	**(1.7)**	**2.4**	**0.7**
Benefit paid	**7.3**	**(7.3)**	**—**
Exchange differences	**4.0**	**(2.9)**	**1.1**
At May 31, 2022	**(109.6)**	**105.2**	**(4.4)**

all figures in $ millions	Present value of obligation	Fair value of plan assets	Total
At 1 June 2020	(136.8)	126.3	**(10.5)**
Current service cost	(2.7)	—	**(2.7)**
Interest (expense) / income	(2.9)	1.9	**(1.0)**
Past service cost and gains / losses on settlement	1.2	—	**1.2**
Re-measurements:			
Return on plan on assets excluding amounts included in interest expense	—	0.8	**0.8**
Gain from change in demographic assumptions	2.7	—	**2.7**
Gain from change in financial assumptions	7.2	—	**7.2**
Experience adjustments	1.5	(7.7)	**(6.2)**
Employer contributions	(0.7)	2.5	**1.8**
Plan participants' contributions	(1.0)	1.7	**0.7**
Benefit paid	6.3	(6.2)	**0.1**
Exchange differences	(15.3)	13.9	**(1.4)**
At 31 May 2021	**(140.5)**	**133.2**	**(7.3)**

The actuarial gain recognized in the Group's other comprehensive income is $6.4m (May 2021: $2.6m gain). Included within the $6.4m gain is a $0.7m movement on deferred tax assets (May 2021: $1.1m).

The remaining disclosures in this note, which describe the plans, the market value of assets/asset allocation, assumptions, risks, and sensitivity of the net benefit obligation to changes in assumptions, relate only to the UK and Swiss plans, which are the significant plans of the Group.

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

The UK 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 UK Plan. Pensions in payment receive different levels of increases, some fixed (at 0%, 3% and 3.5% per annum) and some 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 UK Plan. Assets held in trust are governed by UK regulations and practice. The UK 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 plan does not invest in the Group's own transferable financial instruments.

UK legislation requires that pension schemes are funded prudently. The trustees and employer agree the method and assumptions to be used to calculate the liabilities at each triennial valuation, and agree any resulting contributions to be paid to eliminate any deficit over an appropriate period. The last funding valuation of the UK Plan was carried out by a qualified actuary as of 31 May 2020 and showed a surplus of £5.3M. As the plan was in surplus at the last valuation no deficit contributions were due to be paid. The plan is also closed to accrual so no ongoing contributions are payable.

The Trustee of the UK Plan bought a bulk annuity policy from Legal & General Assurance (Pensions Management) Limited in respect of the plan's pensioners and their dependents as of 14 August 2012. An estimate of the value of the buy-in contract is included in the asset value. The UK Plan uses the buy-in contract and liability matching assets (which includes swaps and cash funds) as matching assets. The remainder of the assets are used as growth assets. Funding levels are monitored on a quarterly basis.

There are no employer contributions expected to be paid to the UK Plan for the period ending 31 May 2023. The weighted average duration of the defined benefit obligation is approximately 15 years. The market value of UK Plan assets is set out below. None of the plan assets are quoted in an active market. The market value of the assets is materially the same as the fair value.

All figures in $ millions	31 May 2022	31 May 2021
Buy-in contracts	22.6	30.7
Liability matching assets	23.1	54.5
Liquid alternatives	22.7	7.5
Other	0.9	0.7
Total market value of assets at 31 May 2022/2021	**69.3**	**93.4**

The principal assumptions used in the valuation of the UK Plan are as follows:

	May 31, 2022 % p.a.	May 31, 2021 % p.a.
Inflation (RPI)	3.90	3.60
Inflation (CPI)	3.20	2.90
Rate of increase in pensions payment:		
Fixed 3%	3.00	3.00
Fixed 3.5%	3.50	3.50
RPI max 5% min 3%	3.90	3.75
RPI max 5% min 3.5%	4.10	4.00
Post 1988 Guaranteed minimum pension	2.45	2.35
Discount rate for plan liabilities	3.45	1.95

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:

