

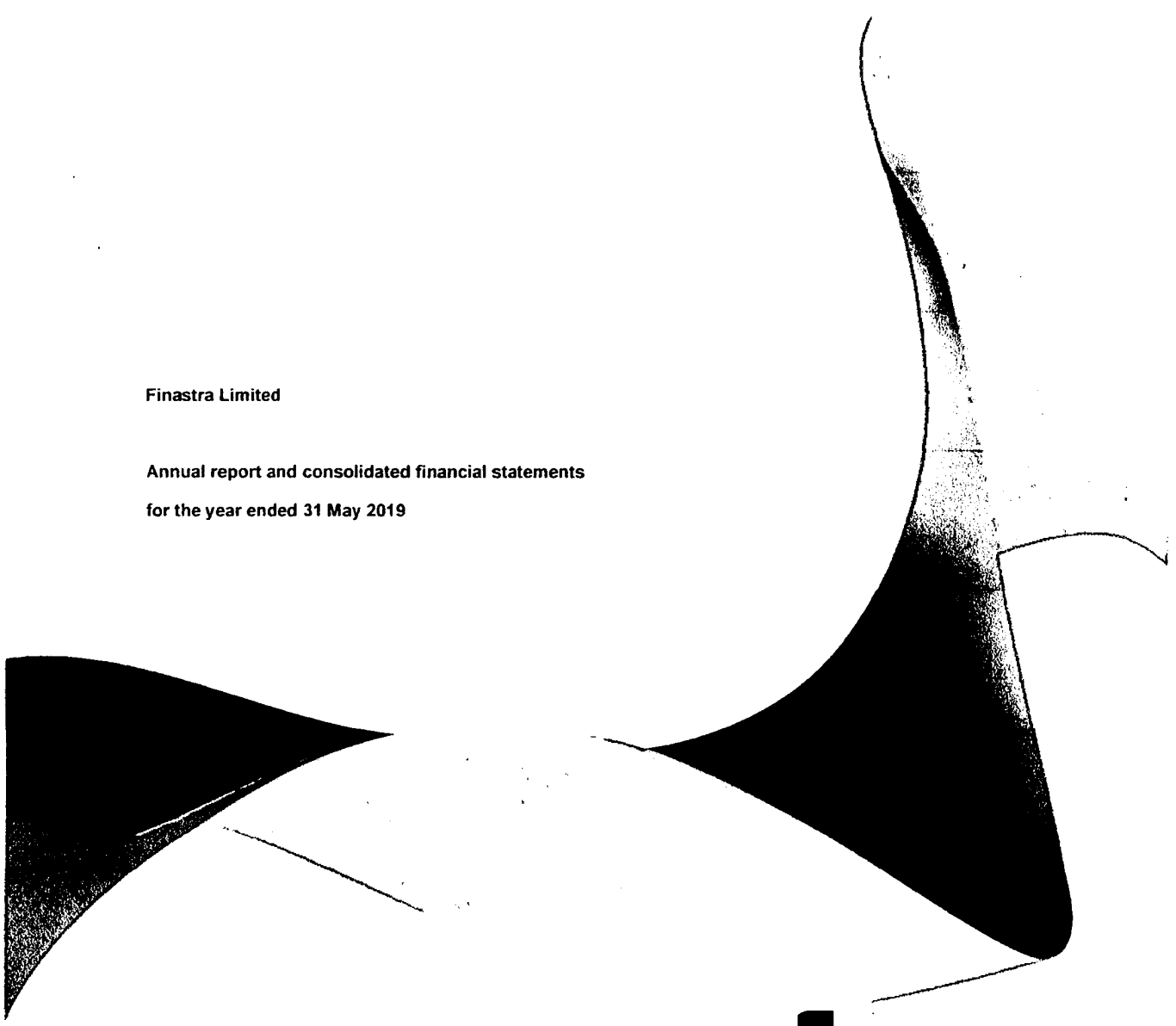
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FINANCE IS OPEN

Finastra Limited

Annual report and consolidated financial statements
for the year ended 31 May 2019



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Finastra Limited

Annual report and consolidated financial statements for the year ended 31 May 2019

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Finastra Limited

Directors and advisers at 31 May 2019

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Finastra Limited

Strategic report for the year ended 31 May 2019

The directors present their strategic report for Finastra Limited and its subsidiaries for the year ended 31 May 2019 (FY19).

Formation and principal activities

The Company and its subsidiaries (together, 'the Group' or 'Finastra') operates globally to develop, manage and license a variety of software solutions and software related services ('products and services') to customers in the financial services industry and cheque processing, student lending solutions and identity and credit information services to Canadian banks, credit unions and governmental entities.

Finastra Limited is a company limited by shares registered in the Cayman Islands and is domiciled in the United Kingdom and was formed in June 2017 when Vista Equity Partners brought together the Misys group ('Misys'), a Vista portfolio company, and D+H Corporation ('D+H') for cash consideration.

The acquisition of Misys has been treated as an acquisition under common control for which acquisition accounting in accordance with International Financial Reporting Standards ('IFRS') 3 (Revised), 'Business Combinations' has been applied, with Finastra Limited being treated as the acquirer. In addition acquisition accounting has also been applied to the acquisition of D+H.

With D+H's strength in payments, lending, and retail banking solutions in North America combined with Misys's strength in capital markets, corporate banking, and retail banking globally, the newly formed Finastra Group is able to serve customers all over the world with what management believes is an unrivalled, broad and comprehensive solution portfolio.

Finastra overview

Finastra delivers the broadest portfolio of financial services software in the world today. Our vision is to unlock the potential of people and businesses across the financial ecosystem.

The Group's strategy is to build and deliver the first open development platform for banks and Fintechs, changing the way in which financial software will be written, deployed and monetized in the future. Built on Finastra's open Fusion software architecture and underpinned by Microsoft Azure, the FusionFabric.cloud platform brings together key players in the industry to collaborate, innovate and build great customer experiences.

Finastra helps over 8,500 customers to transform their businesses to become more agile, innovative, resilient and customer focused. The Group's solutions help our customers to accelerate their business growth and achieve competitive advantage by providing better business insights, rapid innovation cycles and faster time to market for new products and services. Our next generation software capabilities help banks and financial institutions to improve their customer experience with new self-service models that help their customers save time.

We help our customers optimise costs and mitigate risk. By modernizing and rationalizing their application infrastructure, financial institutions can enable a true digital transformation of their financial processes. By providing a complete view of their risk exposures, we can help them to improve decision-making and meet regulatory requirements.

Our solutions

Finastra is a trusted partner to 90 of the world's top 100 banks and has global scale and reach, serving clients of all sizes across 130 countries. Having long pursued a progressive vision of innovation, Finastra strives to unlock the potential of people and businesses through its product strategy of 'Protect, Extend and Innovate'. This includes *protecting* our customers' investments in all our solutions; *extending* the value of our solutions by integrating new products and services; and *innovating* to create the best-in-class solutions. Our depth of expertise is detailed below:

Enterprise Retail

We support digital transformation and innovation – helping financial institutions improve customer service and deliver fast, secure, frictionless banking anytime, anywhere. Our solutions include core processing, digital channels, analytics and lending solutions.

Payments

Our proven platform centralises, integrates and optimises payment processing on multiple rails globally, and with order management, intra-day liquidity management and API management provides the value-added features essential for real time operation in an open world.

US Community Markets

We offer the most comprehensive portfolio of banking solutions for community market customers and end to end loan management software in commercial, consumer, mortgage and syndicated lending, from origination to servicing.

Corporate banking

Our expertise in treasury, cash management, trade and supply chain finance allow banks to provide corporate customers with best-in-class tools for managing their financial future, delivered as a compelling, end to end digital banking experience.

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

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.

Business review

Performance for the year

Finastra has continued to firmly establish itself as a trusted global financial services solution provider. The Group was recognized in 2019 for the second year in a row by the UK Business Superbrands List as one of the strongest business to business brands in the UK. Globally, approximately 50% of all syndicated loans, 8% of daily Foreign Exchange trading and 6% of daily trade finance transactions are supported by Finastra products and services.

The integration of the Group is well progressed and we launched a three-year year strategy at the beginning of FY19. Named 'Mission 2021' it is founded on four pillars: Customer, People, Platform and Innovation and we believe we are uniquely positioned for success in these areas.

Product innovation

Finastra leads the way in which financial software is written, deployed and consumed by finding the smartest solutions to the most complex problems financial services firms face.

By establishing a culture where grassroots ideas can thrive, from global hackathons to our innovation factory, 'Fusion Reactor', the Group is attuned to the technologies that are shaping an open innovation future in financial services. The Group's newly-appointed global innovation head is ultimately responsible for the collaborative ecosystems in place which enable co-innovation and co-creation with customers, partners, Fintechs and universities, helping to deliver the solutions for the future, either on-site or via the Cloud, and exploring how to apply emerging but increasingly widespread technologies like Artificial Intelligence and Machine Learning.

FusionFabric.cloud

Finastra is changing the way that modern banking software is built and distributed. FusionFabric.cloud, our open development platform, is championing collaboration and encouraging innovation by opening up Finastra's core systems so third parties can develop applications on top. Finastra has evolved from packaged software to micro-services, open Application Programming Interfaces (APIs) and continuous delivery, made possible with platformification via open interfaces, standards and architecture.

FusionFabric.cloud unlocks innovation by fostering open collaboration within an ecosystem of development partners. A major innovation for financial services, the FusionFabric.cloud platform, enables all players –Fintechs, system integrators, independent developers, consultants, students and banks themselves (our customers) to develop, test and sell their apps.

In May the Group hosted the FusionONE Hackathon. The event brought together the combined power of Finastra, Microsoft, Accenture and VC INNOVATIONS. Using the FusionFabric.cloud platform teams were granted access to Finastra's Open APIs allowing them to build new capabilities on top of trusted systems already in use at hundreds of banks globally. Using FusionFabric.cloud's rapid development environment and integrated API management tools, teams were given the opportunity to quickly (less than 48 hours!) design and build concept applications. The finalists presented their ideas at the FusionOne developer conference in May 2019 to an audience of more than 450 attendees from Fintechs, banks, developers, analysts and a panel of prestigious judges.

Fusion Reactor

The Group operates the 'Fusion Reactor' programme across the entire organization which invites employees to submit innovative ideas as we look to build our reputation as the 'go to' banking platform partner and position ourselves as a leader in this area. The initiative includes workshops and guest presentations from clients and partners with the aim of 'sparking' new ideas with topics covering artificial intelligence, Payments Platform as a Service (PaaS), machine learning and building communities.

Integration activities

At the formation of Finastra, the Group commenced a major programme to transform into a single, combined organization. This initially involved redesigning the organizational model and leadership structures across the newly combined businesses.

People and property rationalization programmes have now been substantially completed. Residual synergies are expected to be realised, primarily through further headcount reductions, additional real estate rationalization and vendor consolidation and renegotiation as a combined organization. Work also continues on bringing together financial systems

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

and records from sales to accounting and finally reporting so that a single centralised platform can deliver efficiency and allow faster internal reporting.

During FY19 new regional headquarter offices have been opened in Bucharest, Romania, and Florida allowing the Group to focus resources at our Centres of Excellence, resulting in a more productive and innovative organization whilst also ensuring investment in the right opportunities that will result in new product capabilities, geographic expansion and skills advancement.

Research and development ('R&D')

In its second year of existence, Finastra has undertaken considerable R&D effort. The Group Chief Product and Technology Officer is responsible for global product and technology strategy to support Finastra's mission to deliver world-class products and fully integrated solutions.

A successful R&D agenda is a strategic priority of the Group. The markets in which Finastra operates are broader and deeper than those of its main competitors and the Group's combined product portfolio allows it to serve all banking segments from large tier 0 banks to small US credit unions. Finastra now operates globally and can serve most software needs of banks from retail, digital engagement, consumer lending, mortgages, corporate banking, payments and treasury and capital markets.

An effective R&D strategy to support and maintain the competitive advantage which the Group enjoys, requires both deeper integration and standardisation. The Group is adopting best practices in terms of Product Lifecycle Management ('PLM') and Development agility. The PLM process ensures that products and solutions released to customers effectively deliver on commercial commitments within committed budgets.

The Group is in the process of rolling out a standard set of agile-based development methodologies, including the "Sacred Agile Framework" methodology, supported by common tools. This programme benefits the Group by lowering costs and offering flexibility to redeploy capacity across products based on market demands. More importantly by sharing a common set of practices and development components, the Group will be able to deliver on its platform vision.

The Group has launched an ambitious plan to port its main products to the Cloud allowing it to reach a larger segment of the market with standard, easy to deploy and operate solutions at a low cost. Significant progress has been made in FY19 deploying our products into the cloud in partnership with Microsoft on the Azure platform.

The continued industrialisation of the FusionFabric.cloud platform demonstrates the Group's commitment to the continuous development of a portfolio of market relevant products. FusionFabric.cloud is expected to be the Group's standard integrated development platform for years to come. Finastra intends to become the preferred Open Development platform for the financial services industry. By developing FusionFabric.cloud as an open environment, the Group has attracted several innovative Fintech companies to develop tailored solutions to our customers that bring innovation to Finastra's customers at a low cost and with low risk to adopt. As the platform is rolled out globally, client adoption will rise generating additional opportunities for revenue sharing models with additional application providers.

Throughout the year, the Group continued to deliver version enhancements across its product portfolio. The rationalization of the International Core Retail portfolio was initiated whilst new Digital Branch capabilities and extension of the Midas & Equation product functionalities were released. North American Communities completed the migration of its installed base to Azure, lowering operation costs whilst paving the way for the release of new products and data solutions in the forthcoming financial year and beyond.

The acquisition of Malauzai has seen a significant increase in adoption of cloud-based solutions which reduce reliance on legacy solutions in favour of cloud based low cost to operate solutions. Over the next few years, the Group will continue to offer electronic trading capabilities from inside treasury applications across all asset classes capitalising on the recent acquisition of Olfa. Our payment solutions have experienced further successes with existing large customers renewing and extending their use of the technology, joined by some of the largest banks in the world.

Global Payments Plus has been released as a cloud solution and adopted by its first low tier customer in the US, with many expressing interest in the rapid deployment solution. This important success anticipates a global adoption significantly increasing the number of banks that the technology could touch and equip.

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.

Executive Leadership

The Executive Leadership team changes in the year have added depth and breadth of experience to spearhead the future growth of the Group.

As reported last year Nadeem Syed handed over responsibilities as Chief Executive Officer to Simon Paris in June 2018. Simon joined Misys in 2015 as President and Chief Sales Officer and took on the role of Deputy Chief Executive Officer

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

of Misys in June 2017 as part of a managed succession process. During his time, he has overseen significant growth in the Group's global footprint and advocated the shift to a cloud-based model for all Finastra solutions.

Mark Miller joined the Board as Chief Financial Officer in May 2019. Mark is a seasoned finance executive, with nearly 25 years of global technology, finance and operational experience. He has worked at several industry-leading companies including, most recently, Marketo, where he was CFO and travel technology firm Sabre Corporation, where he spent 18 years in a number of leadership and executive roles including CFO. He also has valuable previous experience working with Vista Equity Partners and several other leading private equity firms. Over the course of his career, Mark has consistently driven operational and financial excellence. Mark replaces Rob Binns, who stepped down from his role.

Sharon Doherty joined the Group as Chief People Officer in April 2019. In her new role at Finastra she has responsibility for making Finastra the most admired and inclusive employer in the Fintech industry. Based at Finastra's HQ in Paddington, London, she is a member of the Finastra Executive Leadership team. She joins from Vodafone, where she held the position of Global Organization and People Development Director and was a driving force behind Vodafone's award-winning diversity and inclusion agenda and was recognized in the 2018 Outstanding Leaders and Allies list. Her previous experience also includes CHRO at Laing O'Rourke and senior HR roles at BAA, General Electric, PwC and Kingfisher.

Eric Duffaut was appointed as the President and Global Head of Field Operations in February 2019 with responsibility for the Groups entire go-to-market organization including global sales, services and consultancy as well as overseeing the Finastra partner ecosystem. Eric's career in the technology space spans more than 20 years across a spectrum of large enterprises and small and medium size businesses. These include positions at SAP, Oracle and Unisys. Most recently he was Chief Customer Officer and member of the Management Board at Software AG, responsible for global sales, consulting services, customer support and marketing.

Employee involvement

As an organization, the Group is committed to recognising 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.

Our Annual FINsights survey has seen notable engagement improvements, with overall scores trending upwards and increased number of employees engaged. Our annual survey is complimented by a month pulse (EXM), enabling continuously listening and implementation of action to improve the experience our employees have at Finastra. The results of this feedback are monitored closely by the Board and results are published every week.

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 programmes are offered to eligible employees to celebrate and share success.

Belonging@Finastra

The Group is committed to a policy of equal opportunity and has launched an 'Inclusion' agenda. The Group aims to be an organization that is recognized for its open approach to all employees, regardless of gender, age, ethnicity, disability, culture, sexual orientation and thought. The group has taken many positive steps this year including the continued investment in 'Women@Finastra' and a focus on LGBTQ, special abilities and generational inclusion. The diversity of our people is critical to our success in driving the best results and initiatives are being implemented that will continue to further eliminate barriers preventing us from embracing differences.

Corporate social responsibility ('CSR')

Since the inception of Finastra, the Group has placed social responsibility at the heart of its culture, bringing people and technology together through financial inclusion, investment in youth and open innovation. Through our strategic approach and vision for CSR, many programmes are well under way across the organization and since its launch in November 2017, CSR has made significant progress including the advancement of computer science education to underrepresented children worldwide with Code.org, youth mentorship and hiring through social mobility, as well as donations and grants to disaster relief, the United Way, Educate Girls and Action for Children.

The Group's CSR team, which includes members of the executive leadership team, recognize the role all of our stakeholders play in the pursuit of our objectives to improve the wellbeing of our employees, customers, partners, society and the environment in which we operate. By focusing on the Group's technology, talent and network, a platform has been created for positive social change through philanthropy, education, job creation, economic growth and innovation.

In FY19, Finastra employees fundraised over USD \$350,000 across 200+ charitable events worldwide to support causes they care about, much of which was matched by the Group. To enable our global and local CSR initiatives, Finastra encourages its employees to volunteer their time and participate in programmes we have created for them to enact positive social change.

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

In FY19 Finastra employees delivered over 14,000 volunteer hours to serve their communities, which included the support of youth mentorship programmes, CSR open innovation initiatives and our 'Finastra Hour of Code' programme, which enables our employees to run coding clubs for children and prepare them for the future of work. Since September of 2018, Finastra has hosted more than 6,200 children at its offices around the world for programming that introduces young people to coding and computer science education. The initiative is part of Finastra's long-term commitment to delivering coding skills to children and young people who typically do not have access to computer science education through their schools, as well as the company's support for and collaboration with Code.org's global Hour of Code initiative.