	31 May 2022	31 May 2021
Life expectancy for male currently aged 60	28.5	28.5
Life expectancy for a female currently aged 60	30.4	30.3
Life expectancy for male currently aged 40	29.3	29.2
Life expectancy for a female currently aged 40	30.3	30.2

The sensitivity of the defined benefit obligation to changes in the principal assumptions, holding other assumptions constant, is as follows:

	Change in assumption	Impact on defined benefit obligation ($m) 31 May 2022	Impact on defined benefit obligation ($m) 31 May 2021
Discount rate	+0.1%/-0.1%	(1.0) / 1.0	(1.0) / 1.0
RPI inflation	-0.1%/+0.1%	(0.1) / 0.1	(0.1) / 0.1
Demographic change	-1 year/+ 1 year in life expectancy	(2.6) / 2.6	(3.8) / 3.8

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 Price Index ('CPI') assumption, revaluation in deferment, and pension increase assumptions. The change in life expectancy only considers those members not included in the buy-in policy. 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 recognized within the statement of financial position.

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The sensitivity analysis has been prepared using the same method used to adjust the results of the latest funding valuation to the balance sheet date. The limitations of the above analysis would be the same as those for the calculations carried out to prepare the accounting disclosures.

The DBO is calculated by rolling forward and adjusting the results of the latest funding valuation using the actuaries accounting software. As the results have been rolled forward since the previous valuation, they will differ from the results if a full actuarial valuation was performed at 31 May 2022, as they only allow for known material experience items that affect the financial position of the plan such as investment returns, changes in financial assumptions and pension increases.

The analysis provided has been carried out under the actuaries quality and risk control which are overseen by the actuaries Professional Standards Group.

The UK Plan is exposed to 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 UK Plan holds a significant proportion of growth assets (e.g. equities, property, and 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 UK Plan's long-term objectives.

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

Inflation risk
Most of the UK 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). Most 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
Most of the UK 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.

Swiss retirement benefits plan
The Group's entities in Switzerland have affiliated with BVG-Sammelstiftung Swiss Life for the provision of occupational pension for its employees and pension recipients (the 'Swiss Plans'). The Swiss Plans are each overseen by a foundation board which is responsible for ensuring that the plans comply with Swiss regulations. The foundation board members are elected by the individual employers affiliated with the foundation and their employees and retirees.

The Swiss Plans provide benefits in the case of retirement, disability, and death. The Group, as an employer, at least matches employees' contributions to the plan on an annual basis. The risk benefits are defined in relation to pensionable salary. The pension benefit is calculated on projected savings capital with interest and a conversion factor. The funding requirements are based on the actuarial measurement framework set out in the funding policies of the Swiss Plans.

The latest full actuarial valuations of the Swiss Plans were carried out as of 31 December 2020 the assumptions of which have been updated to 31 May 2022 by qualified independent actuaries. The obligation under the plans is based on the projected unit credit method whereby the benefits payable upon retirement are based on applicable actuarial assumptions for all active participants.

The asset allocation of the Swiss Plans is set out in the table below. None of the plan assets are quoted in an active market. The market value of the assets is materially the same as the fair value.

	31 May 2022 %	31 May 2021 %
Insurance Contract	100	100
Total	**100**	**100**

The principal assumptions used in the valuations of the Swiss Plan are as follows:

	31 May 2022 % p.a.	31 May 2021 % p.a.
Salary increase rate	2	0.7
Rate of increase in pension payments	1.6	0.5
Discount rate for plan liabilities	1.6	0.3

The sensitivity of the defined benefit obligation to changes in the principal assumptions, holding other assumptions constant, is as follows:

	Change in assumption	Impact on defined benefit obligation ($m) 31 May 2022	Impact on defined benefit obligation ($m) 31 May 2021
Discount rate	+0.5%/-0.5%	(2.1) / 2.4	(3.1) / 3.5
Salary increase rate	+0.5%/-0.5%	0.2 / (0.2)	0.2 / (0.2)
Life expectancy	+1 year/-1 year	0.6 / (0.7)	1.0 / (1.0)

As the Group's entities providing the Swiss Plans have affiliated to multiemployer pension plan of Swiss insurance companies, most risks are borne by the insurance company and not the Group. Under the existing affiliation agreements with the Swiss insurance companies, the main risk for the Group is that the insurance companies could increase premiums to meet the minimum pension benefits guaranteed by Swiss law.

The Group estimates that it will pay $0.7m of employer contributions during the next financial year relating to the Swiss Plans. The weighted average duration of the defined benefit obligation is approximately 20 years.

22. Contingent liabilities and assets

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 $0.1m (May 2021: $0.1m).

The Company and its subsidiaries may be parties to legal actions and claims arising in the ordinary course of business. While 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.

The Group considers that it is remote that any material liabilities will arise from any other contingent liabilities which are not identified above.

23. Related party transactions

23.1. 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.

23.2. Remuneration of key management personnel

Key management includes directors and members of the executive leadership team. The compensation paid or payable to key management for employee services is shown below:

all figures in $ millions	31 May 2022	31 May 2021
Salaries and other short-term employment benefits	**17.0**	**13.6**
Long-term incentive plan bonus and discretionary compensation	**9.1**	**9.6**
Other long term benefits	**9.6**	**0.6**
Termination benefits	**13.5**	**—**
Total	**49.2**	**23.8**

23.3. Loans to related parties

Full recourse loans of $5.7m (May 2021: $4.8m) remain in issue to key management personnel related to the Finastra Group's Management Equity Plan, an employees' share scheme (see note 26). The loan balances are included in other receivables (note 14).

A Director loan of $3.0m, which was made available to an executive director in FY21, has been repaid in full during the year through the sale of shares issued through Finastra Group's Management Equity Plan (see Note 26).

23.4. Other related parties

During the year ended 31 May 2022, the Group transacted with the following related parties:

all figures in $ millions .

Related party	Relationship	Nature of transaction	During the year	Outstanding at 31 May 2022
Vista Consulting Group LLC	Controlling party	Management consulting	0.6	—
Marketo Inc	Vista Equity Partners *portfolio company*	Marketing services	0.2	—
Apptio Inc	Vista Equity Partners portfolio company	Purchase of software	0.5	—
Everbridge Inc	Vista Equity Partners portfolio company	Purchase of software	0.2	—
Xactly Corp	Vista Equity Partners portfolio company	Management consulting	0.5	—
TIBCO Software Limited	Vista Equity Partners portfolio company	Purchase of software	1.2	—
Gainsight Inc	Vista Equity Partners portfolio company	Purchase of software	0.3	—
Fusion Risk Management Inc	Vista Equity Partners portfolio company	Purchase of software	0.2	—
Pluralsight	Vista Equity Partners portfolio company	Purchase of software	0.3	—
Tahoe Topco Limited	Controlling party	Management equity plan and Long term incentive plan	—	8.3
Tahoe Topco Limited	Controlling party	Non-executive director fees	—	1.0

During the year ending 31 May 2021, the Group transacted with the following related parties:

all figures in $ millions

Related party	Relationship	Nature of transaction	During the year	Outstanding at 31 May 2021
Vista Consulting Group LLC	Controlling party	Management consulting	1.4	-
Marketo Inc	Vista Equity Partners portfolio company	Marketing services	0.2	-
Apptio Inc	Vista Equity Partners portfolio company	Purchase of software	0.6	-
Everbridge Inc	Vista Equity Partners portfolio company	Purchase of software	0.4	-
Xactly Corp	Vista Equity Partners portfolio company	Management consulting	0.4	-
TIBCO Software Limited	Vista Equity Partners portfolio company	Purchase of software	0.4	-
Gainsight Inc	Vista Equity Partners portfolio company	Purchase of software	0.3	-
Fusion Risk Management Inc	Vista Equity Partners portfolio company	Purchase of software	0.1	-
Tahoe Topco Limited	Controlling party	Management equity plan and Long term incentive plan	2.7	8.3
Tahoe Topco Limited	Controlling party	Non-executive director fees	0.3	1.0

24. Financial instruments

24.1. Risk management

The Group operates a centralized 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 of directors. Treasury policy is reviewed and approved annually by the board and specifies the parameters within which treasury operations must be conducted, including authorized counterparties, instrument types, transaction limits, and principles governing the management of foreign exchange, interest rate, and liquidity risks.