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 are adjusted operating metrics as management believes these are the primary indicator of the underlying performance of the Group as they exclude items considered to be non-trading in nature. Reconciliations between adjusted and reported items are provided on the following pages.

The KPI results for the year plus a brief description on how they are calculated are below. None of our KPI's below are adjusted to normalise foreign exchange.

KPI	Year end 31 May 2019	Period ended 31 May 2018	Increase/ (decrease)	Definition
Revenue	\$1,763.2m	\$1,616.5m	9%	Comprises total revenue from contracts with customers from continuing operations.
Adjusted ¹ Revenue	\$1,883.1m	\$1,828.8m	3%	Adjusted revenue excludes the impact of acquisition accounting adjustments to revenue.
Adjusted ¹ EBITDA	\$666.6	\$649.7	3%	EBITDA is earnings before interest, tax depreciation and amortization. Adjusted measures further exclude impairment charges, acquisition-related costs and accounting, and non-recurring charges.
Adjusted ¹ EBITDAC	\$572.6m	\$568.0m	1%	Capitalized development costs are added back to Adjusted EBITDA ¹ to derive Adjusted EBITDAC ¹ .
% Cash Conversion	84%	89%	(6)bps	Cash Conversion is defined as operating cash flows from continuing operations before payments relating to taxes, interest and non-recurring charges as a percentage of Adjusted EBITDA ¹ .
Net Debt	\$5,393.2m	\$5,480.4m	(2) %	Net Debt is defined as borrowings and interest accruals offset by cash and cash equivalents, net of overdrafts, restricted cash and certain financial instruments used to manage interest rate and foreign exchange movements on borrowings.
Headcount	8,770	9,614	(9)%	The Headcount metric provides insight into the total number of employees in the Group.

¹In FY19 the Group has redefined "Adjusted" measures to only include continuing operations. In the period ending 31 May 2018 the now disposed business of CMS was included and the figures above for the prior period have been restated. Doing so gives a fairer representation of performance trends and is consistent with how management monitors performance of the Group.

Group financial review

Results

The Group uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable them to assess the underlying trading performance of the Group as they exclude the impact of acquisitions, disposals and other non-operational items. Management has defined these items as: amortization and impairment of acquisition-related goodwill and other intangible assets; depreciation of tangible assets; non-recurring charges (see note 1 to the Financial Statements) and investor management fees; profits or losses on termination or disposal of businesses; and unrealised changes in the fair value of financial instruments.

These non-IFRS financial measures should be read in conjunction with the Group's consolidated financial statements prepared in accordance with IFRS. Apart from the statutory IFRS measures below, all figures are unaudited.

The prior period to 31 May 2018 (FY18) only reflects 11.5 months following the creation of the Group. All references to 31 May 2018 refer to this period, which is not directly comparable with the full 12 months of the year ended 31 May 2019.

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Strategic report for the year ended 31 May 2019 (continued)

Revenue

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018 ²
Revenue as reported under IFRS	1,763.2	1,616.5
Acquisition accounting adjustments under <i>IFRS 3 (Revised)</i> ¹	119.9	212.3
Adjusted revenue	1,883.1	1,828.8

¹Acquisition accounting adjustments arise due to the IFRS 3 (Revised) Purchase Price Accounting (PPA) treatment applied by the Group (see note 1 to the Financial Statements). These adjustments impact both revenue and costs and feature throughout the strategic report. They relate to the amortization of the fair value adjustments on deferred revenue and deferred costs acquired which on acquisition significantly reduced the carrying values of liabilities and assets, and are now subsequently unwound over the associated contract terms.

²In FY19 the Group has redefined "Adjusted" measures to only include continuing operations. In the period ending 31 May 2018 the now disposed business of CMS was included and the figures above for the prior period have been restated. Doing so gives a fairer representation of performance trends and is consistent with how management monitors performance of the Group.

Revenue under IFRS was \$1,763.2m (May 2018: \$1,616.5m) for the year, representing an increase of 9%. Growth across Lending, Retail Banking, Transaction Banking and Treasury and Capital Markets in all geographies has been partly offset by a decline in Technology Enabled Managed Services ('TEMS') (see note 5.1).

Revenue from subscriptions and licenses grew 56%, maintenance 6% and professional services 13% offsetting declines in other 3%, with transaction processing broadly remaining flat (see note 5.1).

Adjusted revenue is up 3%, and excludes the impacts of purchase price allocation ('PPA') adjustments arising on the acquisitions completed in the prior period. These adjustments reduce revenue as deferred income balances held at acquisition were 'fair valued' to nil and are unwound over the associated contract terms. As the level of this PPA adjustment is reduced in FY19 compared to the prior period, the resulting revenue growth outcome is lower than the reported result. After this adjustment the drivers of growth remain the same, with broad geographical and product set growth across the board except for TEMS.

Operating loss and adjusted EBITDAC

Adjusted earnings before interest, taxation, depreciation and amortization less amounts capitalized in respect of internally-developed software and other adjustments ('Adjusted EBITDAC') is the key measure of performance used by management and forms part of the financial covenant under the Group's loans. The reconciliation between Adjusted EBITDAC and operating loss as reported under IFRS is shown below. All amounts are from continuing operations only.

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018 ²
Operating loss as reported under IFRS	(27.5)	(410.7)
Non-recurring charges ¹	66.3	104.3
Net foreign exchange loss (gain)	41.3	(23.4)
Investor management fees	3.1	2.8
Gain on forward foreign currency contracts	(3.2)	(0.4)
Acquisition accounting adjustments under <i>IFRS 3</i>	88.9	165.2
Gain on derivatives	(13.8)	-
Adjusted operating profit / (loss)	155.1	(162.2)
Impairment of goodwill and intangible assets	3.2	329.1
Amortization of intangible assets	475.4	448.6
Depreciation of property, plant and equipment	32.9	34.2
Adjusted EBITDA	666.6	649.7
Capitalized software development costs	(94.0)	(81.7)
Adjusted EBITDAC	572.6	568.0

¹Non-recurring charges consist of acquisition and integration costs, transaction fees and restructuring-related charges.

²In FY19 the Group has redefined "Adjusted" measures to only include continuing operations. In the period ending 31 May 2018 the now disposed business of CMS was included and the figures above for the prior period have been restated. Doing so gives a fairer representation of performance trends and is consistent with how management monitors performance of the Group.

Operating loss as reported under IFRS was \$27.5m (May 2018: \$410.7m) for the year which is a \$383.2m improvement driven by the 9% revenue growth and a 12% reduction in operating expenses. Fair value adjustments comprise the unwinding of \$119.9m (May 2018: \$212.3m) of deferred revenue offset by \$31.0m (May 2018: \$47.1m) of contract costs that have been recognized in the Group income statement as PPA adjustments.

Prior period operating expenses have reduced by \$236.5m. The prior period goodwill impairment charge of \$328.7m has not repeated and non-recurring charges for integrations costs are also lower. Both have been partly offset by increased losses on foreign exchange and employee costs.

The adjusted operating profit excludes the impacts of non-recurring charges, foreign exchange, PPA adjustments, gains on derivatives and includes profit from discontinued operations and has swung to a profit this year from a significant loss in the prior period.

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

Adjusted earnings before interest, taxation, depreciation and amortization less amounts capitalized in respect of internally-developed software ('Adjusted EBITDAC') is the key measure of performance used by management and forms part of the financial covenant under the Group's loan facilities. Adjusted EBITDAC was \$572.6m (May 2018: \$568.0m) and is up 1% primarily due to the improved operating loss.

Adjusted net cash generated from operating activities

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018
Operating cash flows before payments relating to taxes	482.4	364.6
Payments relating to non-recurring charges ¹	82.1	227.4
Operating cash flows from discontinued operations	(4.6)	(12.4)
Adjusted net cash generated from operating activities	559.9	579.6

¹ Payments relating to non-recurring charges consist of acquisition and integration costs, transaction fees and restructuring-related charges and associated working capital movements.

The Group has generated 3% less adjusted net cash from operating activities in FY19. Operating cash flows before tax have increased by \$117.8m or 32% but have been offset by a lower cash conversion KPI of 84% caused by reduced adjusted net cash from operating activities and the higher adjusted EBITDA.

Goodwill impairment, amortization and depreciation charges

The Group has conducted an annual impairment assessment on the carrying value of goodwill, based on the recoverable amount of the cash-generating units ('CGUs') to which goodwill has been allocated. The results of these reviews are disclosed in note 10 to the consolidated financial statements. No impairments have been identified.

Total amortization and depreciation charges of \$508.3m (May 2018: \$482.8m) have been recognized, of which \$445.0m (May 2018: \$440.2m) arose from 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.

Non-recurring items

The Group recognized a \$66.3m (May 2018: \$104.3m) charge relating to significant restructuring and combination activities associated with implementing the Group's integration programme. Of the \$66.3m (May 2018: \$104.3m), \$24.3m (May 2018: \$49.7m) of employee costs including severance were incurred as a direct result of headcount reductions, \$12.9m (May 2018: \$4.1m) of legal and professional fees, \$14.6m (May 2018: \$29.3m) of integration costs including other people-related costs, \$7.9m (May 2018: \$18.1m) related to property exits and \$6.2m (May 2018: \$0.9m) of acquisition costs.

Research and development ('R&D') expenditure

Total R&D expenditure for the year was \$285.0m (May 2018: \$280.0m). Software development costs capitalized during the year totalled \$94.0m (May 2018: \$81.7m). 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.

Acquisitions and disposals

On 14 June 2018, Finastra acquired 100% of Malauzai Software Inc. ('Malauzai') for cash consideration of \$58.3m, with \$6.0m deferred for a period of 12 months. Malauzai, headquartered in Texas, USA, is a provider of mobile and internet banking solutions for community financial institutions. The deal reflects Finastra's commitment to the US retail and business banking sectors by further enabling digital transformation for community banks and credit unions across the country. Further details are included in note 9 to the consolidated financial statements.

On 3 August 2018 the Group completed the sales of CMS to Teranet Inc., a leader in the delivery of statutory registry services for \$265.5m. The Group subsequently repaid \$175.4m and €41.6m of debt borrowed at the time of the formation of Finastra.

Net finance costs and tax

Net finance costs were \$380.5m (May 2018: \$350.2m), predominantly reflecting interest costs on term loans following the issuance of \$3,582.0m and €850.0m First Lien Term Loans and a \$1,245.0m Second Lien Term Loan in June 2017. The associated interest on the facilities was \$368.2m (May 2018: \$337.4m) of total finance costs with the cost of financing increasing as the year progressed and interest rates increased, for US-Dollar-denominated debt. In order to mitigate both interest rate risk and foreign exchange risk, the Group entered into cross-currency and interest rate swaps during the year. Further details on derivative financial instruments are included in note 15 to the consolidated financial statements.

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

The Group recorded a tax credit of \$9.6m (May 2018: \$108.8m) due to current taxation charges of \$29.0m (May 2018: \$74.9m) offset by deferred tax credits of \$38.6m (May 2018: \$183.7m). The deferred tax credit relates to a credit of \$90.4m (May 2018: \$210.5m) on the amortization of acquired intangible assets, offset by a charge of \$17.3m (May 2018: \$13.6m) for the recognized tax losses incurred and an offset of \$69.1m (May 2018: \$13.1m) charge 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 was \$270.7m (May 2018: \$641.0m). This reflects the operating loss of \$27.5m (May 2018: \$410.7m), net finance costs of \$379.6m (May 2018: \$349.7m) offset by profit from discontinued operations of \$126.8m (May 2018: \$10.6m) and net credit tax charge, all as described above.

Financial position

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

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018
Non-Current Assets	8,218.1	8,651.4
Current Assets	752.8	631.5
Assets held for sale	-	171.1
Total Assets	8,970.9	9,454.0
Non-Current Liabilities	(5,862.6)	(6,202.1)
Current Liabilities	(997.3)	(745.5)
Liabilities held for sale	-	(39.5)
Net Assets	2,111.0	2,466.9

Non-current assets of \$8,218.1m (May 2018: \$8,651.4m) primarily comprise goodwill of \$5,587.2m (May 2018: \$5,665.5m) and other intangible assets of \$2,231.5m (May 2018: \$2,627.7m). A further \$97.2m (May 2018: \$88.4m) comprise tangible fixed assets, predominantly office furnishings and information technology equipment. Non-current trade and other receivables of \$166.4m (May 2018: \$130.9m) 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 \$752.8m (May 2018: \$631.5m) largely comprise billed and unbilled receivables of \$594.7m (May 2018: \$511.5m) and cash balances of \$43.8m (May 2018: \$104.3m).

Non-Current Liabilities mostly consist of borrowings of \$5,298.3m (May 2018: \$5,585.2) and deferred tax liabilities of \$299.8m (May 2018: \$373.7m) 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 \$358.7m (May 2018: \$249.5m) and deferred income of \$418.5m (May 2018: \$364.2m). 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 at 31 May 2019, net assets were \$2,111.0m (May 2018: \$2,466.9m).

Group cash flow and net debt

Net cash flow generated from operating activities was \$369.5m (May 2018: \$315.1m). A significantly reduced operating loss has driven operating cash flows prior to working capital movements \$121.5m higher. Working capital cash flows are broadly flat year on year with the remaining offsetting difference being tax paid.

The Group paid \$112.9m (May 2018: \$49.5m) of corporation tax during the year of which \$14.5m (May 2018: \$12.3m) related to withholding tax levied on payments made to the Group entities where the tax could not be recovered through the local corporate tax regime, due either to underlying tax losses, or other restrictions under local tax law. The Group is within the scope of corporation tax in the jurisdictions it is based in and settles taxes in those locations to the extent that there are taxable profits in the country which are not offset by existing tax losses.

Net cash inflow from investing activities was \$50.2m primarily due to proceeds from disposal of CMS of \$262.0m offset by the purchase price for acquisition of Malauzai of \$49.3m (May 2018: outflow of \$5,705.5m primarily as a result of the purchases of Misys and D+H, net of cash acquired, for \$2,940.9m and \$1,988.7m, respectively). The Group also incurred \$94.0m (May 2018: \$81.7m) of expenditure on internally-developed software, \$53.6m (May 2018: \$31.3m) on the purchase of leasehold improvements, computer equipment and other capital equipment and purchase of third-party software of \$14.7m (May 2018: \$23.3m).

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

Net cash outflow from financing activities was \$505.6m (May 2018: inflow of \$4,865.1m reflecting the issuance of new ordinary share capital of \$3,012.7m and borrowings of \$5,681.0m, offset by the repayment of \$3,371.2m of debt acquired through the acquisitions of Misys and D+H). During FY19 additional repayment of \$224.0m was made for first lien external borrowings from the proceeds of sale of CMS business and mandatory quarterly payments totalling \$45.4m (May 2018: \$34.5m) were made on the new debt facilities. Total interest payments were \$285.4m (May 2018: \$333.9m), primarily related to interest charges on the new First and Second Lien loan facilities.

Reflecting the above, the Group's net debt at 31 May 2019 was \$5,108.0m (May 2018: \$5,480.4m).

Principal business risks and uncertainties

A robust assessment of the principal risks facing the Group has been carried out, including those that could threaten the business model, future performance, solvency or liquidity risks. The assessment was made with reference to the Group's current trading position, the Group's strategy and the Group's principal risks, including how these are managed.

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.

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 growing increasing protectionism and changing regulations.

We are subject to a number of risks customary for international operations, including: (i) economic or political changes in international markets; (ii) currency and exchange rate fluctuations; (iii) differing regulatory and industry standards; (iv) greater difficulty in accounts receivable collection and longer collection periods; (v) difficulties and costs of staffing and managing foreign operations; (vi) the uncertainty of protection for intellectual property rights in some countries; and (vii) multiple tax structures.

Any of these effects, and others we cannot anticipate or that may evolve over time, could adversely affect our business, operating results and financial condition.

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

Our products 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 such undetected errors, defects or 'bugs' could also make our products unavailable or cause similar disruptions to our, or our customers', operations. Any one of the foregoing could have a material adverse effect on our business and reputation.

Our products are complex and require regular updating. If implementation of a critical update is delayed by a customer or third-party software provider, we may be required to enact compensating controls to address unsupported legacy systems, and this in turn may force us to rely on unsupported or obsolete third-party software.

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

Ability to innovate (include obsolescence)

Our ability to enhance our current products and services and to develop and introduce new innovative products will significantly affect our future success. This requires our services to keep pace with technological developments, evolving industry standards, changes to the regulatory environment in which we operate and the increasingly sophisticated needs of our clients and their customers.

Given the highly competitive and rapidly evolving technology environment we operate in, and the potential for disruptive technologies to enter the market, it is important for us to constantly enhance our existing product offerings. This includes developing new product offerings to meet strategic opportunities as they evolve. In addition, as more of our revenue shifts to Software as a Service ('SaaS'), cloud, Business Platform as a Service ('BPaaS'), Payments Platform as a Service ('PPaaS') and other new or different technology offerings, the need to keep pace with rapid technological change may become more acute.

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

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

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 failure to properly manage the expanding offering of products and services, including by achieving high renewal rates, and accurately predicting and responding to market developments and demands, could have an adverse effect on our business, financial results or results of operations. 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 the risks related to ongoing product investments and product development through the use of agile product development methodologies, product investment reviews, hiring experienced product managers, product strategy experts and business analysts who understand various market requirements. The Group also use of customer advisory boards which bring together key client stakeholders to discuss and validate the top priorities for Finastra product roadmaps. Approximately 40% 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.

Ability to successfully integrate or to attain the expected benefits from acquisitions

The Group invests in acquiring complementary technology as evidenced by previous acquisitions. Acquisitions are inherently risky, requiring strong due diligence, analysis and integration processes to ensure projected benefits and synergies are realised. The Group uses dedicated and experienced leadership teams with significant experience in corporate development and employs appropriate due diligence processes when identifying acquisition targets. There is no assurance that improved operating results will be achieved as a result of growth or acquisitions or that we will successfully integrate our businesses in a timely manner.

Our strategy is, in part, predicated on our ability to realise cost savings and to increase revenues through the acquisition of businesses that add to the breadth and depth of our products and services while also providing cross-selling opportunities, in addition to increasing global reach. Achieving these cost savings and revenue growth (including through the realisation of cross-selling opportunities) is dependent upon a number of factors, many of which are beyond our control. In particular, we may not be able to realise the benefits of anticipated integration of sales forces, asset rationalization, systems integration and more comprehensive product and service offerings.

Leverage, liquidity and restrictive covenants

The Group aims to achieve outstanding financial performance to maintain 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 harmful impact on the Group's growth. Compliance with the terms is monitored on a quarterly basis.