The Group's principal financial instruments and lease liabilities, are cash, short-term deposits, bank loans, trade and other receivables, and trade and other payables.

24.2. Foreign exchange risk

Significant accounting policies that apply to Foreign currency translation

The consolidated financial statements are presented in US Dollar, which is the reporting currency of the Company and the Group's presentational currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the entity at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange movements are included in the Consolidated statement of income for the period. Non-monetary items that are measured at historical cost in a currency other than the functional currency of the entity concerned are translated using the exchange rate prevailing at the dates of the initial transaction.

For presenting consolidated financial statements, the assets and liabilities of the Group's non-US Dollar functional currency subsidiary undertakings are translated into US Dollar at exchange rates prevailing at the balance sheet date. The results of these subsidiary undertakings are translated into US Dollar at the average rates of exchange for the relevant period. The key relevant exchange rates are shown below.

Exchange rate per US Dollar ($)	Closing rate at 31 May 2022	Average rate for the year ended 31 May 2022	Closing rate at 31 May 2021	Average rate for the year ended 31 May 2021
Canadian Dollar	1.267	1.261	1.207	1.293
Euro	0.930	0.877	0.819	0.843
Pound sterling	0.793	0.743	0.704	0.749
Indian Rupee	77.639	74.972	72.406	73.873
Israeli New Shekel	3.336	3.218	3.251	3.338

Exchange adjustments arising from the retranslation of the opening net assets and results of non-US Dollar functional currency operations are transferred to the Group's foreign currency translation reserve, a separate component of equity, and are reported in the Group statement of comprehensive income. In the event of the disposal of a non-US Dollar functional currency subsidiary, the cumulative translation difference arising in the foreign currency translation reserve is charged or credited on disposal to the Consolidated statement of income.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized 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 that exceed the limit specified by management using external forward contracts. At 31 May 2022 no such derivative positions are open.

Foreign currency sensitivity analysis
Included within the following analysis is the foreign exchange impact on the portion of the US Dollar denominated First Lien Term loan that is reported within entities that have a different functional currency compared to that of the Group. The functional currencies of these entities are Euro and Canadian dollars. Further, there are intra-group loan balances in non-US Dollar functional currency entities within the Group. These together, result in unrealized foreign exchange movements which significantly impact the Consolidated statement of income.

All of the forward currency contracts that the company had in place matured on 28 May 2021. Given the market volatility which was mainly due to the COVID-19 pandemic, the Group has determined that it is difficult to support any further contract decisions for the year. Therefore, as of 31 May 2022 the company no longer has any forward currency contracts.

Positive figures represent an increase in operating loss:

all figures in $ millions	Consolidated Statement of Income 2022	2021
US Dollar strengthens by 10%		
Canadian Dollar	**(2.0)**	**(6.6)**
Euros	**(39.5)**	**(60.6)**
British Sterling	**4.2**	**—**
US Dollar weakens by 10%		
Canadian Dollar	**2.0**	**6.6**
Euros	**39.5**	**60.6**
British Sterling	**(4.2)**	**—**

24.3. 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 at variable interest rates which are set for periods of three months or less. The Group's variable rate term loans reference LIBOR and EURIBOR, with a specified floor of 1% added to a fixed margin.

In the past, the Group managed a portion of its cash flow interest rate risk by using floating-to-fixed rate interest rate swaps and cross currency interest rate swaps. Under these swaps, the Group agreed with commercial institutions to exchange at quarterly intervals, the difference between fixed contract rates and floating interest rates. Interest amounts were calculated on the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

Interest rate sensitivity analysis

The Group is exposed to increases in interest rates beyond the 1% floor on its variable rate debt which is not converted to fixed rate debt through interest rate swaps. The table below illustrates the hypothetical sensitivity of the Group's reported profit to a 1.0% increase in interest rates on the variable rate debt beyond the 1% floor and a decrease of 1.0% ignoring the impact of the variable rate floor of 1%, assuming all other variables remain unchanged. The sensitivity of 1.0% represents the directors' assessment of a reasonably possible change in the foreseeable future. For the comparative figure a sensitivity 0.5% was used and has not been altered for the same.

all figures in $ millions	Consolidated statement of income 2022	2021
Interest rate increase of 1.0% (2022) and 0.5% (2021)	**(48.5)**	**(18.6)**
Interest rate decrease of 1.0% (2022) and 0.5% (2021)	**48.5**	**18.6**

24.4. Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, but primarily from outstanding trade receivables, contract assets, 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 deposits are limited to high-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. For customer contracts, the Group and each reporting subsidiary have specified risk control and authorization procedures in place to assess the credit quality of a customer. Where there is no independent risk rating for a customer, such an assessment considers financial position, experience, and other factors.

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

Impairment of financial assets

The Group has two types of assets that are subject to the expected credit loss model being trade receivables and contract assets. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 May 2022 or 1 June 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted and assessed for whether a further adjustment is necessary to reflect current and forward-looking information and macroeconomic factors affecting the ability of the customers to settle the receivables.

Due to the receivables turning over within three to four months period the Group did not adjust the historical loss rates based on expected changes in the macroeconomic factors during the current fiscal year; however, in the prior year there was an adjustment of 3% on overall receivable balance of the Group due to the uncertainty of impact the COVID-19 pandemic would have on the overall global economy. This amounted to $8.6m and was released during the year. Due to the Group's diverse customer and regional base there is no concentration of credit risk. The region that has the highest credit risk factors for the Group is the Middle East and Africa ('MEA'). The speed to pay which is the duration between the due date as per payment terms and the date of actual payment for the MEA region is more than 60 day past due while the Group's average is 20 days. As this is still short term and there is no material impact, the historical loss rates are not adjusted.

24.5. Liquidity risk

The Group manages its cash and borrowing requirements centrally to minimize net interest expense within risk parameters set by the board, while 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	2022 Total
Borrowings and associated interest	633.6	341.7	5,410.6	—	6,385.9
Trade and other payables	290.2	0.5	—	—	290.7
Lease liabilities	32.6	30.1	72.8	64.4	199.9
Total cash flows – 2022	956.4	372.3	5,483.4	64.4	6,876.5

all figures in $ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2021 Total
Borrowings and associated interest	551.9	340.2	5,882.4	—	6,774.5
Trade and other payables	336.5	4.4	—	—	340.9
Lease liabilities	38.6	27.7	61.8	54.1	182.2
Total cash flows – 2021	927.0	372.3	5,944.2	54.1	7,297.6

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. There are no forecasted outflows / inflows as of 31 May 2022 as the derivative financial instruments have expired during the year and there are no current open positions.

all figures in $ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2021 Total
Derivative financial instruments (gross settled)					
- inflows	2,330.2	—	—	—	2,330.2
- outflows	(2,359.7)	—	—	—	(2,359.7)
Net cash flows – 2021	(29.5)	—	—	—	(29.5)

24.6. Capital risk

The capital structure of the Group consists of net debt and equity attributable to equity holders of the Company, comprising issued capital, reserves, and accumulated losses shown in the Group statement of changes in equity and note 18 to the consolidated financial statements. 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 minimize the cost of capital.

The Group is subject to certain financial covenants under its loan facilities. See note 18 to the consolidated financial statements for further information.

24.7. *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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - 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); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

						31 May 2022
all figures in $ millions	Fair value hierarchy[1]	Fair value through P&L	Amortized at cost	Non-financial instrument[2]	Current	Non-current
Financial assets						
Derivative financial instruments	Level 2	—	—	—	—	—
Trade and other receivables		—	**739.5**	**252.0**	**682.5**	**309.0**
Restricted cash		—	**0.8**	—	**0.8**	—
Cash and cash equivalents		—	**129.8**	—	**129.8**	—
Investments	Level 3	**2.6**	—	—	—	**2.6**
Total financial assets		**2.6**	**870.1**	**252.0**	**813.1**	**311.6**

[1]Fair value hierarchy shows the fair value measurement categories as described below.
[2]Assets that do not qualify as a financial instrument include prepayments and contract costs of $252.0m.