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 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 optimisation. Any unforeseen reductions in revenue or increase in costs or liabilities, especially around seasonal periods of reduced liquidity, may have an adverse impact on the Group's financial performance and working capital position.

Ability to protect against cyber-security risks

The Group has to ensure appropriate security of its information technology ('IT') infrastructure, products and intellectual property. As 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). The Group invests a great deal of time and effort in protecting

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

its IT infrastructure and data, including any sensitive data held. The Group's hosting and Cloud offerings go through external security reviews and product security and vulnerability testing is a part of the software development lifecycle.

Although none of the threats that have been encountered to date have materially impacted us, the impact of a material event could have a material adverse effect on our business.

Litigation, investigations or other actions 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, economic sanctions, Modern Slavery Act and the UK Bribery Act. 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. 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.

Ability to attract and retain qualified talent

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

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

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

Ability to deliver to client commitments and service expectations

Most customer contracts contain provisions that govern the delivery and support of products and the performance of the services being provided and impose other key obligations on the applicable Finastra entity. Failure to meet the terms or performance standards, whether or not such failures are within our control, can result in variability in revenue earned, early termination of the contract, financial performance penalties or litigation and damage awards.

In some cases, other Finastra entities are guarantors for such performance and can be impacted by any failure of the contracting entity. There can be no assurance that product and service delivery disputes will not occur. Disputes and the resolution thereof could have an adverse effect on our business. The Group manages these risks using a Client Due Diligence programme along with client support services and governance over agreed to service level agreements.

Competitors supplying similar products and services

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 longer operating and product development history, 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.

We expect that the international markets in which we compete will continue to attract new competitors and new technologies, including providers of similar products and services, which may have a lower cost structure. We also expect that competition will intensify as a result of consolidation within the industries in which we operate. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures we face in the markets in which we operate will not have a material adverse effect on our business. In response to competition, we may be required in the future to furnish additional discounts to customers, otherwise modify pricing practices or offer more favourable payment terms and/or contractual terms. Any such developments could have a material adverse effect on our business.

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Strategic report for the year ended 31 May 2019 (continued)

Concentration risk/loss of key client

While we serve over 8,500 clients, our Canadian operations remain dependent upon certain significant customers and several large mortgage intermediaries, as well as a significant contracts 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 utilised 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. Further, there is no assurance that any new agreement or renewal we enter into will have terms similar to those contained in current arrangements, and the failure to obtain those terms could have an adverse effect on our business.

Taxes and changes in tax regimes

Finastra is subject to various UK and foreign tax laws and regulations. Significant judgment is required for determining our tax provision for income taxes and our tax filings, which are subject to audit by taxation authorities. Various internal and external factors may have favourable or unfavourable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate.

These factors include, but are not limited to; changes in tax laws, regulations and/or rates, results of audits by taxation authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions the Group completes, changes in the valuation of deferred tax assets and liabilities, transfer pricing adjustments, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes.

While we believe that our tax provisions for income taxes and tax filings are made in material compliance with applicable tax laws and regulations, there is a risk that a taxation authority could have a different interpretation and potentially impose additional taxes, penalties or fines which may negatively impact our business.

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 trade mark 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.

The Group also embeds third-party software within its product solutions to customers. Certain of our customers and partners have access to source code of our products and other sensitive information. In other cases, it may be possible for a third party to copy or reverse engineer our products and services, or otherwise obtain our proprietary information without our permission. Policing unauthorised 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.

We also use a limited amount of software under 'open source' licenses. Some of these licenses contain non-standard terms that may require that derivative works based on the open source software be made available to the third parties or the public, that we release source code of our proprietary software if we combine it with open source software in a certain manner, or other unanticipated conditions or restrictions on our use of such open source software or our ability to commercialise our solutions. Monitoring of software development operations for use of open source software is difficult and uncertain, and there can be no assurances that all open source software is properly utilised to avoid these risks. Any improper use of open source software impacting our ability to use or commercialise our software could have a material adverse effect on our business.

In addition, the Group may face claims from other companies, including patent trolls, claiming infringement or other misuse of IP rights. Responding to such claims, regardless of validity, can be time-consuming and expensive and could require the Group to cease selling or releasing certain products.

Ability to effectively achieve our growth strategies

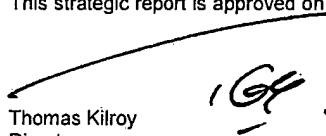
Finastra is constantly looking for opportunities to accelerate its growth. Any growth strategy comes with a level of risk which the business understands, anticipates and mitigates as much as possible ahead of implementation.

Finastra Limited

Strategic report for the year ended 31 May 2019 (continued)

When deciding to execute a growth strategy, Finastra conducts extensive due diligence and planning. However, from time to time, the Group may be exposed to external factors that were not planned for or are beyond our control. Partners may get into financial, legal or political troubles because of other relationships and countries targeted for expansion may present challenges that expose us to unforeseen legal or financial exposures. Products purchased through external acquisitions may not be as simple to acquire or generate the additional revenue we were expecting.

This strategic report is approved on behalf of the board


Thomas Kilroy
Director
12 August 2019

Finastra Limited

Directors' report for the year ended 31 May 2019 (continued)

The directors present their directors' report and the audited financial statements for the year ended 31 May 2019.

Results and dividends

The Group's results and performance summary for the year are set out on page three. The directors do not recommend a payment of a dividend.

Issued share capital

Full details of the Company's share capital can be found in note 18 to the consolidated financial statements.

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 the Company'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 management and former employees.

Directors and directors' interests

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	Appointed 28 June 2018
Mark Miller	Appointed 14 May 2019
Thomas Kilroy	
Maneet Saroya	
Steven White	
Robert Binns	Resigned 21 May 2019
Nadeem Syed	Resigned 30 June 2018

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 2019 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 whether it is appropriate to prepare the financial statements on a going concern basis.

Having reviewed the Group's plans and available financial facilities, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months following the signing of the financial statements. Whilst assessing the going concern assumption, the Directors noted that there has been no default of the covenant terms during the period or up to the date of signing the financial statements for the Group.

For this reason, it continues to adopt the going concern basis in preparing the Group's financial statements.

Directors' responsibility statement

The directors are responsible for preparing the group financial statements in accordance with the basis of preparation and accounting policies in note 2 for to discharge their stewardship obligations and fiduciary responsibilities in respect of their credit agreements.

The directors must not approve the group 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 judgements 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.

Finastra Limited

Directors' report for the year ended 31 May 2019 (continued)

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 PwC 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.

On behalf of the board

Thomas Kilroy
Director
12 August 2019



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 2019 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.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the group statement of financial position as at 31 May 2019; the group income statement and the group statement of comprehensive income, the group statement of cash flows, and the group statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), 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 - Group - Basis of preparation

In forming our opinion on the group financial statements, which is not modified, we draw attention to the Accounting Policies which describes the basis of preparation. 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

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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 Directors' responsibility statement set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in note 2 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.

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 for fulfilling the requirements of the First Lien Credit Agreement 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., in accordance with our engagement letter dated 23 May 2019 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
Chartered Accountants
Uxbridge
12 August 2019

Finastra Limited

Group Income Statement for the year ended 31 May 2019

all figures in \$ millions	Note	Year ended 31 May 2019	Period ended 31 May 2018
Revenue	5	1,763.2	1,616.5
Operating expenses	6	(1,790.7)	(2,027.2)
Operating loss		(27.5)	(410.7)
Finance costs	7	(380.5)	(350.2)
Finance income	7	0.9	0.5
Net finance costs		(379.6)	(349.7)
Loss before taxation from continuing operations		(407.1)	(760.4)
Taxation	8	9.6	108.8
Loss for the year / period from continuing operations		(397.5)	(651.6)
Profit for the year / period from discontinued operations	9	126.8	10.6
Loss for the year / period		(270.7)	(641.0)

Group Statement of Comprehensive Income for the year ended 31 May 2019

all figures in \$ millions	Note	Year ended 31 May 2019	Period ended 31 May 2018
Loss for the year / period		(270.7)	(641.0)
Other comprehensive income / (expense)			
Items that will not be reclassified to the Group income statement:			
Net actuarial gains on defined benefit pension schemes	24	1.3	5.4
Taxation on net actuarial gains on defined benefit pension schemes		-	(0.7)
Total		1.3	4.7
Items that may subsequently be or have been reclassified to the Group income statement:			
Exchange difference on the translation of foreign operations		(89.6)	68.1
Exchange gain on translation of foreign operations recycled on disposal		13.0	-
Total		(76.6)	68.1
Net gains on cash flow hedges		-	21.4
Transferred to income statement on cash flow hedges		(8.9)	(12.5)
Taxation on cash flow hedges		3.1	(3.1)
Total		(5.8)	5.8
Other comprehensive (expense) / income for the year (net of taxation)		(81.1)	78.6
Total comprehensive expense for the year		(351.8)	(562.4)
Attributable to:			
- Owners of the parent		(351.8)	(562.4)
Total comprehensive expense attributable to equity shareholders arises from:			
- Continuing operations		(478.6)	(573.0)
- Discontinued operations	9	126.8	10.6
		(351.8)	(562.4)

The notes on pages 23 to 72 form part of these consolidated financial statements.

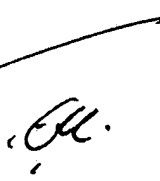
Finastra Limited

Group Statement of Financial Position as at 31 May 2019

all figures in \$ millions	Note	31 May 2019	31 May 2018
Non-current assets			
Goodwill	10	5,587.2	5,665.5
Other intangible assets	11	2,231.5	2,627.7
Property, plant and equipment	12	97.2	88.4
Investments	13	2.4	1.5
Deferred tax assets	14	90.6	116.0
Derivative financial instruments	15	42.8	21.4
Trade and other receivables	16	166.4	130.9
		8,218.1	8,651.4
Current assets			
Inventories	17	2.3	3.1
Trade and other receivables	16	594.7	511.5
Derivative financial instruments	15	61.7	0.8
Current tax asset		49.1	9.9
Restricted cash	21	1.2	1.9
Cash and cash equivalents	21	43.8	104.3
		752.8	631.5
Assets of disposal groups classified as held for sale	9	-	171.1
		752.8	802.6
Total assets		8,970.9	9,454.0
Equity and liabilities			
Share capital	18	(298.4)	(298.4)
Share premium	18	(2,714.3)	(2,714.3)
Other equity	19	(14.1)	(95.2)
Accumulated loss		915.8	641.0
Total shareholders' equity		(2,111.0)	(2,466.9)
Non-current liabilities			
Trade and other payables	20	(21.0)	(14.8)
Borrowings	21	(5,298.3)	(5,585.2)
Derivative financial instruments	15	(17.3)	-
Deferred tax liabilities	14	(299.8)	(373.7)
Provisions for other liabilities and charges	22	(5.4)	(10.2)
Deferred income	23	(198.5)	(195.9)
Retirement benefit obligations	24	(22.3)	(22.3)
		(5,862.6)	(6,202.1)
Current liabilities			
Trade and other payables	20	(358.7)	(249.5)
Borrowings	21	(101.7)	(22.8)
Derivative financial instruments	15	(61.6)	(0.3)
Current tax liabilities		(43.4)	(80.3)
Provisions for other liabilities and charges	22	(13.4)	(28.4)
Deferred income	23	(418.5)	(364.2)
		(997.3)	(745.5)
Liabilities of disposal groups classified as held for sale	9	-	(39.5)
		(997.3)	(785.0)
Total equity and liabilities		(8,970.9)	(9,454.0)

The consolidated financial statements on pages 23 to 72 were approved by the board of directors on 7 August 2019 and signed on its behalf by:

Thomas Kilroy
Director
12 August 2019



Finastra Limited

Group Statement of Changes in Equity for the year ended 31 May 2019

all figures in \$ millions	Share capital	Share premium	Accumulated loss	Other equity	Total equity
Balance at 6 March 2017	-	-	-	-	-
Issue of share capital (note 18)	(298.4)	(2,714.3)	-	-	(3,012.7)
Capital contribution during the period (note 19)	-	-	-	(11.0)	(11.0)
Loss for the period	-	-	641.0	-	641.0
Other comprehensive income for the period	-	-	-	(78.6)	(78.6)
Share-based payments (note 30)	-	-	-	(5.6)	(5.6)
Balance at 31 May 2018	(298.4)	(2,714.3)	641.0	(95.2)	(2,466.9)
Adoption of IFRS 9	-	-	4.1	-	4.1
Restated opening position at 31 May 2018	(298.4)	(2,714.3)	645.1	(95.2)	(2,462.8)
Loss for the year	-	-	270.7	-	270.7
Other comprehensive expense	-	-	-	81.1	81.1
Balance at 31 May 2019	(298.4)	(2,714.3)	915.8	(14.1)	(2,111.0)

The notes on pages 23 to 72 form part of these consolidated financial statements.

Finastra Limited

Group Statement of Cash Flows for the year ended 31 May 2019

all figures in \$ millions	Note	Year ended 31 May 2019	Period ended 31 May 2018
Operating activities			
Operating loss		(27.5)	(410.7)
Profit from discontinued operations		4.6	12.4
Amortization of other intangible assets	11	475.4	456.3
Depreciation of property, plant and equipment	12	32.9	34.8
Impairment of goodwill and intangible assets		3.2	329.1
Unrealised foreign losses / (gains)		41.8	(26.8)
Gain on derivatives		(13.8)	-
Operating cash flows before movements in working capital		516.6	395.1
Decrease in inventories		0.8	0.4
Increase in contract costs		(56.0)	(69.4)
Increase in contract assets		(72.0)	(56.9)
Increase in trade and other receivables		2.8	(17.5)
Increase / (decrease) in payables		33.3	(142.5)
Increase in contract liabilities		56.9	255.4
Operating cash flows before payments relating to taxes		482.4	364.6
Net taxation paid		(112.9)	(49.5)
Net cash flow generated from operating activities		369.5	315.1
Investing activities			
Proceeds from disposal	9	262.0	
Purchase of businesses, net of cash acquired	9	(49.3)	(4,940.4)
Capitalized software development costs		(94.0)	(81.7)
Purchase of other intangible assets		(14.7)	(23.3)
Purchase of property, plant and equipment		(53.6)	(31.3)
Reduction in restricted cash		0.7	-
(Purchase) / disposal in venture capital fund		(0.9)	1.2
Net cash flow generated from / (used in) investing activities		50.2	(5,075.5)
Financing activities			
Issue of share capital	18	-	3,012.7
Capital contribution from parent undertaking	19	-	11.0
Repayment of borrowings	21	(693.2)	(3,505.7)
Proceeds from borrowings	21	473.0	5,681.0
Financing interest paid		(285.4)	(333.9)
Net cash flow (used in) / generated from financing activities		(505.6)	4,865.1
(Decrease) / increase in cash and cash equivalents in the year / period		(85.9)	104.7
Net cash and cash equivalents at the start of the year		104.3	-
Differences on exchange		(0.4)	(0.4)
Net cash and cash equivalents at the end of the year / period	21	18.0	104.3
Included in the following lines of the Group Balance Sheet:			
Cash and cash equivalents		43.8	104.3
Overdrafts included within borrowings		(25.8)	-

The notes on pages 23 to 72 form part of these consolidated financial statements.

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019

1. General information

Finastra Limited (the 'Company'), was incorporated on 6 March 2017. The Company is a private company registered in the Cayman Islands and domiciled in the United Kingdom. The registered address is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

On 12 June 2017, Finastra Limited, through its ultimate controlling party Vista Equity Partners ('Vista'), acquired the Misys Group ('Misys'), a Vista portfolio company. On 13 June 2017, Finastra Limited completed the acquisition of D+H Corporation Inc. ('D+H'), and on the same day, the two acquisitions were combined to create the Finastra Group (the 'Group').

The Group's principal activities are the development, management and licensing of a variety of software products and services to customers in the financial services industry and cheque processing, enhancement services and student lending solutions to Canadian banks, credit unions and governmental entities.

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 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.

Save for the area detailed below, the financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') 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.

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, 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 has resulted in Misys being recognized at fair value and no comparative information being presented for Misys prior to the date of acquisition. 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.1. Going Concern

The Group's forecasts and projections, taking account of reasonable potential variations in trading performance, show that the Group is expected to operate within the level of its current financing facilities for the foreseeable future. In making this assessment, the Group has considered its ability to operate within those covenants with adequate headroom taking into account risks in future expected cash flows. After making enquiries, the directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.2. Standards, amendments and interpretations effective or adopted

At the date of authorisation 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 not yet effective (and in some cases had not yet been adopted by the EU):

- *IFRS 16 'Leases'* – effective for accounting periods beginning on or after 1 January 2019.
- *IFRIC Interpretation 23 Uncertainty over income tax treatments* – effective for accounting periods beginning on or after 1 January 2019. The interpretation sets out how to determine tax balances when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.
- *Annual Improvements 2015-2017 Cycle* – this annual improvement cycle modifies IFRS3 'Business Combinations', IFRS11 'Joint Arrangements', IAS12 'Income Taxes' and 'IAS23 'Borrowing Costs'.
- *Amendment to IFRS 3: Business Combinations* – effective for accounting periods beginning on or after 1 January 2020.

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Only IFRS16 and IFRIC23 have potential material impacts on the Group and are discussed below. The remaining new standards, amendments and interpretations listed above are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS16 will be effective for the financial year commencing 1 June 2019 and the Group is currently in the final stages of implementing the resulting changes required to processes and controls. For lessees, IFRS16 removes the distinction between operating and finance leases and all leases are now evaluated for balance sheet recognition. For qualifying leases, the standard requires lessees to recognize a right-of-use asset (the right to use the leased item) and a lease liability for rental payments. Accounting for lessors is largely unchanged.

The Group will adopt IFRS16 using the modified retrospective approach meaning that prior financial periods will not be restated. The cumulative impact in prior periods will be presented as a single adjustment to brought forward equity as of 1 June 2019.

Lease liabilities will be equal to the discounted present value of future remaining committed lease payments. The discount rate applied will be the incremental borrowing rate relevant for the term and location of the lease, plus the type of asset being leased.

Right-of-use assets will be recognized in two ways. For our most significant property leases we will depreciate the assets from the point of lease inception and recognize them on transition at their resulting net book value. This will create a reduction in retained earnings and reduce future depreciation charges. For our smaller properties, vehicles and computer equipment the right of use assets will be determined on the date of transition and be depreciated from that point onwards. In these cases, the right-of-use asset will equal the lease liability adjusted for any pre-existing prepaid lease payments, accrued lease expenses or any lease incentives.

A number of transitional practical expedients are available and we have elected to utilise the following to simplify the transition effort:

- Certain low value leases will be excluded i.e. they will continue to be accounted for in the same way as operating leases currently are. This applies mainly to printers.
- Onerous lease provisions will be de-recognized and net against right-of-use assets as a proxy for impairment.
- Initial direct costs are minimal and will be excluded upon initial recognition of right-of-use assets
- When assessing the lease term, we will use the benefit of hindsight to determine the lease length.