						31 May 2022
all figures in $ millions	Fair value hierarchy[1]	Fair value through P&L	Amortized at cost	Non- financial instrument[2]	Current	Non-current
Financial liabilities						
Derivative financial instruments	Level 2	—	—	—	—	—
Borrowings		—	**(5,599.3)**	—	**(293.7)**	**(5,305.6)**
Trade and other payables		—	**(290.7)**	**(25.2)**	**(315.4)**	**(0.5)**
Lease liabilities		—	**(152.8)**	—	**(19.6)**	**(133.2)**
Total financial liabilities		—	**(6,042.8)**	**(25.2)**	**(628.7)**	**(5,439.3)**

[1]Fair value hierarchy shows the fair value measurement categories as described below.
[2]Liabilities that do not qualify as financial instruments include tax and other social security payments of $25.2m.

						31 May 2021
all figures in $ millions	Fair value hierarchy[1]	Fair value through P&L	Amortized at cost	Non-financial instrument[2]	Current	Non-current
Financial assets						
Derivative financial instruments	Level 2	—	—	—	—	—
Trade and other receivables		—	658.0	220.9	619.0	259.9
Restricted cash		—	1.6	—	1.6	—
Cash and cash equivalents		—	109.9	—	109.9	—
Investments	Level 3	2.5	—	—	—	2.5
Total financial assets		2.5	769.5	220.9	730.5	262.4

[1]Fair value hierarchy shows the fair value measurement categories as described below.
[2]Assets that do not qualify as a financial instrument include prepayments and contract costs of $220.9m.

						31 May 2021
all figures in $ millions	Fair value hierarchy[1]	Fair value through P&L	Amortized at cost	Non-financial instrument[2]	Current	Non-current
Financial liabilities						
Derivative financial instruments	Level 2	(28.4)	—	—	(28.4)	—
Borrowings		—	(5,659.5)	—	(217.0)	(5,442.5)
Trade and other payables		—	(340.9)	(27.0)	(363.5)	(4.4)
Lease liabilities		—	(145.8)	—	(27.2)	(118.6)
Total financial liabilities		(28.4)	(6,146.2)	(27.0)	(636.1)	(5,565.5)

[1]Fair value hierarchy shows the fair value measurement categories as described below.
[2]Liabilities that do not qualify as financial instruments include tax and other social security payments of $27.0m.

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.

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 maximize 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.

24.8. Fair value of financial instruments

The fair value of cash and cash equivalents, receivables, and payables approximate to the carrying amount because of the short maturity of these instruments.

Level 2 derivative financial instruments comprise interest rate and cross currency derivatives and forward foreign exchange contracts. Interest rate and cross currency swaps are fair valued using forward interest rates extracted from observable yield curves. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market, with the resulting market value discounted back to present value using observable yield curves. The fair values of borrowings have been determined by discounting cash flows with reference to relevant yield curves. The Group has recognized a gain on derivative financial instruments of $32.7m in FY22 (May 2021: $67.6m) through the profit and loss.

Level 3 investments relate to investment in external venture capital and other funds whose inputs are not based on observable market data. These investments are measured based on the investment values provided by the fund in which the Group has invested. The investment balance is not material for the Group.

		31 May 2022
all figures in $ millions	Carrying value	Fair value
Current borrowings	**322.0**	**322.0**
Non-current borrowings	**5,305.6**	**4,886.7**

		31 May 2021
all figures in $ millions	Carrying value	Fair value
Current borrowings	243.2	242.8
Non-current borrowings	5,442.5	5,404.4

25. Subsidiary undertakings

The Company is the direct owner and has 100% of the nominal value and voting rights over all the equity share capital of Finastra Subco Limited which has a registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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 below significant subsidiary undertakings.