As at 31 May 2019 the Group has non-cancellable operating lease commitments of \$190.3m, see note 26. Of these commitments, less than \$1m relates to short-term leases and low value leases which will both be recognized on a straight-line basis and as expense in profit or loss (i.e. they remain unchanged from current treatment).

Adoption of the leasing standard will have a material impact on the financial statements. Based on progress made in adopting the standard, we expect the following impacts in the year ending 31 May 2020:

- Recognition of right-of-use assets between \$95m - \$115m
- Recognition of lease liabilities between \$160m - \$180m split between current and non-current
- An adjustment to retained earnings of around \$35m and a deferred tax asset of around \$7m
- Reduced lease operating expenses of between \$30m - \$35m, thereby increasing EBITDAC
- Increased depreciation charges of between \$23m - 28m
- Increased interest charges of between \$8m - \$12m
- Cash flows from lease payments for qualifying leases will now be presented as financing cash flows instead of operating cash flows without any changing of timing of cash flows
- Profit before tax will be lower in the initial years after transition as a result of the effective interest unwind on reducing liabilities rather than having a straight-line expense under IAS17.

The group has sublet certain properties and acts as the lessor in these arrangements. Where the sublease is for almost all of the head lease term and covers the majority of the head lease expense we de-recognize the head lease right-of-use asset. Any difference in rent outgoings and income will be recognized as a profit or loss on sale upon commencement of the sublease. Currently the Group has total expected sublease income of \$23.5m over the next 5 years and this primarily pertains to head leases for the majority of the term. A net loss on derecognition of the associated head leases is expected, this is in the final stages of quantification and is excluded from the estimates above.

The final transition impact and final accounting policies will be disclosed in the financial statements for the year ending 31 May 2020. Part of the disclosures to be presented will reconcile the current commitments in note 26 to the IFRS 16 balances recognized upon transition.

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

IFRIC Interpretation 23 Uncertainty over income tax treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. It requires that the Group reconsiders whether it is probable that the relevant tax authority will accept each tax treatment has been adopted. If it is deemed that the treatment is likely to be accepted, then those judgements are applied when calculating tax payable. If it is deemed that the treatment is not probable to be accepted, then the most likely amount or expected value of the tax treatment has to be estimated when calculating tax payable to reflect the uncertainty in outcome.

We will adopt the new standard by applying the modified retrospective approach meaning that prior periods will not be restated. The cumulative impact in prior periods will be presented as a single adjustment to brought forward equity as of 1 June 2019.

The Group currently holds a tax liability for potential payments due to tax authorities relating to transfer pricing and exit taxes which is uncertain and amounts to \$11.2m. The Group is currently reviewing the potential impact on this amount by discussing it with the relevant tax authorities and will include the most likely amount or expected value of the tax treatment in the 31 May 2020 Financial Statements.

New standards and interpretations applied for the first time

The only notable new standard applied for the first time is *IFRS 9* which has been applied from 1 June 2018. *IFRS 9* provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments. An accounting policy choice is available with regards to applying the new hedge accounting requirements or retaining International Accounting Standards ('IAS') 39 *Financial instruments: recognition and measurement*. The Group has elected to retain *IAS 39*.

IFRS 9 replaces the provisions of *IAS 39* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of *IFRS 9* Financial Instruments from 1 June 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in *IFRS 9*, comparative figures have not been restated but have been recorded as a cumulative adjustment to equity as at 1 June 2019.

The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables, borrowings and derivatives used to manage foreign exchange and interest rate risks. No changes have arisen on payables, borrowings or derivatives.

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 (accrued income within other receivables). When evaluating historic losses, they have been slightly higher than historic bad debt provisions.

This results in an increase in the loss allowance on 1 June 2018 of \$2.4m for trade receivables and \$1.7m for contract assets both of which are presented as a \$4.1m increase in accumulated losses on 1 June 2018. We have updated our evaluation during the financial year and recognized a further \$2.3m of impairment charge by 31 May 2019 as an operating expense. Note 16 provides for details about the calculation of the allowance.

The following restatement of opening balances at 1 June 2018 has occurred:

all figures in \$ millions	Reported 31 May 2018	Adoption of IFRS 9 transition difference	Restated opening balance at 1 June 2019
Accumulated loss	641.0	4.1	645.1
Trade Receivables (current)	303.8	(2.4)	301.4
Contract Assets	156.2	(1.7)	154.5

2.3. 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.

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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, balances and unrealised gains and losses on transactions between Group companies are eliminated.

3. Critical accounting estimates and judgements

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

3.1. Acquisition accounting and the fair value of purchased intangible assets

IFRS 3 (Revised) requires the identification and valuation of separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements.

The estimates and judgements made in relation to acquired intangible assets cover identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make judgements on the useful economic lives of the intangible assets.

At 31 May 2019, the carrying amount of acquisition related intangible assets amounts to \$2,059.5m (31 May 2018: \$2,527.4m).

3.2. Impairment of goodwill and other intangibles

The recoverable amount of an asset or groups of assets ('cash-generating unit' or 'CGU') is the greater of its value in use and its fair value less costs of disposal (FVLCD). The significant assumptions underlying the recoverability of goodwill include estimated discretionary after-tax cash flow and growth projections, considering industry performance and general business and economic conditions. Other significant assumptions include weighted average cost of capital ('WACC') and terminal value growth rates which are included in the discounted cash flow models.

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. These trends include government regulations which impact the demand for these solutions, decisions by financial institutions whether or not to replace their legacy computer systems and invest in new technology to enhance their competitive position, and interest rates among other factors. In Canada, the decline in cheque usage due to the implementation and adoption of alternative payment methods, interest rates, residential real estate activity and initiatives by major financial institutions to outsource certain operations where the Group has a solution are factors that impact performance. In the United States, interest rates and lending activity also impact future performance.

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

Separately identifiable intangible assets that derive their value from contractual customer relationships or from internal use have a finite useful life and are amortized over their estimated useful lives. Determining the estimated useful life of these finite life intangible assets requires an estimate of the period over which these assets will generate future benefit to the Group and therefore, significant management judgment. Finite life intangible assets, including capitalized software costs of an intangible asset not yet available for use, are tested for impairment, whenever circumstances indicate that the carrying value may not be recoverable and require management to exercise judgment in analysing such possible circumstances.

At 31 May 2019, the carrying amount of the goodwill amounts to \$5,587.2m (31 May 2018: \$5,665.5m).

3.3. Revenue recognition

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 key judgements arise.

Contract existence and term

Certain criteria must be satisfied to recognize an arrangement as a revenue generating contract. Judgement arises when determining if an enforceable contract is in place. Where services are offered on a trial basis or the customer's ability and intention to pay are in doubt no revenue arrangement is deemed to exist and any monies received will be recognized

as a liability until such time as a binding contract is in force or we have completed our obligations and no amounts received are refundable.

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

Promises to a customer

At 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.

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

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

Typically in the software industry the promise to transfer the software licence and the promise to provide unspecified updates, upgrades or enhancements related to that software product will be separately identifiable from each other. However, in limited circumstances, IFRS 15 illustrates that a software licence may not be distinct from a promise to provide unspecified updates, upgrades or enhancements. These circumstances exist in situations where there is, effectively, a reasonable certainty that updates will be provided that are integral to the customer's ability to continue to derive substantive benefit from the software licence (i.e. its utility to the customer) throughout the licence period. In the financial services software industry, there are circumstances where the utility of core functionality of the licensed software would degrade significantly during the term of a licence if the vendor were not to fulfil its promise to provide updates for changes. Where the promise to provide software updates is critical to maintaining the functionality of the licensed software and these updates occur such that the core utility of the licensed software diminishes significantly during the licence term absent the updates being provided, then the licence and maintenance are viewed as a combined performance obligation for revenue recognition purposes. The maintenance is viewed as critical where core functionality of the software relies on regular updates for i) financial transaction infrastructure changes (e.g. SWIFT/ACH) and/or ii) regulatory compliance reporting/functionality changes. In these cases, fees for the licence are therefore recognised over the term of the licence agreement or the committed maintenance period, whichever is longer. For perpetual agreements and contracts with terms greater than 10 years, over the life of the IP.

Revenue to recognize: 'The transaction price'

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

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

Allocation of revenue

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

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

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Recognising revenue

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

The judgement 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.

Where revenue 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 estimation of total anticipated costs is inherently judgemental and depends upon the complexity of work being undertaken, any customizations being made to software and the customer environment being interfaced to. The scope of projects frequently change and most frequently in agreement with customer modifications. Consequently the judgement of total anticipated costs is subjected to a high level of review at all stages in a project life cycle.

Further details of the revenue accounting policy are included below in section 4.

3.4. R&D asset capitalisation

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. Management estimates the future sales and long-term operating margins of the asset.

Total development expenditure for the year was \$285.0m (period ending 31 May 2018: \$280.0m) and the total capitalized software development costs was \$94.0m (period ending 31 May 2018: \$81.7m).

3.5. Taxation

A good tax control framework is a standard global requirement for the Group on which to base the multiple tax filings it is required to make to authorities globally. Management uses this documented process to review key judgements and risk areas to determine the financial statement impact from those filings with particular areas of focus on future income flows, the activities being undertaken in the Group's entities compared to their financial statement results and the impact of changes to the tax regulatory landscape with new tax laws being introduced.

Deferred income tax assets and liabilities and the corresponding impact on deferred income tax expense or recovery are based on the temporary differences that are expected to reverse in future periods. Management uses judgment in determining when temporary differences will reverse and if the benefits of deductible temporary differences and tax losses can be realised. A key assumption in determining the deferred income taxes is that the Group will be able to maintain sufficient levels of income such that the deferred tax assets will be realised.

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

At 31 May 2019, the carrying amount of net deferred tax liabilities amounted to \$209.2m (period ended 31 May 2018: \$257.7m).

3.6. Pensions

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Further details, including sensitivities to these assumptions, are provided in note 24 to the consolidated financial statements.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

4. Significant accounting policies

4.1. Revenue from Contracts with Customers

Revenue is derived from the sale of software solutions and software related services to customers. Note 5.1 to the Financial Statements shows the composition of total revenue according to geographical market, major service lines and by the timing of revenue recognition.

Subscription and software license revenue and related maintenance

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

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

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

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.

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

When 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. Revenue is recognized as the professional services are provided through to customer acceptance consistent with the methods described above for professional services revenues.

Other

Other revenues are generated in the following ways:

- Enhancement services

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

Cloud revenue is generated in hosting arrangements where the customer purchases a combined software and hosting arrangement but does not have the ability to take possession of the software during the term. Fees related to cloud solutions are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is 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

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

incurred. Fees related to any non-distinct upfront administrative set-up activities are recognized over the enforceable cloud service term.

Technology Enabled Management Services

The Group generates non-software related revenue principally from the following sources:

- Enhancement services

The Group's enhancement services programme allows Canadian financial institutions to offer additional products to their customers to further enhance the value they gain from their chequing or credit card accounts. The programme provides subscribers with a suite of services related to identity protection and restoration services, and credit monitoring services and revenue is mainly attributable to subscription-based monthly fees. Revenue is mainly recognized over time as subscription-based monthly fees are earned.

- Student lending programme

The Group is a leader in student lending technology and programme 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 enrolment, management of funds disbursement, loan tracking, student support services, reporting and collections.

Revenue from the student lending programme 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 programmes, along with revenue from professional services work connected to programme enhancements requested by the lenders. Revenue is recognized following delivery and acceptance of these projects.

- Cheques

Finastra is the primary supplier of personal and business cheques for most financial institutions in Canada. The Group's personal cheque programme offers cheque products, options and added value features. The Group's revenue is recognized as cheques are delivered to customers.

Contract acquisition costs

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.

Contract fulfilment costs

Costs to fulfil a contract include professional services internal and external costs and any license inputs purchased from third parties. These costs are 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. Fulfilment 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.

Contract modifications

Contract modifications occur when the Group and its customers agree to modify existing customer contracts to change the scope or price (or both) of the contract or when a customer terminates some, or all, of the existing services provided by the Group. 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. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, including the allocation of revenue to the remaining performance obligations and the period of recognition for each identified performance obligation.

Material rights

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

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Existence of a significant financing component

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

4.2. Foreign currency translation

The consolidated financial statements are presented in US Dollar, which is the functional 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 Group's income statement 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 2019	Average rate for the year ended 31 May 2019	Closing rate at 31 May 2018	Average rate for the period ended 31 May 2018
Canadian Dollar	1.353	1.322	1.287	1.271
Euro	0.898	0.874	0.857	0.840
Pound sterling	0.793	0.769	0.752	0.744
Indian Rupee	69.759	70.356	67.362	64.784
Israeli New Shekel	3.633	3.643	3.570	3.519

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 loss. 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 Group's income statement.

4.3. 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:

Buildings	20 - 30	Years
Leasehold improvements	5 - 10	years or the period of the lease if shorter
Computers and other equipment	4 - 15	Years or the period of the lease if shorter

4.4. Business combinations and 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)*. The cost of the acquisition is measured as the cash paid and the aggregate of the fair values, at the date of exchange, of other assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 (Revised)*, are recognized at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5*, which are recognized and measured at fair value less costs of disposal ('FVLCD').

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Goodwill arising on 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.

On disposal of a subsidiary, associate or joint venture entity, any amount of goodwill attributed to that entity is included in the determination of the profit or loss on disposal. A similar accounting treatment is applied on disposal of assets that represent a business.

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 IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', management has developed an accounting policy that provides relevant and reliable information and has determined that the application of the acquisition method in accordance with IFRS 3 (Revised) is appropriate.

4.5. Other intangible assets and research and development expenditure

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 programmes 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.

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.

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

Complete technology	3 - 7 years
Customer relationships	4 - 15 years
Trade names and brands	2 - 15 years
Developed software	3 - 5 years
Third-party software	3 - 7 years

4.6. 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 Group income statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value 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 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. Impairment losses in respect of goodwill are not reversed.

4.7. 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, 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 2019.

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.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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 as 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 and contract assets. The Group holds these assets and does not factor or sell them.

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

The Group measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

4.8. 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. Further details of derivative financial instruments are disclosed in note 15 to the consolidated financial statements.

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 Group income statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Group income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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 realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge accounting

The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 28 to the consolidated financial statements sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the cash flow hedge reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognized immediately in the Group income statement.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the Group income statement in the periods when the hedged item is recognized in the Group income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

comprehensive income at that time is accumulated in equity and is recognized, when the forecast transaction is ultimately recognized, in the Group income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the Group income statement.

4.9. Trade receivables

Trade receivables are initially recognized at fair value, which is usually the original invoice amount and are subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

4.10. Cash and cash equivalents

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 Group statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

4.11. 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.

4.12. Trade payables

Trade payables are recognized initially at fair value, which is usually 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.

4.13. 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 Group income statement, within finance costs, over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.14. Taxation

Taxation comprises current and deferred tax. Tax is recognized in the Group income statement except to the extent that it relates to items recognized directly in shareholders' equity, in which case it too is recognized in shareholders' equity.

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. Taxable profit differs from net profit as reported in the Group income statement because it excludes items that are never taxable or deductible.

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 realisation 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 realised. 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, but they intend to settle current tax liabilities and assets on a net basis or these tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group considers the impact of uncertain tax positions and whether additional taxes, penalties and interest may be due. Amounts recorded are based on the Group's best estimate of amounts to be paid.

4.15. 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 Group statement of financial position. Any current or past service cost and administration expenses are recognized in the Group income statement 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 Group income statement 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.

4.16. Provisions

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.

Provision for onerous lease commitments on property contracts is made when a property is no longer used by the Group and is based on an estimate of the net unavoidable lease and other payments in respect of these properties, including dilapidation costs. These comprise rental and other property costs payable, plus any termination costs, less any income expected to be derived from the properties being sublet.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the Group income statement within interest expense.

4.17. Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal. No depreciation is charged in respect of non-current assets classified as held for sale.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Group income statement.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

4.18. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments are apportioned between finance charges and the reduction of the lease obligation to achieve a constant rate of return on the remaining balance of the liability. Payments under operating leases are charged to the Group income statement on a straight-line basis over the term of the relevant lease.

4.19. Share-based payments

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 fair value determined at the grant date is 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.

5. Revenue

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 2019							
	US Community Markets	Treasury and Capital Markets	Corporate Banking	Payments	Enterprise Retail	TBS and Other	TEMS	Total
all figures in \$ millions								
Primary geographical markets								
Europe	-	193.3	56.0	58.5	81.2	67.8	-	456.8
Americas	452.3	45.6	73.2	82.5	20.0	51.2	268.3	993.1
Middle East and Africa	2.6	40.9	45.9	7.1	49.4	3.8	-	149.7
Asia Pacific	-	77.5	48.7	11.4	22.0	4.0	-	163.6
Total	454.9	357.3	223.8	159.5	172.6	126.8	268.3	1,763.2
Major product lines								
Subscriptions & Licenses	102.6	59.6	55.9	11.0	53.4	3.9	-	286.4
Maintenance	101.3	236.0	86.2	46.5	90.2	16.9	-	577.1
Professional services	23.3	59.2	75.4	61.0	28.4	13.7	2.7	263.7
Transaction processing	-	-	-	-	-	56.8	-	56.8
Other	227.7	2.5	6.3	41.0	0.6	35.5	265.6	579.2
Total	454.9	357.3	223.8	159.5	172.6	126.8	268.3	1,763.2
Timing of revenue recognition								
Services transferred at a point in time	47.1	17.0	42.5	5.5	23.7	5.0	-	140.8
Services transferred over time	407.8	340.3	181.3	154.0	148.9	121.8	268.3	1,622.4
Total	454.9	357.3	223.8	159.5	172.6	126.8	268.3	1,763.2

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

all figures in \$ millions	Period ended 31 May 2018							Total
	US Community Markets	Treasury and Capital Markets	Corporate Banking	Payments	Enterprise Retail	TBS and Other	TEMS	
Primary geographical markets								
Europe	-	179.4	76.5	60.2	60.9	56.3	-	433.3
Americas	377.6	41.9	70.9	75.7	13.2	54.1	316.5	949.9
Middle East and Africa	-	20.3	45.5	-	46.1	0.2	-	112.1
Asia Pacific	-	64.1	33.0	0.2	20.9	3.0	-	121.2
Total	377.6	305.7	225.9	136.1	141.1	113.6	316.5	1,616.5
Major product lines								
Subscriptions & Licenses	54.5	22.0	81.8	2.9	20.9	1.8	-	183.9
Maintenance	83.4	227.9	81.0	44.2	93.6	8.4	5.8	544.3
Professional services	31.8	52.3	57.2	46.9	26.6	11.7	7.7	234.2
Transaction processing	-	-	-	-	-	57.0	-	57.0
Other	207.9	3.5	5.9	42.1	-	34.7	303.0	597.1
Total	377.6	305.7	225.9	136.1	141.1	113.6	316.5	1,616.5
Timing of revenue recognition								
Services transferred at a point in time	40.3	12.4	66.6	2.9	22.3	12.9	-	157.4
Services transferred over time	337.3	293.3	159.3	133.2	118.8	100.7	316.5	1,459.1
Total	377.6	305.7	225.9	136.1	141.1	113.6	316.5	1,616.5

Revenue includes the impact of unwinding of \$121.0m (May 2018: \$212.3m) deferred revenue fair value adjustments arising from the purchase price allocations in respect of the acquisition accounting applied. These fair value adjustments are split \$85.8m (May 2018: \$133.8m), \$6.0m (May 2018: \$57.3m), \$28.2m (May 2018: \$21.2m) and \$1.1m (May 2018: Nil) between license fees, maintenance 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 2019	31 May 2018
Receivables, which are included in, 'Trade and other receivables'	289.3	303.8
Contract assets which are included in, 'Trade and other receivables'	228.4	156.2
Contract liabilities which are included in, 'Deferred income'	(617.0)	(560.1)

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.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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

all figures in \$ millions	31 May 2019		31 May 2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Business combination	-	-	137.1	(354.0)
Revenue recognized from brought forward contract liabilities	-	364.2	-	324.3
Net amounts billed in advance of revenue recognition	-	(169.2)	-	(210.0)
Billing of contract assets (moved to trade receivables)	(103.0)	-	(113.7)	-
New contract assets arising from revenue recognition	121.4	-	132.8	-

5.3 Contract costs

Where certain contract costs meet defined criteria, those costs are deferred as assets. The following table provides information about contract costs by category of asset:

all figures in \$ millions	31 May 2019	31 May 2018
Commission fees	59.4	29.5
Royalty and agent fees	14.3	10.8
Deferred implementation fees	52.1	29.5
	125.8	69.8

Management expects that incremental commission fees paid to employees and agent fees paid to intermediaries and implementation fees, as a result of obtaining contracts, are recoverable. The Group has therefore deferred these fees as contract costs in the amount of \$125.8m (May 2018: \$69.8m) at 31 May 2019. The contract cost assets are amortized when the related revenues are recognized. In FY19 no impairment loss was recognized in relation to the costs capitalized.

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.

5.4 Transaction price allocated to the remaining performance obligations

The total amount of revenue allocated to unsatisfied performance obligations is \$3.6bn (May 2018: \$2.9bn restated). We expect to recognize approximately \$1.2bn (May 2018: \$0.9bn) in the next 12 months, \$1.2bn (May 2018: \$0.8bn) in 1 to 3 years and the remainder in 3 years or more time.

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. A large proportion of the Group's revenue is transactional in nature and these amounts are excluded unless there is a minimum commitment amount (a floor) in which case the floor value is included. A significant amount of the Group's maintenance revenue is billed annually in advance and has to be renewed each year. In such cases only the current invoiced amount remaining to be 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 2019	Period ended 31 May 2018
Employee costs	710.6	667.2
Capitalized software development costs	(94.0)	(81.7)
Non-recurring charges (see Note 6.3)	66.3	104.3
Impairment of goodwill and intangibles	3.2	329.1
Amortization of other intangible assets	475.4	448.6
Depreciation of property, plant and equipment	32.9	34.2

Operating expenses include the unwinding of \$31.0m (May 2018: \$47.1m) of contract costs related to fair value adjustments arising from the PPA adjustments. Amortization of other intangible assets of \$475.4m (May 2018: \$448.6m) relates to the amortization of fair value of intangible assets from the PPA adjustments and amortization of R&D costs and purchased software.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

The Group consumed \$7.1m (May 2018: \$7.3m) of inventories during the year and these costs are included within direct sales costs.

6.1 Employee information

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

	Year ended 31 May 2019	Period ended 31 May 2018
United States of America	1,609	1,821
Canada	1,286	1,657
United Kingdom	498	524
Mainland Europe	1,936	1,776
India	2,623	2,693
Other	1,150	1,408
Total	9,102	9,879

The number of employees as on 31 May 2019 is 8,770 (May 2018: 9,614).

Group employee costs comprise the following items:

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018
Wages, salaries and benefits including redundancy costs	639.5	593.8
Social security costs	43.5	45.3
Pension costs (note 24)	27.6	28.1
Total	710.6	667.2

Remuneration of key management personnel is disclosed in note 27 to the consolidated financial statements.

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 2019	Period ended 31 May 2018
Fees payable to the Company's auditors for the audit of the consolidated financial statements	1.6	2.7
Audit of the Company's subsidiaries	1.0	1.0
Total fees related to the audit of the parent and subsidiary entities	2.6	3.7
Fees payable to the Company's auditors and its associates for other services:		
Tax services	-	0.1
Non-assurance services	0.9	0.2
Total	3.5	4.0

It is the Group's policy to seek competitive tenders for all major consultancy and advisory projects. Appointments are made taking into account factors including expertise, experience and cost.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

6.3 Non recurring costs

Non-recurring 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. They are items that are material, either because of their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate. Our adjusted results exclude these items as they are consistent with the way that financial performance is monitored by management.

Examples of items satisfying the above include the acquisition or disposals of businesses, litigation claims, business restructuring programmes, asset impairment charges and property rationalization programmes. The adjusted EBITDAC is disclosed on page seven of the strategic report.

Non-recurring charges are broken down by type as follows:

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018
Employee costs including severance	24.3	49.7
Occupancy costs	7.9	18.1
Integration costs	14.6	29.3
Legal & professional fees	12.9	4.1
Acquisition costs	6.2	0.9
Other	0.4	2.2
Total	66.3	104.3

7. Net finance costs

all figures in \$ millions	Note	Year ended 31 May 2019	Period ended 31 May 2018
Interest cost on term loans and overdrafts		(344.4)	(316.2)
Amortization of financing facility costs		(23.8)	(21.2)
Fair value losses on investments	13	-	(0.2)
Net financing charge relating to pensions	24	(0.4)	(0.6)
Other finance costs		(11.9)	(12.0)
Finance costs		(380.5)	(350.2)
Interest received on cash and cash equivalents		0.8	0.2
Accretion of discount on trade and other receivables		0.1	0.3
Finance income		0.9	0.5
Net finance costs		(379.6)	(349.7)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

8. 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 2019	Period ended 31 May 2018
Current tax			
Corporation tax on losses for the year/period		(28.8)	(63.8)
Adjustments for prior period		10.8	-
Irrecoverable withholding taxes		(10.7)	(11.1)
Total current tax charge		(28.7)	(74.9)
Deferred tax			
Origination and reversal of temporary differences		29.2	120.0
Change in tax rates		(1.0)	63.7
Adjustments for prior period		10.1	-
Total deferred tax credit	14	38.3	183.7
Tax credit recognized in the Group income statement		9.6	108.8

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 2019	Period ended 31 May 2018
Loss before taxation	(407.1)	(760.4)
Tax credit recognized in the Group income statement	9.6	108.8
Effective tax rate	2.4%	14.3%
 Tax on loss at 19%	 77.3	 144.4
 Tax effects of:		
Effects of tax rates in different jurisdictions	6.9	(0.7)
Non-deductible goodwill impairment losses	-	(37.3)
Permanent differences	(2.8)	(3.3)
Re-measurement of deferred tax due to changes in tax rates	(1.0)	63.7
Charge / (credit) from changes in unrecognized deferred tax assets and liabilities	(72.0)	(45.4)
Adjustments for prior period	20.9	-
Irrecoverable withholding tax	(10.7)	(11.1)
Tax reserves	(7.6)	-
Other differences	(1.4)	(1.5)
Tax credit	9.6	108.8

The Group is subject to taxation in a number of jurisdictions, the most significant is Canada which was subject to an annual effective tax rate for both Federal and State tax of 26.5%. Deferred tax movements are described in note 14 to the consolidated financial statements.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

9. Acquisitions and disposals

9.1 Acquisition of Malauzai Software Inc.

On 14 June 2018, Finastra acquired 100% of Malauzai Software Inc. ('Malauzai') for cash consideration of \$58.3m, with \$6.0m of the consideration deferred for a period of 12 months. Malauzai, headquartered in Texas, USA, is a provider of mobile and internet banking solutions for community financial institutions. The deal reflects Finastra's commitment to the US retail and business banking sectors by further enabling digital transformation for community banks and credit unions across the USA.

\$47.1m of goodwill was recognized on the acquisitions which predominately relates to the synergistic nature of the acquisition due to it building on the previously formed partnership and potential cost savings. None of the goodwill is tax deductible.

Acquisition-related costs amounting to \$1.0m have been incurred and recognized as a non-recurring charge in the period. The final consideration payment of \$6.0m was paid in June 2019.

The fair values of the Malauzai assets and liabilities acquired and goodwill recognized upon acquisition are as follows:

all figures in \$ millions	Provisional fair value of the identifiable assets and liabilities acquired
Assets	
Intangible assets	20.7
Property, plant and equipment	0.9
Trade and other receivables	2.8
Cash and cash equivalents	3.0
Other assets	0.6
	28.0
Liabilities	
Borrowings	(4.8)
Trade and other payables	(4.8)
Other liabilities	(6.3)
Net deferred tax liabilities	(0.9)
	(16.8)
Net identifiable assets	11.2
Goodwill	47.1
Net assets acquired	58.3

Income statement items relating to the acquisition of Malauzai:

all figures in \$ millions	31 May 2019
Revenue recognized since the acquisition date in the Group income statement	13.3
Loss since acquisition in the Group income statement ¹	(7.9)

¹Loss since acquisition excludes finance charges and tax

Had Malauzai been part of the group from the 1 June 2019 i.e. the full financial year, the difference on the reported results for the year would have been materially the same.

9.2 Disposal of Collateral Management Solutions ('CMS')

On 3 August 2018, the Group sold the Canadian-based D+H Collateral Management Systems ('CMS') business to Teranet Inc. based in Toronto, Canada for net consideration of CA\$352.0m (\$265.5m) of which CA\$4.6m (\$3.5m) is to be held in escrow for a period of up to 18 months.

The cash proceeds received were used by the Group to repay \$175.4m and €41.6m of debt borrowed at the time of the formation of Finastra.

On 29 December 2018, the final sale consideration was agreed with Teranet Inc. reducing the total net consideration by CA\$2.6m (\$2.0m) due to adjustments to working capital.

The post-tax profit on disposal of business recognized during the year is \$123.0m and includes the recycling of losses from the foreign currency translation reserve of \$13.0m. The cash flows generated by the discontinued operations was \$4.0m (31 May 2018: \$15.3m).

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

This note details the consideration received, the assets and liabilities disposed of and the profit before and after tax arising on disposal.

Date of disposal	3 August 2018
Business/assets disposed of by the Group	D+H Collateral Management Systems
Sold to	Teranet Inc.
all figures in \$ millions	
Goodwill	97.5
Intangible assets	47.4
Trade receivables	12.9
Other assets	11.2
Deferred revenue	(11.6)
Other liabilities	(11.9)
Current tax liability	(3.1)
Deferred tax liabilities	(12.9)
Net assets disposed of	129.5
Consideration received net of associated transaction expenses	265.5
Gain on sale before income tax and reclassification of foreign currency translation reserve	136.0
Recycling of foreign currency translation reserve on disposal	(13.0)
Profit on disposal of business before tax	123.0
Taxation	-
Profit on disposal of business after tax	123.0

Analysis of the result of discontinued operations is as follows:

all figures in \$ millions	31 May 2019	31 May 2018
Revenue	35.2	180.9
Operating expenses	(30.6)	(168.5)
Profit before tax of discontinued operations	4.6	12.4
Tax	(0.8)	(1.8)
Profit after tax of discontinued operations	3.8	10.6

10. Goodwill

all figures in \$ millions	Year ended 31 May 2019	Period ended 31 May 2018
Cost		
At start of year / period	5,994.2	-
Acquisitions (note 9)	47.1	6,007.5
Held for sale	-	(100.4)
Differences on exchange	(131.1)	87.1
At end of year / period	5,910.2	5,994.2
Provision for impairment		
At 1 June	(328.7)	-
Impairment charge	-	(328.7)
Differences on exchange	5.7	-
Cost and net book value at 31 May	5,587.2	5,665.5

10.1 Goodwill impairment testing

Goodwill acquired through business combinations has been allocated for the purposes of impairment testing to cash-generating units ('CGUs'). Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination. The Group conducts annual impairment tests on the carrying value of goodwill, based on the net present value on the recoverable amount of the CGU to which goodwill has been allocated.

The recoverable amount of the CGUs is determined based on value-in-use ('VIU') calculations. The VIU calculations were based on projected cash flows, derived from the latest budget approved by the board, discounted at CGU specific

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

discount rates to calculate their net present value. Cash flows were projected over five years when determining the VIU. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU performs its operations.

The carrying amount of goodwill allocated to CGU groups and the discount rate applied is as follows:

	31 May 2019		31 May 2018	
all figures in \$ millions	Goodwill	Pre-tax discount rate %	Goodwill	Pre-tax discount rate %
Lending				
FB Lending	318.6	8.7	318.6	8.3
Lending Solutions	1,431.1	7.7	1,504.0	8.3
Mortgage Technology	98.0	10.0	162.9	11.1
Retail Banking				
FB Core Banking	790.2	8.7	830.8	8.5
Integrated Core	384.3	8.7	354.8	8.8
Merchant Services	113.3	8.8	173.3	9.0
Transaction Banking				
FB Transaction Banking	309.0	8.8	309.0	9.1
Cash Management	6.5	16.8	11.6	18.5
Payments	324.9	8.8	341.4	8.6
Financial Messaging	45.9	9.1	48.3	8.7
Trade and Capital Markets				
Fusion Capital	1,448.4	8.7	1,617.8	9.0
Fusion Invest	63.4	10.3	63.4	8.9
Fusion Risk	152.8	8.8	152.8	8.3
Technology Enabled Management Services				
Student Lending	35.0	10.3	36.7	9.9
Cheque Program & Enhancement Services	65.8	11.1	68.8	12.5
Total	5,587.2		5,994.2	

10.1.1 Key assumptions

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

Discount rate

Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU or Group of CGUs.

Revenue growth and operating margin

Specific operating assumptions are applicable to the budgeted cash flows for the year to May 2019 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 as the budgets are built up from the underlying products within each CGU group.

Management determined budgeted revenue growth and operating margin based on prior performance and expectation of market development.

Long-term growth rate

The Group bases its estimate for the long-term pre-tax discount rate on its WACC using long-term market data and industry data to derive the appropriate inputs to the calculation. A weighted average long-term growth rate has been used for each CGU (at least 1.9%) and is based on long-term gross domestic product ('GDP') growth rates for the Group's primary markets.

10.1.2 Summary of results

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

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

10.1.3 Sensitivity to changes in assumptions

The results of the Group's impairment tests are dependent upon estimates and judgements, 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:

Discount rate

A 0.5% change in the absolute discount rate is considered reasonably possible for the business, based on long-term market and industry data.

Revenue growth

A change of 5% to the forecast annual revenue growth rate is considered reasonably possible, based on experience, adjusted for market growth forecast and the current economic environment.

Operating margin

The directors consider that a reduction of 2.5% in the absolute value of long-term operating margins across all CGUs would be the limit of what could be reasonably possible on the basis that the Group's cost base is flexible and could quickly respond to market changes. The Group is spread across a range of geographies and has large recurring license and maintenance revenue streams which help to insulate it from more significant changes.

	Change in assumption	Impact on impairment charge (\$m)
Discount rate	Increase by 0.5%	134.2
Revenue growth %	Decrease by 5%	379.4
Operating margin %	Decrease by 2.5%	36.0

Specific CGU's

In addition to the above Group wide sensitivities, management evaluate individual CGU performance against budget and forecasts. The Fusion Capital CGU is particularly sensitive to a modest change in assumptions, with just a 2% reduction in revenue in every year of forecast triggering a \$100.3m impairment. The Transaction Banking CGU is also more sensitive to revenue growth assumptions than other CGUs, although less so than Fusion Capital. A 2% reduction in the revenue growth applied to the Transaction Banking CGU would trigger an impairment of \$20.9m. Whilst possible in the short term, management do not consider it sufficiently probable that such a prolonged deterioration in revenue would occur without implementation of sufficient compensating cost control measures to avoid such a problem.

11. Other intangible assets

The Group 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 2018	1,909.0	926.4	121.5	79.1	37.5	3,073.5
Acquisitions	13.2	5.9	1.6	-	-	20.7
Additions	-	-	-	94.0	14.7	108.7
Disposal	-	-	-	(0.3)	(2.0)	(2.3)
Transfers	-	-	-	(0.8)	0.8	-
Impairment	-	-	-	(3.2)	-	(3.2)
Exchange adjustments	(33.2)	(21.7)	(2.7)	(2.0)	(3.0)	(62.6)
At 31 May 2019	1,889.0	910.6	120.4	166.8	48.0	3,134.8
Accumulated amortization						
At 1 June 2018	(341.8)	(74.3)	(13.4)	(2.1)	(14.2)	(445.8)
Amortization charges (note 6)	(354.2)	(76.8)	(14.0)	(16.6)	(13.8)	(475.4)
Disposals	-	-	-	-	2.0	2.0
Exchange adjustments	9.9	3.6	0.5	0.2	1.7	15.9
At 31 May 2019	(686.1)	(147.5)	(26.9)	(18.5)	(24.3)	(903.3)
Net book value						
At 1 June 2018	1,567.2	852.1	108.1	77.0	23.3	2,627.7
At 31 May 2019	1,202.9	763.1	93.5	148.3	23.7	2,231.5

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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 6 March 2017	-	-	-	-	-	-
Acquisitions	1,916.0	927.1	129.8	-	8.0	2,980.9
Additions	-	-	-	81.7	29.2	110.9
Disposal	-	-	-	-	(0.1)	(0.1)
Held for sale ⁴	(29.2)	(15.2)	(10.3)	(1.9)	-	(56.6)
Impairment	-	-	-	(0.3)	(0.1)	(0.4)
Exchange adjustments	22.2	14.5	2.0	(0.4)	0.5	38.8
At 31 May 2018	1,909.0	926.4	121.5	79.1	37.5	3,073.5
Accumulated amortization						
At 6 March 2017	-	-	-	-	-	-
Amortization charges (note 6)	(349.5)	(76.2)	(14.5)	(2.7)	(13.4)	(456.3)
Held for sale ⁴	5.6	1.1	1.0	-	-	7.7
Exchange adjustments	2.1	0.8	0.1	0.6	(0.8)	2.8
At 31 May 2018	(341.8)	(74.3)	(13.4)	(2.1)	(14.2)	(445.8)
Net book value						
At 6 March 2017	-	-	-	-	-	-
At 31 May 2018	1,567.2	852.1	108.1	77.0	23.3	2,627.7

¹The remaining amortization periods of complete technology assets, customer relationships and trade names and brands are approximately 3 years, 10 years and 6 years respectively.