Company name	Registered office address
D+H Cheque Services Corporation	777 Dunsmuir Street, Suite 1700, Vancouver BC V7Y 1K4, Canada
DH Corporation / Societe DH	1 University Avenue, 3rd Floor, Toronto, Ontario M5J 2P1
D+H Mortgage Technology Corporation	777 Dunsmuir Street, Suite 1700, Vancouver BC V7Y 1K4, Canada
Finastra Europe S.à r.l.	53 Boulevard Royal, L-2449 Luxembourg, Luxembourg
Finastra Financial Technology Corporation	Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE 19801,United States
Finastra Financial Technology Germany GmbH	Hedderichstrasse 36, 60594, Frankfurt am Main, Germany
Finastra France SAS	Washington Plaza 42, rue Washington, 75008 Paris, France
Finastra Global Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Finastra Group Holdings Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Finastra Holdings Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Finastra Hong Kong Limited	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Finastra International GmbH	Hedderichstrasse 36, 60594, Frankfurt, Germany
Finastra International Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Finastra Israel Technology Limited	Atir Yeda, 1 Kfar Saba, Israel, 4464301
Finastra Merchant Services, Inc.	The Corporation Trust, Company of Nevada, 701 S Carson St STE 200, Carson City, Nevada, 80701
Finastra Technology, Inc	Primera Boulevard, Suite 2000, Lake Mary, FL 32746, United States
Finastra USA Corporation	CT Corporation System, Attn Legal Department, 1320 SW Broadway, Suite 100, Portland, Oregon, 97301, United States
Finastra USA, Inc.	1209 Orange Street, Wilmington, New Castle, DE 19801, United States
Finastra International Pty Limited	Citigroup Centre, Suite 18F, Level 18, 2-26 Park Street, Sydney NSW 2000, Australia
Misys International Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Turaz Global S.a.r.l.	53 Boulevard Royal, L-2449 Luxembourg, Luxembourg

26. Share-based payments

Significant accounting policies that apply to share-based payments

The Group operates the Finastra Group's Management Equity Plan ('Finastra MEP') for Key Management Personnel and a Long Term Incentive Plan ('Finastra LTIP') for certain members of management and senior employees which allow these individuals to purchase an ownership interest in the Group at the shares' tax market value. The equity settled share-based payments are granted to certain individuals by Tahoe Topco Limited, an intermediate parent of the Group. This interest will vest upon change of control event, through the sale of Tahoe Topco Limited.

Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non-market-based vesting conditions). The total cost recognized in the Consolidated statement of income in respect of the share-based payment plan was $0 as a vesting event was not deemed probable. Once a vesting event is deemed probable, the fair value determined at the grant date will be expensed on a straight-line basis together with a corresponding increase in equity over the vesting period, based on the Group's estimate of the number of awards that will vest and adjusted for the effect of non-market-based vesting conditions.

As part of the Finastra LTIP, the 'Finastra Employee Incentive Trust' was established in FY18 to hold legal ownership of the shares in Tahoe Topco Limited and the Group issued $5.6m of promissory notes to employees to fund the acquisition of the shares. As new employees join the plan, further shares are granted and loans are made available. As employees leave, the proceeds from selling the shares back to the Group are used to repay the promissory notes.

Directors and Advisors at 31 May 2022

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Carissa Kell
Maneet Saroya
Steven White
Akber Jaffer

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Registered numbers
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United Kingdom - FC034398

Independent auditors
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During the year a number of MEP participants have left Finastra. Under the terms of their share awards the shares have been repurchased by Tahoe Topco according to the vesting terms and conditions. A corresponding share-based payment charge has been recognized in the relevant employing entities which consolidates to a total share-based payment charge of $9.6m (refer note 6 and note 23.2). This amount includes the shares sold to repay a loan made available to a current executive Director as explained in note 23.3.

At 31 May 2022 $9.3m (2021: $8.3m) of promissory notes remain in place for the employees participating in the MEP and LTIP. 138m shares are currently issued or available to be issued to employees, a decrease of 33m shares from the prior year.

27. Controlling parties

The Company's immediate parent undertaking is Tahoe Midco Ltd which is registered in the Cayman Islands and operates in the United Kingdom through its branch (Tahoe Midco Ltd (UK Establishment)) and has its registered office located at PO Box 309 Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The largest group in which the results of the Company are consolidated is Tahoe Bidco Limited, a Company incorporated in the Cayman Islands. The consolidated financial statements of Tahoe Bidco Limited may be obtained from PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The Company's ultimate parent and controlling party is Vista Equity Partners, which is incorporated in the United States of America.

28. Events after the balance sheet date

No events have occurred after the balance sheet date that require disclosure.

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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at **finastra.com**

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