²Developed software is amortized over its useful economic life which is estimated to be five years. The balance comprises capitalized costs arising from the development phase of the R&D projects undertaken by the Group.

³Developed software and third-party software include assets under construction with a cost of \$50.7m (May 2018: \$44.0m) and \$0.7m (May 2018: \$0.2m) respectively.

⁴Transfers to held for sale are in respect of the CMS business.

12. Property, plant and equipment

all figures in \$ millions	Building and leasehold improvements ¹	Computer and other equipment	Total
Cost			
At 1 June 2018	47.2	75.3	122.5
Acquisitions	0.9	-	0.9
Additions	21.6	32.0	53.6
Disposal	(11.6)	(3.8)	(15.4)
Exchange adjustments	(1.7)	(5.6)	(7.3)
At 31 May 2019	56.4	97.9	154.3
Accumulated depreciation			
At 1 June 2018	(11.6)	(22.5)	(34.1)
Depreciation charges (note 6)	(9.5)	(23.4)	(32.9)
Disposals	2.9	2.1	5.0
Exchange adjustments	0.6	4.3	4.9
At 31 May 2019	(17.6)	(39.5)	(57.1)
Net book value			
At 1 June 2018	35.6	52.8	88.4
At 31 May 2019	38.8	58.4	97.2

¹Building and leasehold improvements includes assets under construction (AUC) with a cost of \$3.6m (May 2018: \$1.0m). AUC are presented without depreciation.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

All figures in \$ millions	Building and leasehold improvements ¹	Computer and other equipment	Total
Cost			
At 6 March 2017	-	-	-
Acquisitions	32.2	62.9	95.1
Additions	15.4	15.9	31.3
Disposal	(0.2)	(2.3)	(2.5)
Held for sale ²	-	(2.1)	(2.1)
Exchange adjustments	(0.2)	0.9	0.7
At 31 May 2018	47.2	75.3	122.5
Accumulated depreciation			
At 6 March 2017	-	-	-
Depreciation charges (note 6)	(11.8)	(23.0)	(34.8)
Disposals	-	0.1	0.1
Held for sale ²	-	0.6	0.6
Exchange adjustments	0.2	(0.2)	-
At 31 May 2018	(11.6)	(22.5)	(34.1)
Net book value			
At 6 March 2017	-	-	-
At 31 May 2018	35.6	52.8	88.4

¹Building and leasehold improvements includes assets under construction with a cost of \$1.0m.

²Transfers to held for sale are in respect of the CMS business.

13. Investments

all figures in \$ millions	
At 6 March 2017	-
Acquisitions	2.7
Disposals	(1.2)
Fair value movements	(0.2)
Exchange adjustments	0.2
At 31 May 2018	1.5
Additions	1.0
Exchange adjustments	(0.1)
At 31 May 2019	2.4

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

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

14. Deferred taxation

all figures in \$ millions	Losses	Other deductible temporary differences	Goodwill and acquired intangibles	Total
At 6 March 2017	-	-	-	-
Acquisitions (note 9)	93.2	156.0	(686.8)	(437.6)
Credited to the Group income statement (note 8)	(9.6)	37.3	93.6	121.3
Impact of change in tax rates taken to the Group income statement (note 8) ¹	(4.0)	(51.2)	118.9	63.7
Credit related to components of other comprehensive income	(3.1)	(0.7)	-	(3.8)
Other movements	-	(2.9)	-	(2.9)
Held for sale	-	0.6	12.5	13.1
Exchange adjustments	(2.5)	4.6	(13.6)	(11.5)
At 31 May 2018	74.0	143.7	(475.4)	(257.7)
Acquisitions (note 9)	-	(0.5)	(5.2)	(5.7)
Charged / (credited) to the Group income statement (note 8)	17.5	(68.5)	90.2	39.2
Impact of change in tax rates taken to the Group income statement (note 8)	(0.2)	(0.9)	0.2	(0.9)
Other movements	13.7	19.0	(25.9)	6.8
Exchange adjustments	(0.2)	(0.9)	10.2	9.1
At 31 May 2019	104.8	91.9	(405.9)	(209.2)

¹The amount credited to the Group income statement includes \$1.3m that has been classified as part of discontinued operations.

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 2019					
all figures in \$ millions	Losses	Other temporary differences	Goodwill and acquired intangibles	Offset	Total
Deferred tax assets	104.8	91.9	-	(106.1)	90.6
Deferred tax liabilities	-	-	(405.9)	106.1	(299.8)
As shown above	104.8	91.9	(405.9)	-	(209.2)

31 May 2018					
all figures in \$ millions	Losses	Other temporary differences	Goodwill and acquired intangibles	Offset	Total
Deferred tax assets	74.0	143.7	-	(101.7)	116.0
Deferred tax liabilities	-	-	(475.4)	101.7	(373.7)
As shown above	74.0	143.7	(475.4)	-	(257.7)

Included within the net deferred tax liability of \$209.2m (May 2018: \$257.7m) is \$405.9m (May 2018: \$475.4m) arising from acquired intangibles and goodwill. This represents the net future tax liabilities arising from the underlying goodwill and acquired intangibles. The deferred tax liability will reverse by \$90.2m (May 2018: \$119.8m) 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 utilise the assets.

The Group has a number of deferred tax assets that are not recognized as their utilisation is not deemed to be probable due to insufficient future profits expected to arise in country or because there are legal restrictions on their use which prevent the Group begin able to access them. The components of the unrecognized assets, stated gross, are UK capital losses of \$275.7m (May 2018: \$273.7m), UK interest deductions \$240.6m (May 2018: \$164.4m), Luxembourg corporate tax losses \$340.2m (May 2018: \$323.1m), US capital losses of \$0.6m (May 2018: \$0.6m), US interest deductions \$287.7m (May 2018: \$128.8m), Canadian corporate tax losses \$40.1m (May 2018: \$73.8m), Canadian capital losses \$28.7m (May 2018: Nil), Israeli capital losses of \$49.6m (May 2018: \$50.9m), Israeli corporate losses \$2.3m (May 2018: Nil) other tax deductions not recognized of \$8.0m (May 2018: \$11.2m), other tax capital losses \$6.6m (May 2018: Nil), tax credits not recognized \$2.2m (May 2018: Nil) and tax losses in other jurisdictions of \$26.5m (May 2018: \$1.1m). The

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

total of these when multiplied by the respective country tax rate gives an unrecognized deferred tax asset of \$292.1m (May 2018: \$231.7m).

On 22 December 2017 the Tax Cuts and Jobs Act was signed into US law which represent the most significant changes to the US internal Revenue Code since 1986. The effects of the Act has resulted in \$287.7m (May 2018: \$128.8m) of interest deductions being included as deferred tax items not recognized.

Globally countries continue to implement changes to adopt or align the OECDs BEP principles which notable include the UK interest restrictions which has led to \$240.6m (May 2018: \$164.4m) of interest payable in the UK being disclosed as a deferred tax asset not recognized.

15. 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. See note 28 to the consolidated financial statements for additional disclosure.

all figures in \$ millions	31 May 2019		31 May 2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	61.7	(61.6)	0.8	(0.3)
Derivative financial instruments	42.8	(17.3)	21.4	-
	104.5	(78.9)	22.2	(0.3)
Analysed as follows:				
Current	61.7	(61.6)	0.8	(0.3)
Non-current	42.8	(17.3)	21.4	-
	104.5	(78.9)	22.2	(0.3)

15.1 Forward foreign exchange contracts used to economically hedge cash flow risks

Selected expected future non-US Dollar key currency cash flows of the Group are hedged with forward currency contracts. Hedge accounting is not applied as the technical requirements of IAS 39 'Financial Instruments' are not met. Gains and losses are recorded in the Group income statement within operating expenses. During the year, a \$3.2m gain (May 2018: \$0.4m gain) was recognized through operating expenses in the Group income statement in relation to forward currency contracts.

The aggregate notional amounts of the outstanding forward foreign currency contracts were:

all figures in \$ millions	31 May 2019	31 May 2018
Canadian Dollar	61.7	66.8
Swiss Francs	-	6.3
Australian Dollar	-	4.2
	61.7	77.3

15.2 Interest rate swaps

Group policy is to target a minimum of 60% fixed-rate debt to reduce the impact of increasing interest rates on the Group's cash flow. In the prior period the Group entered 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 swaps were accounted for as cash flow hedges during the first half of the year and were initially recognized at fair value on the statement of financial position, with subsequent gains and losses in fair value being recognized in other comprehensive loss.

Since November the hedges have not met the requirements of hedge accounting and so further exchange gains or losses have been recognized directly in other comprehensive loss. The notional principal amounts of the outstanding interest rate swap contracts at 31 May 2019 were \$1,500.0m (31 May 2018: \$1,200.0m). The notional principal amounts of the outstanding cross-currency interest rate swap contracts at 31 May 2019 were \$1,206.4m (31 May 2018: \$713.9m). See note 28 to the consolidated financial statements for additional disclosure.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

16 Trade and other receivables

all figures in \$ millions	31 May 2019	31 May 2018
Trade receivables	302.7	310.3
Less: allowance for doubtful debts	(13.4)	(6.5)
Net trade receivables	289.3	303.8
Commission fees	16.7	10.2
Royalty and agent fees	6.4	3.4
Deferred implementation costs	13.7	6.7
Total current contract costs	36.8	20.3
Other receivables	50.0	31.4
Withholding tax	2.1	-
Prepayments	43.7	53.0
Accrued income	172.8	103.0
Current trade and other receivables	594.7	511.5
Commission fees	42.7	19.3
Royalty and agent fees	7.9	7.4
Deferred implementation costs	38.4	22.8
Total non- current contract costs	89.0	49.5
Other receivables	18.6	21.4
Prepayments	3.2	6.8
Accrued income	55.6	53.2
Non-current trade and other receivables	166.4	130.9
Total trade and other receivables	761.1	642.4

Trade receivables are initially recognized at fair value, which is usually the original invoice amount and are subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The accrued income balance is stated net of a provision of \$3.7m (May 2018: \$5.2m) for items where future billings have become uncertain due to specific circumstances with identified customers.

The ageing analysis of net trade receivables is as follows:

all figures in \$ millions	31 May 2019	31 May 2018
Current	139.5	136.5
0-30 days	34.0	51.5
31-60 days	16.6	23.4
61-90 days	22.3	25.2
91-120 days	16.1	11.0
121-180 days	33.5	28.0
Over 180 days	27.3	28.2
	289.3	303.8

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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

all figures in \$ millions	
At 6 March 2017	-
Provision for impairment of receivables	(12.1)
Receivables written off during the period as uncollectible	1.5
Unused amounts reversed	4.1
At 31 May 2018	(6.5)
Opening adjustment to reserves for transition to IFRS9	(4.1)
Provision for impairment of receivables	(6.8)
Receivables written off during the period as uncollectible	3.6
Unused amounts reversed	0.4
At 31 May 2019	(13.4)

The allowance for doubtful debts relates to receivables from customers in financial difficulty, customer acceptance issues and cancelled contracts. Impairment charges are recorded against the trade receivables which the Group believes may not be recoverable. In the case of trade receivables that are past due, management assesses the risk of non-collection, considering factors such as previous default experience, anticipated default possibilities, any disputes or other factors delaying payment and the risk of bankruptcy or other failure of the customer to meet their obligations. For trade receivables that are not past due, considering good historical collection experience, management records an impairment charge only where there is a specific risk of non-collection.

As at 31 May 2019, trade receivables of \$149.8m (May 2018: \$167.3m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and where commercial discussions lead management to conclude that it remains likely that the customer will pay without concessions from the Group. There is no significant concentration of outstanding customer receivables which is considered a heightened risk factor by management.

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.

17. Inventories

all figures in \$ millions	31 May 2019	31 May 2018
Raw materials and consumables	1.7	1.6
Finished goods and goods for resale	0.6	1.5
	2.3	3.1

The above is stated net of provision for slow-moving and obsolete stock of \$0.5m (May 2018: \$0.1m). There is no material difference between the balance sheet value of inventories and their cost of replacement. None of the inventory has been pledged as security.

18. Share capital and share premium

	Allotted, fully paid share capital	Share capital	Share premium
	Number of shares	\$	\$
On incorporation on 6 March 2017	1	1	-
Subdivision of shares issued upon incorporation	10	1	-
Consideration for acquisition of Tahoe Cayman Ltd	(2,963,260,254)	(296,326,026)	(2,666,934,228)
Consideration for acquisition of Misys Manco S.C.A.	(20,502,174)	(2,050,217)	(47,318,636)
At 31 May 2018 & 2019	(2,983,762,438)	(298,376,244)	(2,714,252,864)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

19. Other equity

all figures in \$ millions	Capital contribution reserve	Cash flow hedging reserve	Foreign currency translation reserve	Actuarial gains and losses reserve	Share-based payments reserve	Total
At 6 March 2017	-	-	-	-	-	-
Capital contribution	(11.0)	-	-	-	-	(11.0)
Exchange adjustments	-	-	(68.1)	-	-	(68.1)
Actuarial gain	-	-	-	(5.4)	-	(5.4)
Cash flow hedges						
Net gains	-	(21.4)	-	-	-	(21.4)
Transferred to Group income statement	-	12.5	-	-	-	12.5
Share-based payments	-	-	-	-	(5.6)	(5.6)
Taxation on items above	-	3.1	-	0.7	-	3.8
At 31 May 2018	(11.0)	(5.8)	(68.1)	(4.7)	(5.6)	(95.2)
Exchange adjustments	-	-	76.6	-	-	76.6
Actuarial gain	-	-	-	(1.3)	-	(1.3)
Cash flow hedges						
Transferred to Group income statement	-	8.9	-	-	-	8.9
Taxation on items above	-	(3.1)	-	-	-	(3.1)
At 31 May 2019	(11.0)	-	8.5	(6.0)	(5.6)	(14.1)

Capital contribution reserve

The capital contribution reserve comprises a loan contributed on 10 November 2017 by Tahoe Midco Ltd, the intermediate parent company of the Group.

Cash flow hedging reserve

The cash flow hedging reserve comprises fair value movements on instruments designated as cash flow hedges under the requirements of IAS 39. Amounts are transferred from the cash flow hedging reserve to the Group income statement as and when the hedged item affects the Group income statement or Group statement of financial position which is, for the most part, on receipt or payment of amounts denominated in foreign currencies and settlement of interest on debt instruments. Note 4.8 to the consolidated financial statements provides further detail on cash flow hedging. During the year the hedge effectiveness was no longer in place and so the hedging reserve was unwound to the income statement.

Foreign currency translation reserve

The foreign 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.

Share-based payments reserve

The share-based payments reserve reflects the obligation to deliver shares to employees under the Group's share schemes in return for services provided.

20. Trade and other payables

all figures in \$ millions	31 May 2019	31 May 2018
Trade payables	(31.7)	(17.1)
Other taxation and social security	(18.3)	(19.3)
Other payables	(18.7)	(20.8)
Accrued expenses	(290.0)	(192.3)
Current trade and other payables	(358.7)	(249.5)
Other payables (non-current)	(1.7)	(2.6)
Accrued expenses (non-current)	(19.3)	(12.2)
Non-current trade and other payables	(21.0)	(14.8)
Total trade and other payables	(379.7)	(264.3)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Accrued expenses comprise:

all figures in \$ millions	31 May 2019	31 May 2018
Third-party royalties and agency fees	6.8	10.8
Staff-related costs	161.5	129.1
External interest	63.7	-
Rent expense	21.3	19.2
Other operating costs	56.0	45.4
Total accrued expenses	309.3	204.5

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

21. Borrowings

The Group's main credit facilities consist of \$3,582.0m and €850.0m First Lien Term Loans, a \$1,245.0m Second Lien Term Loan and a \$400m committed Multi-Currency Revolving Credit Facility ('RCF')

21.1 Borrowings summary

all figures in \$ millions	Coupon rate (%)	Principal (m)	31 May 2019			31 May 2018		
			Current	Non-current	Total	Current	Non-current	Total
Term loans (by maturity date)								
12 June 2024	Floating	\$3,582	(35.8)	(3,308.1)	(3,343.9)	(35.8)	(3,519.3)	(3,555.1)
12 June 2024	Floating	€850	(9.5)	(874.1)	(883.6)	(9.9)	(974.3)	(984.2)
12 June 2025	Floating	\$1,245	-	(1,245.0)	(1,245.0)	-	(1,245.0)	(1,245.0)
			(45.3)	(5,427.2)	(5,472.5)	(45.7)	(5,738.6)	(5,784.3)
Capitalized arrangement fees			23.4	128.9	152.3	22.9	153.4	176.3
Interest accruals			(63.7)	-	(63.7)	-	-	-
Revolving credit facility			(54.0)	-	(54.0)	-	-	-
Overdraft			(25.8)	-	(25.8)	-	-	-
			(165.4)	(5,298.3)	(5,463.7)	(22.8)	(5,585.2)	(5,608.0)

21.2 Term loans and covenants

Effective from 30 November 2017, principal repayments of \$9.0m and €2.1m are being made every three months on the \$3,582.0m and €850.0m First Lien Term Loans, respectively. No principal repayments are due on the \$1,245.0m Second Lien Term Loan.

Under the terms of the credit agreements, an EBITDA to net debt ratio covenant is only tested when more than 35% of the RCF is drawn at a financial quarter end. At 31 May 2019, \$54.0m (May 2018: Nil) was outstanding under the RCF and therefore no test of the financial covenant is required at the balance sheet date. In quarters where the ratio has been measured the Group has comfortably been 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 Group income statement. 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, effective from 31 May 2019.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

21.3 Short-term facilities

The Group's principal short-term debt facility is the RCF, a committed borrowing facility provided by commercial banks. The RCF has a total availability of \$400.0m, 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. The Group also has other uncommitted short-term overdraft and guarantees facilities which total approximately \$40.0m, comprising a \$28.0m Multi-Option Facility and a £10.0m guarantee facility. At 31 May 2019, \$54.0m (May 2018: Nil) of short-term loans were drawn under the facilities and guarantees of \$14.8m (May 2018: \$47.6m) were drawn under the RCF and the remainder of \$5.9m (May 2018: \$7.7m) were issued under the dedicated £10.0m guarantee facility.

21.4 Loan arrangement and other fees

Total fees capitalized during the year arising from the debt facilities was Nil (May 2018: \$197.3m). The unamortized amounts remaining on the Group statement of financial position at 31 May 2019 were \$152.4m (May 2018: \$176.3m), of which \$23.5m (May 2018: \$22.9m) relates to current borrowings. The amortization expense for the period of \$23.8m (May 2018: \$21.2m) is included in finance costs in the Group income statement.

21.5 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 \$400.0m of floating-to-fixed rate interest rate swaps and \$495.0m of US-Dollar Canadian-Dollar cross currency swaps along with existing \$1,200.0m interest rate swap and \$713.9m of US-Dollar Euro cross currency swaps from previous year. 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 \$1,500.0m (May 2018: \$1,200.0m) and the difference between US Dollar floating rate interest and Euro fixed contract rates on an initial notional principal of \$1,206.4m (May 2018: \$713.9m). The swap agreements expire in 2021 and the notional principal of the floating-to-fixed interest rate swaps reduce annually on a stepped basis up to their termination date.

The fair values based on future expected cash flows associated with interest rate swaps are shown in note 28 to the consolidated financial statements.

21.6 Net debt summary

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

all figures in \$ millions	Bank loans and interest accruals	Cash and cash equivalents, net of overdrafts	Restricted cash	Derivative financial instruments	Net debt
At 6 March 2017	-	-	-	-	-
Acquisition of businesses	(3,384.0)	136.9	1.7	-	(3,245.4)
Cash inflow from additional borrowings	(5,681.0)	-	-	-	(5,681.0)
Cash outflow from repayment of borrowings	3,505.7	-	-	-	3,505.7
Revaluation	-	-	-	21.4	21.4
Increase in interest payable	(321.1)	-	-	-	(321.1)
Financing interest paid	333.9	-	-	-	333.9
Amortization of borrowings	(21.2)	-	-	-	(21.2)
Remaining cash outflow	-	(32.2)	-	-	(32.2)
Exchange adjustments	(40.3)	(0.4)	0.2	-	(40.5)
At 31 May 2018	(5,608.0)	104.3	1.9	21.4	(5,480.4)
Acquisition of businesses	(4.8)	(49.3)	0.5	-	(53.6)
Proceeds from disposal of business	-	262.0	-	-	262.0
Cash inflow from additional borrowings	(473.0)	473.0	-	-	-
Cash outflow from repayment of borrowings	693.2	(693.2)	-	-	-
Revaluation	-	-	-	4.1	4.1
Increase in interest payable	(349.1)	-	-	-	(349.1)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Financing interest paid	285.4	-	-	-	285.4
Amortization of borrowings	(23.8)	-	-	-	(23.8)
Remaining cash outflow	-	(78.4)	-	-	(78.4)
Decrease in restricted cash	-	-	(1.2)	-	(1.2)
Exchange adjustments	42.2	(0.4)	-	-	41.8
At 31 May 2019	(5,437.9)	18.0	1.2	25.5	(5,393.2)

Restricted cash of \$1.2m (May 2018: \$1.9m) is not available for the general use of the Group.

22. Provisions for other liabilities and charges

all figures in \$ millions	Restructuring	Property	Other	Total
At 1 June 2018	(15.7)	(18.4)	(4.5)	(38.6)
Additional provisions	(8.2)	(5.7)	(2.5)	(16.4)
Utilisation of provisions	10.8	14.7	0.2	25.7
Release of provision	4.0	-	0.7	4.7
Transfer to accruals	4.4	-	0.3	4.7
Exchange adjustments	0.8	0.1	0.2	1.1
At 31 May 2019	(3.9)	(9.3)	(5.6)	(18.8)
Analysis of total provision:				
Current	(3.6)	(4.8)	(5.0)	(13.4)
Non-current	(0.3)	(4.5)	(0.6)	(5.4)
Total provisions	(3.9)	(9.3)	(5.6)	(18.8)

all figures in \$ millions	Restructuring	Property	Other	Total
At 6 March 2017	-	-	-	-
Acquisitions of businesses (note 9)	(11.7)	(5.6)	(6.2)	(23.5)
Charged to consolidated income statement:				
- Additional provisions	(45.1)	(18.1)	(2.9)	(66.1)
Utilisation of provisions	40.6	4.9	4.7	50.2
Held for sale	0.4	-	-	0.4
Exchange adjustments	0.1	0.4	(0.1)	0.4
At 31 May 2018	(15.7)	(18.4)	(4.5)	(38.6)
Analysis of total provision:				
Current	(15.7)	(10.8)	(1.9)	(28.4)
Non-current	-	(7.6)	(2.6)	(10.2)
Total provisions	(15.7)	(18.4)	(4.5)	(38.6)

Restructuring provisions

The provisions predominantly relate to severance payable to employees. Utilisation is expected within one year.

Property provisions

Property provisions comprise the net present value of the estimated future costs of vacant, sublet and occupied properties of the Group after considering dilapidation obligations in the leases. The provision relating to vacant and sublet properties is expected to be utilised over the next three years.

Other provisions

Other provisions comprise mainly amounts reserved against open legal and contractual disputes and loss-making contracts. The Group has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on experience of similar items and other known factors, taking into account professional advice received, and represent directors' best estimate of the likely outcome.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

23. Deferred income

all figures in \$ millions	31 May 2019	31 May 2018
Current		
Software solutions	(367.9)	(305.8)
Services	(50.6)	(58.4)
	(418.5)	(364.2)
Non-current		
Software solutions	(122.9)	(156.4)
Services	(75.6)	(39.5)
	(198.5)	(195.9)

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

Software amounts primarily represents amounts invoiced for license fees for software products recognized as revenue rateably for which the revenue recognition criteria have yet to be satisfied. Other deferred income represents amounts invoiced, including deposits, primarily in respect of professional services for which the revenue recognition criteria have yet to be satisfied.

24. Retirement benefit obligations

24.1 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 \$23.8m (May 2018: \$23.9m) and was charged to the Group income statement as incurred and included within employee costs. There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

24.2 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 and Japan and India are funded, and the remaining plans are unfunded. The total expense for all benefit plans charged to operating loss is \$3.8m (31 May 2018: \$3.4m). The net defined pension obligation at 31 May 2019 was \$22.3m (May 2018: \$22.3m).

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

all figures in \$ millions	31 May 2019	31 May 2018
Present value of funded obligations	(117.1)	(127.6)
Fair value of plan assets	112.2	123.0
Deficit of funded plans	(4.9)	(4.6)
Present value of unfunded obligations	(9.1)	(8.5)
Total deficit of defined benefit pension plans before unrecognized asset	(14)	(13.1)
Unrecognized asset due to limit in IAS 19 'Employee benefits' paragraph 64	(8.3)	(9.2)
Net defined benefit obligation	(22.3)	(22.3)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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

all figures in \$ millions	31 May 2019			
	UK	Switzerland	Other	Total
Present value of obligation	(73.8)	(34.3)	(18.1)	(126.2)
Fair value of plan assets	82.1	23.4	6.7	112.2
Net defined benefit obligation before unrecognized asset	8.3	(10.9)	(11.4)	(14)
Unrecognized asset due to limit in IAS 19 'Employee benefits' paragraph 64	(8.3)	-	-	(8.3)
Net defined benefit obligation at 31 May 2019	-	(10.9)	(11.4)	(22.3)

all figures in \$ millions	31 May 2018			
	UK	Switzerland	Other	Total
Present value of obligation	(80.9)	(39.4)	(15.8)	(136.1)
Fair value of plan assets	90.1	26.7	6.2	123.0
Net defined benefit obligation before unrecognized asset	9.2	(12.7)	(9.6)	(13.1)
Unrecognized asset due to limit in IAS 19 'Employee benefits' paragraph 64	(9.2)	-	-	(9.2)
Net defined benefit obligation at 31 May 2018	-	(12.7)	(9.6)	(22.3)

The movement in the plan's assets and obligations during the period were as follows:

all figures in \$ millions	Present value of obligation	Fair value of plan assets	Total
At 1 June 2018	(136.1)	123.0	(13.1)
Current service cost	(3.2)	-	(3.2)
Interest (expense) / income	(3.1)	2.5	(0.6)
Past service cost and gains / losses on settlement	(0.6)	0.8	0.2
<i>Re-measurements:</i>			
Return on plan on assets excluding amounts included in interest expense	-	(0.8)	(0.8)
Gain from change in demographic assumptions	0.6	-	0.6
Gain from change in financial assumptions	1.9	(4.9)	(3)
Experience adjustments	5.8	(2.3)	3.5
Employer contributions	-	2.9	2.9
Plan participants' contributions	-	-	-
Benefit paid	4.0	(4.0)	-
Exchange differences	4.5	(5.0)	(0.5)
At 31 May 2019	(126.2)	112.2	(14.0)

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

all figures in \$ millions	Present value of obligation	Fair value of plan assets	Total
At 6 March 2017	-	-	-
Acquisitions (note 9)	(142.0)	127.7	(14.3)
Current service cost	(4.2)	-	(4.2)
Interest (expense) / income	(3.1)	2.5	(0.6)
<i>Re-measurements:</i>			
Return on plan on assets excluding amounts included in interest expense	-	(3.4)	(3.4)
Gain from change in demographic assumptions	2.2	-	2.2
Gain from change in financial assumptions	4.5	-	4.5
Experience adjustments	(1.0)	(0.1)	(1.1)
Employer contributions	-	2.6	2.6
Plan participants' contributions	-	0.8	0.8
Benefit paid	10.0	(10.0)	-
Exchange differences	(2.5)	2.9	0.4
At 31 May 2018	(136.1)	123.0	(13.1)

The actuarial gain recognized in the Group's other comprehensive income is \$1.3m (May 2018: \$5.4m).

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.

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 at 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.

An expense was recognized through the past service cost for the period ended 31 May 2019 in relation to the equalisation of Guaranteed Minimum Pension ('GMP'). The UK government intends to implement legislation which could result in an increase in the value of GMP for males. This would increase the defined obligation of the Plan. The plan actuary has estimated that this would increase the obligation by \$0.1m.

The latest full actuarial valuation of the UK Plan was carried out as at 31 May 2017, the assumptions of which have been updated to 31 May 2019 by qualified independent actuaries. The next triennial valuation is due to be completed as at 31 May 2020.

There are no employer contributions expected to be paid to the UK Plan for the period ending 31 May 2020. 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.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

all figures in \$ millions	Total
Buy-in contracts	28.8
Liability matching assets	27.5
Liquid alternatives	10.2
Equities	9.8
Other	5.8
Total market value of assets at 31 May 2019	82.1

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

	31 May 2019 % p.a.
Inflation (RPI)	3.55
Inflation (CPI)	2.55
Rate of increase in pensions payment:	
Fixed 3%	3.00
Fixed 3.5%	3.50
RPI max 5% min 3%	3.70
RPI max 5% min 3.5%	3.95
Post 1988 Guaranteed minimum pension	2.20
Discount rate for plan liabilities	2.30

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 2019
Life expectancy for male currently aged 60	28.7 years
Life expectancy for a female currently aged 60	30.7 years
Life expectancy for male currently aged 40	29.3 years
Life expectancy for a female currently aged 40	30.8 years

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)
Discount rate	+0.1%/-0.1%	(0.9) / 0.9
RPI inflation	-0.1%/+0.1%	(0.2) / 0.2
Demographic change	One-year decrease/increase in life expectancy	(1.5) / 1.5

The above sensitivity analysis on the discount rate is based on a change in an assumption while holding all other assumptions constant. The change in RPI inflation assumption impacts on the Consumer Prices Index ('CPI') assumption, revaluation in deferment and pension increase assumptions. 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.

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.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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 funded plans defined contribution plan under Swiss law but are treated as defined benefit plans under IFRS. 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 at 31 December 2016, the assumptions of which have been updated to 31 May 2019 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. This allocation is based on the published financial statements of the BVG-Sammelstiftung Swiss Life for the year ended 31 December 2018, however, the allocation at 31 May 2019 is not expected to be significantly different.

	31 May 2019 %
Debt securities	67
Equity securities and investment funds	19
Alternative investments and other	14
Total	100

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

	31 May 2019 % p.a.
Salary increase rate	1.5
Rate of increase in pension payments	0.6
Discount rate for plan liabilities	0.6

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)
Discount rate	+0.5% / -0.5%	(1.5) / 1.8
Salary increase rate	+0.5% / -0.5%	1.7 / (1.6)

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 \$0.8m of employer contributions during the next financial year relating to the Swiss Plans.

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25. Contingent liabilities

Contingent liabilities that are quantifiable arise from guarantees, letters of credit and bonds that have been issued in support of tenders submitted to prospective customers. These amount to \$0.9m (May 2018: \$4.2m).

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

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

26. Commitments

Commitments of the Group under non-cancellable operating leases are as follows:

	31 May 2019		31 May 2018	
all figures in \$ millions	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment
Rental payments due:				
Within one year	32.9	6.4	38.5	0.5
Between one and five years	89.0	2.7	116.6	0.3
After five years	59.3	-	51.9	-
Total	181.2	9.1	207.0	0.8

Total future sublease income under non-cancellable subleases is \$6.1m (2018: \$8.3m) due within one year, \$15.9m (2018: \$22.2m) due between two and five years and \$1.5m (2018: \$2.0m) due after five years.

27. Related-party transactions

27.1 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.

27.2 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 2019	31 May 2018
Salaries and other short-term employment benefits	11.4	12.0
Post-employment benefits	0.1	0.1
Termination benefits	1.7	-
Total	13.2	12.1

The key management personnel of the Group were due a discretionary compensation amount of \$3.2m (2018: \$2.4m) which has been accrued at 31 May 2019.

27.3 Loans to related parties

Full recourse loans of \$5.6m (2018: \$5.6m) remain in issue to directors and senior management related to the Finastra Group's Management Equity Plan, an employees' share scheme (see note 30 to the consolidated financial statements). The loan balances are included in other debtors (note 16).

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

27.4 Other related parties

During the year ended 31 May 2019, 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 2019
Vista Consulting Group LLC	Controlling party	Management consulting	2.7	-
Vista Equity Partners III	Controlling party	Management consulting	0.7	-
Marketo Inc	Vista Equity Partners portfolio company	Marketing services	0.3	-
SumTotal Systems UK Ltd	Vista Equity Partners portfolio company	Purchase of software	0.1	-
TIBCO Software (Ireland) Limited	Vista Equity Partners portfolio company	Purchase of software	1.6	-
Xactly Corp	Vista Equity Partners portfolio company	Management consulting	0.2	-

The Group paid \$1.9m of expenses on behalf of Vista Equity Partners none of which is outstanding at 31 May 2019.

During the year ending 31 May 2018, the Group transacted with the following related parties:

all figures in \$ millions				
Related party	Relationship	Nature of transaction	During the period	Outstanding at 31 May 2018
Tahoe Bidco Ltd	Intermediate parent company	Management services	0.2	0.2
Vista Consulting Group LLC	Controlling party	Management consulting	1.4	-
Vista Equity Partners III	Controlling party	Management consulting	1.4	-
Advanced Computer Software Group	Vista Equity Partners portfolio company	Purchase of software	6.7	-
MarketOne Europe LLP	Vista Equity Partners portfolio company	Marketing services	0.4	-
SumTotal Systems UK Ltd	Vista Equity Partners portfolio company	Purchase of software	0.3	-
TIBCO Software (Ireland) Limited	Vista Equity Partners portfolio company	Purchase of software	0.2	-
Xactly Corp	Vista Equity Partners portfolio company	Management consulting	0.1	-
Cvent	Vista Equity Partners portfolio company	Administrative services	0.1	-

The Group paid \$0.2m of expenses on behalf of Vista Equity Partners. There is a receivable balance of \$0.2m from Vista Equity Partners at 31 May 2018 which was not settled.

28. Financial instruments

28.1 Risk management

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest rate and foreign exchange risks associated with the Group's activities under policies approved by the board of directors. Treasury policy is reviewed and approved annually by the board and specifies the parameters within which treasury operations must be conducted, including authorised counterparties, instrument types, transaction limits and principles governing the management of foreign exchange, interest rate and liquidity risks.

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

28.2 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, 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 which exceed the limit specified by management using external forward contracts.

Foreign currency sensitivity analysis

Outstanding forward contracts used to hedge the non-Dollar net cash flow exposure of the Group as described in note 15 are included in this analysis. It is anticipated that on maturity of the hedges an underlying future anticipated cash flow exposure will crystallise and offset any gain or loss.

Positive figures represent an increase in operating loss:

all figures in \$ millions		
Group income statement		
2019	2018	
US Dollar strengthens by 10%		
Cash flow	(6.7)	
Swiss Francs	(0.6)	
Australian Dollar	(0.4)	
US Dollar weakens by 10%		
Cash flow	6.2	
Swiss Francs	0.6	
Australian Dollar	0.4	

Year average exchange rates applied in the above analysis are Canadian Dollar 0.74 (2018: 0.78), Australian Dollar (2018: 0.76) and Swiss Francs (2018: 1.01).

28.3 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%.

The Group manages 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 agrees with commercial institutions to exchange at quarterly intervals, the difference between fixed contract rates and floating interest rates. Interest amounts are calculated on the agreed notional principle 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 0.5% increase in interest rates on the variable rate debt beyond the 1% floor and a decrease of 0.5% ignoring the impact of the variable rate floor of 1%, assuming all other variables remain unchanged. The sensitivity of 0.5% represents the directors' assessment of a reasonably possible change in the foreseeable future.

all figures in \$ millions		
Group income statement		
2019	2018	
Interest rate increase of 0.5%	(15.1)	
Interest rate decrease of 0.5%	15.1	

28.4 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, but primarily from outstanding trade receivables, 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 transactions 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 authorisation procedures in place to assess the credit quality of a customer. Where there is no independent risk rating for a customer, such an assessment considers financial position, experience and other factors.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

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 financial 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 month before 31 May 2019 or 1 June 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on 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.

28.5 Liquidity risk

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

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

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2019 Total
Borrowings and associated interest	472.5	412.9	1,223.1	3,924.1	6,032.6
Trade and other payables	340.4	1.7	-	-	342.1
Total cash flows – 2019	812.9	414.6	1,223.1	3,924.1	6,374.7

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2018 Total
Borrowings and associated interest	419.2	416.6	1,234.6	4,408.4	6,478.8
Trade and other payables	223.2	2.4	-	-	225.6
Total cash flows – 2018	642.4	419.0	1,234.6	4,408.4	6,704.4

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.

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2019 Total
Derivative financial instruments (gross settled)					
- inflows	234.1	169.7	1,662.4	-	2,066.2
- outflows	(207.3)	(143.7)	(1,583.4)	-	(1,934.4)
Net cash flows – 2019	26.8	26.0	79.0	-	131.8

all figures in \$ millions	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	2018 Total
Derivative financial instruments (gross settled)					
- inflows	69.7	66.6	1,699.3	-	1,835.6
- outflows	(46.3)	(44.2)	(1,656.9)	-	(1,747.4)
Net cash flows – 2018	23.4	22.4	42.4	-	88.2

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

28.6 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 retained earnings as shown in the Group statement of changes in equity and note 21 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 minimise the cost of capital.

The Group is subject to certain financial covenants under its loan facilities. See note 21 to the consolidated financial statements for further information.

28.7 Netting arrangements of derivative financial instruments

The gross fair value of derivative financial instruments as presented on the Group statement of financial position, together with the Group's rights to offset associated with recognized financial assets and recognized financial liabilities subject to enforceable master netting arrangements and similar agreements is summarised below. Net amounts show the effect if all amounts were netted off for each individual counterparty under the terms of relevant ISDA agreements.

all figures in \$ millions			31 May 2019
	Gross amount	Amount presented	Net amount ¹
Financial assets			
Forward foreign currency contracts	61.7	61.7	61.7
Financial liabilities			
Forward foreign currency contracts	(61.6)	(61.6)	(61.6)

all figures in \$ millions			31 May 2018
	Gross amount	Amount presented	Net amount ¹
Financial assets			
Forward foreign currency contracts	0.8	0.8	0.8
Financial liabilities			
Forward foreign currency contracts	(0.3)	(0.3)	(0.3)

¹Net amounts show the effect if all amounts were netted off for each individual counter party under the terms of relevant ISDA agreements.

28.8 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);
- Level 3 - and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 May 2019						
all figures in \$ millions	Fair value hierarchy ¹	Fair value through P&L	Loans and receivables	Non-financial instrument ²	Current	Non-current
Financial assets						
Investments	Level 2	2.4	-	-	-	2.4
Derivative financial instruments	Level 2	104.5	-	-	61.7	42.8
Trade and other receivables		-	586.0	175.0	594.6	166.4
Restricted cash		-	1.2	-	1.2	-
Cash and cash equivalents		-	43.8	-	43.8	-
Total financial assets		106.9	631.0	175.0	701.3	211.6

¹Fair value hierarchy shows the fair value measurement categories as described below.

²Assets that do not qualify as a financial instrument include prepayments and contract costs of \$175.0m.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

31 May 2019						
all figures in \$ millions	Fair value hierarchy ¹	Fair value through P&L	Amortized cost	Non- financial instrument ²	Current	Non-current
Financial liabilities						
Derivative financial instruments	Level 2	(78.9)	-	-	(61.6)	(17.3)
Borrowings		-	(5,400.0)	-	(101.7)	(5,298.3)
Trade and other payables		-	(361.6)	(18.3)	(358.7)	(21.2)
Total financial liabilities		(78.9)	(5761.6)	(18.3)	(522.0)	(5336.8)

¹Fair value hierarchy shows the fair value measurement categories as described below.

²Liabilities that do not qualify as financial instruments include tax and other social security payments of \$18.3m.

31 May 2018						
all figures in \$ millions	Fair value hierarchy ¹	Fair value through P&L	Loans and receivables	Non-financial instrument ²	Current	Non-current
Financial assets						
Investments	Level 2	1.5	-	-	-	1.5
Derivative financial instruments	Level 2	22.2	-	-	0.8	21.4
Trade and other receivables		-	511.0	131.4	511.5	130.9
Restricted cash		-	1.9	-	1.9	-
Cash and cash equivalents		-	104.3	-	104.3	-
Total financial assets		23.7	617.2	131.4	618.5	153.8

¹Fair value hierarchy shows the fair value measurement categories as described below.

²Assets that do not qualify as a financial instrument include prepayments and contract costs of \$131.4m.

31 May 2018						
all figures in \$ millions	Fair value hierarchy ¹	Fair value through P&L	Amortized cost	Non- financial instrument ²	Current	Non-current
Financial liabilities						
Derivative financial instruments	Level 2	(0.3)	-	-	(0.3)	-
Borrowings		-	(5,608.0)	-	(22.8)	(5,585.2)
Trade and other payables		-	(244.8)	(19.5)	(249.5)	(14.8)
Total financial liabilities		(0.3)	(5,852.8)	(19.5)	(272.6)	(5,600.0)

¹Fair value hierarchy shows the fair value measurement categories as described below.

²Liabilities that do not qualify as financial instruments include tax and other social security payments of \$19.5m.

a) Financial instruments in level 1

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

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.

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

28.9 Fair value of financial instruments

The fair value of cash and cash equivalents, investments, 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.

31 May 2019		
all figures in \$ millions	Carrying value	Fair value
Current borrowings	165.4	165.1
Non-current borrowings	5,298.3	5,220.9

31 May 2018		
all figures in \$ millions	Carrying value	Fair value
Current borrowings	22.8	22.8
Non-current borrowings	5,585.2	5,479.0

29. 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 subsidiary undertakings.

Company name	Registered office address
1119607 B.C. Limited	1600-925 West Georgia Street, Vancouver, Canada, V6C 3L2
1119614 BG.C. ULC	1600-925 West Georgia Street, Vancouver, Canada, V6C 3L2
Accountis Europe Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
BServ Investments, Inc.	Corporation Trust Center, 1209 Orange St, Wilmington DE 19801, United States
D+H Cheque Services Corporation	1600-925 West Georgia Street, Vancouver, Canada, V6C 3L2
D+H Mortgage Technology Corporation	1600-925 West Georgia Street, Vancouver BC V6C 3L2 Canada
D+H Financial Technology Limited	8th Floor, Block E Iveagh Court, Harcourt Road, Dublin 2, Ireland
D+H Investments S.à.r.l.	287 - 289, Route d'Arlon, L-1150, Luxembourg, Luxembourg
D+H Shared Services Corporation	1600-925 West Georgia Street, Vancouver, Canada, V6C 3L2
D+H Software Corporation	1600-925 West Georgia Street, Vancouver, Canada, V6C 3L2
D+H Solutions India Private Limited	6A, Sixth Floor, Plot 2, Leela Infopark, Technopark, Trivandrum, Kerala, 695581, India
D+H USA Holdings LLC	Corporation Trust Center, 1209 Orange St, Wilmington DE 19801, United States
DH Corporation/ Societe DH	120 Bremner Blvd, Suite #30th Floor, Toronto, ON, M5J 0A8, Canada
F.T. Israeli Holdco 2011 Limited	5th Floor, 10 Hamada Street, Herzliya, 4673344, Israel
Finance Information et Technologie S.A.S.	Washington Plaza 42, rue Washington, 75008 Paris, France

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Company name	Registered office address
Finastra Colombia SL (formerly <i>Misys Colombia SL (Colombia Branch of Misys Spain SL)</i>)	Calle 72 No 10 - 07 OF 401, Bogotá, Colombia
Finastra Europe Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Europe S.à r.l. (formerly <i>Finastra Europe S.A. and Misys Europe S.A.</i>)	287 - 289, Route d'Arlon, L-1150, Luxembourg, Luxembourg
Finastra Europe S.à r.l. (Sweden branch) filial (formerly <i>Misys Europe SA (Sweden Branch) filial and Finastra Europe SA (Sweden Branch) filial</i>)	c/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm, Sweden
Finastra Financial Technology Corporation	Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE 19801, United States
Finastra Financial Technology Germany GmbH	Bettinastraße 35-37, 60325, Frankfurt am Main, Germany
Finastra Financial Technology Israel Limited (formerly <i>DH Financial Technology Israel Ltd</i>)	14 Hamaskir Street, Herzliya, 467331, Israel
Finastra France SAS (formerly <i>Misys France SAS</i>)	Washington Plaza 42, rue Washington, 75008 Paris, France
Finastra Global Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Global Limited (Poland branch) (formerly <i>Misys Global Limited (Poland branch)</i>)	Luzycka Office Park, ul. Luzycka 6 D, 81 - 537, Gdynia, Poland
Finastra Global Operations Limited (formerly <i>Summit Asia Limited</i>)	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Global Operations Limited (Korea Branch) (formerly <i>Summit Asia Limited (Korea branch)</i>)	15th Floor, Kyobo Building, 1 Jongno 1-Ga, Jongno-Gu, Seoul 110-714, Korea, Korea, Democratic People's Republic of
Finastra Global Operations Limited (Russian Branch)	Floor 6, Office 611, 74 Socialisticheskaya Street, 344022, Rostov-on-Don, Russian Federation
Finastra Global Operations Limited (Taiwan Branch) (formerly <i>Summit Asia Limited (Taiwan branch)</i>)	37F., No. 7, Sec. 5, Xin Yi Road, Taipei, 110, Taiwan
Finastra Group Holdings Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Holdings Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Hong Kong Limited (formerly <i>Misys International Banking Systems Limited</i>)	Suites 604-610, 6 th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Finastra Hungary Kft. (formerly <i>Misys Hungary Kft.</i>)	Szechenyi u. 70 floor IV, Miskolc, H-3530, Hungary
Finastra International Financial Systems Pte Limited (formerly <i>Misys International Financial Systems Pte Limited</i>)	2 Shenton Way, 14-01 SGX Centre, Singapore, 068804, Singapore
Finastra International Financial Systems PTE Limited (Hanoi representative office) (formerly <i>Misys International Financial Systems PTE Limited</i>) (Hanoi representative office)	Room 625, Press Club building, 59A Ly Thai To Street, Hoan Kiem District, Hanoi, Vietnam
Finastra International GmbH (formerly <i>Misys International Banking Systems GmbH</i>)	Hedderichstrasse 36, 60594, Frankfurt, Germany
Finastra International Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Ireland Limited (formerly <i>Misys Ireland Limited</i>)	East Point Business Park, Dublin 3, Ireland
Finastra Israel Technology Limited	5th Floor, 10 Hamada Street, Herzliya, 4673344, Israel
Finastra Italy S.r.l. (formerly <i>Misys Italy S.r.l.</i>)	Corso Italia 1, Milano, Italy

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Company name	Registered office address
Finastra Limited (UK Establishment)	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Malaysia Sdn Bhd (formerly <i>Misys International Systems Sdn Bhd</i>)	10th Floor, Menara Hap Seng, No.1 & 3 Jalan P Ramlee 50250 Kuala Lumpur, Malaysia
Finastra Merchant Services, Inc.	The Corporation Trust, Company of Nevada, 701 S Carson St STE 200, Carson City, Nevada, 80701
Finastra Morocco S.a.r.l. (formerly <i>Misys Morocco S.a.r.l.</i>)	219, boulevard Zerkouni, résidence El Bardai, ETG 1 APPT 1 MAARIF, Casablanca, 2000, Morocco
Finastra Saudi Araba Limited (formerly <i>Troy TRM Limited</i>)	Cerecon Building 8, 1st floor, Mousa Bin Nasyer Street, Olaya, Post box number 1119, Riyadh, 11393, Saudi Arabia
Finastra Software Solutions (India) Private Limited (formerly <i>Misys Software Solutions (India) Private Limited</i>)	Virgo Building, Bagmane Constellation Business Park, Outer Ring Road, Doddanekundi, Bengaluru, Karnataka, 560037, India
Finastra Subco Limited (formerly <i>Tahoe Subco 2 Ltd</i>)	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Finastra Subco Limited (UK Establishment)	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Finastra Switzerland GmbH	Bäderstrasse 29, 5400, Baden, Switzerland
Finastra Technology, Inc	285 Madison Avenue, 4th floor, New York NY 10017, United States
Finastra Technology (Beijing) Limited (formerly <i>Misys International Financial Systems Technology (Beijing) Limited</i>)	Room 2760, Building No 9-17, Yongdingmenneizhongli, East Street, Dongcheng District, Beijing, China
Finastra Technology (Beijing) Limited (Chaoyang Branch) (formerly <i>Misys International Financial Systems Technology (Beijing) Ltd</i>)	Unit 1, Level 5 B22, No.10 Jiuxianqiao Rd, Chao Yang District, Beijing, China
Finastra Technology (Beijing) Limited (Shanghai Branch) (formerly <i>Misys International Financial Systems Technology (Beijing) Ltd</i>)	Unit 823, Tower 2, Shanghai IFC, 8 Century Avenue, Pudong District, Shanghai, China
Finastra Technology, Inc	285 Madison Avenue, 4th floor, New York NY, 10017, United States
Finastra (Thailand) Limited (formerly <i>Misys International Systems Limited</i>)	No. 191 Silom Complex Building, 17th Floor, Room 1712 Silom Road, Silom Sub-district, Bangrak District, Bangkok, Thailand
Finastra UK Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Finastra UK Limited (Dubai branch) - trading as <i>Misys International Banking Systems (Dubai branch)</i> (formerly <i>Kapiti Limited (Dubai branch)</i>)	Units 11101, 11103, 11104, 11105, 11106, 11107, 11108, Arenco Tower Offices, Level 111, Dubai, United Arab Emirates
Finastra USA Corporation	CT Corporation System, Attn Legal Department, 1320 SW Broadway, Suite 100, Portland, Oregon, 97301
Finastra USA, Inc. (formerly <i>Almonde, Inc.</i>)	1209 Orange Street, Wilmington DE 19801, United States
Fundtech Asia Pacific PTE. Limited	2 Shenton Way, #14-01, SGX Centre 1, Singapore, 068804, Singapore
Fundtech Australia PTY Limited	Level 29, 66-84 Goulburn Street, Sydney NSW 2000, Australia
Fundtech FSC Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Fundtech Financial Messaging Limited	Four Kingdom Street, Paddington, London, W2 6BD, United Kingdom
Fundtech India Private Limited	Office No. 604 & 605, 6th Floor, Powai Plaza, Hiranandani Complex, Powai Mumbai, 400076, India
Fundtech Investments II, Inc.	Corporation Trust Center, 1209 Orange St, Wilmington DE 19801, United States
Fundtech Singapore PTE Limited	2 Shenton Way, # 14-01, SGX Centre 1, Singapore, 068804, Singapore

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Company name	Registered office address
Finastra Software Inc	1209 Orange Street, City of Wilmington, Country of New Castle DE 19801 United States
MKI Australia Pty Limited	Level 10, 167 Macquarie Street, Sydney 2000 NSW, Australia
Misys Africa Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Misys Africa Limited (Kenya Branch)	Equatorial Secretaries & Registrars, Kalamu House, Grevillea Grove, PO Box 14077-00800, Nairobi, Kenya
Misys Czech s.r.o.	Stetkova 1638/18, Prague 4 - Nusle, 140 00, Czech Republic
Misys Egypt LLC	26 July-10 Street, Downtown - the Third Round, Cairo, Egypt
Misys Global s.r.o.	Dvorákovo nábrežie 4, Bratislava, 811 02, Slovakia
Misys India Holdings Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Misys International Banking Systems A.G.	Bahnhofstrasse 52, 8001, Zurich, Switzerland
Misys International Banking Systems K.K.	Fukoku Seimei Building, 2-2-2 Uchisaiwaicho, Chiyoda-Ku, Tokyo, Japan
Misys International Banking Systems Limited	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada
Misys International Banking Systems Mexico S.A. DE CV	Torre Candela, Sierra Candela #111, Piso 2, Despacho 208, Col Lomas de Chapult, DF 11000, México
Misys International Banking Systems Pty Limited	Level 10, 167 Macquarie Street, Sydney NSW 2000, Australia
Finastra South Africa (Pty) Ltd	Office LO3-LO4, Zone Phase 2, 31 Tyrwhitt Avenue, Rosebank, Johannesburg, Gauteng, 2196, South Africa
Misys International Financial Systems Pte Ltd (Israel branch)	c/o TMF Management and Accounting Services (Israel) Ltd, 7 Rival Street, Tel-Aviv 67778, Israel
Misys International Financial Systems S.L.	Edificio Mapfre, Avenida de Burgos, no 12, 3 planta, 28036, Madrid, Spain
Misys International Financial Systems SRL	Splaiul Independentei No. 319G, Riverview House, 6th-7th floor, Sector 6, Bucharest, Romania
Misys International Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Misys International Systems - Informatica Unipessoal Limitada	Praça do Campo Pequeno, 48 2º Dtº, 1000-081 Lisboa, Portugal
Misys Manager S.à.r.l.	19 Rue de Bitbourg, L-1273, Luxembourg
Misys ManCo S.C.A.	19 Rue de Bitbourg, L-1273, Luxembourg
Misys Netherlands Global B.V.	Herikerbergweg 238, 1101CM, Amsterdam, Zuidoost, Netherlands
Misys Philippines Inc.	8th Floor, Zuellig Building, Makati Ave cor Paseo De Roxas, Makati City, 1225, Philippines
Misys Poland SP ZOO	Biuro Lumen, ul. Złota 59, 00 - 120 Warszawa, Polska, Poland
Misys Retirement Benefits Trustees Limited	Four Kingdom Street, Paddington, London, W2 6BL, United Kingdom
Misys Spain, S.L.	Edificio Mapfre, Avenida de Burgos, nº 12, 3º planta 28036, Madrid, Spain
Misys Spain S.L. – Sucursal Em Portugal (Portugal Branch)	Praça do Campo Pequeno, 48 2º Dtº, 1000-081, Lisboa, Portugal
Misys Trade and Risk Management India Private Limited	#1302, Tower -3, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone Road (West), Mumbai, Maharashtra, 400013, India
PT Misys International Financial Systems	Ged. Bursa Efek Indonesia, Tower II 16 Floor Suite 1601, Jl. Jend. Sudirman Kav. 52-53 Senayan Kebayoran Baru, Jakarta, Selatan, 12190, Indonesia

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Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

Company name	Registered office address
Sophis Brasil Servicos De Tecnologia Ltda	Rua Olimpíadas, 205, 4º andar, conjunto 44, salas 401, 403, 404 e 405, Vila Olímpia, São Paulo-SP, CEP 04551-000, Brazil
Tricura Canada Inc	2 Robert Speck Parkway, 11 th Floor, Mississauga, Canada, L4Z 1H8
Troy TRM Enformasyon Ve Yazilim Limited Sirketi	Büyükdere Cad. Yapi Kredi Plaza, C Blok No:40-41 Kat:17, Levent – Beşiktaş, Istanbul, Turkey
Turaz Global S.a.r.l.	287 - 289, Route d'Arlon, L-1150, Luxembourg, Luxembourg
Turaz Global Software EPE	2 Karagiorgi Servias & Stadiou, Athens, 10562, Greece
Turaz Global TRM S.a.r.l.	287 - 289, Route d'Arlon, L-1150, Luxembourg, Luxembourg
Turaz Global TRM S.à.r.l. (Austria Branch)	TeinfaltstraBe 8/4, 1010, Wien, Austria
Turaz Global TRM S.à.r.l. (Belgium Branch)	Avenue du Port 86C, bte 204, 1000 Bruxelles, Belgium
Turaz Global TRM S.à.r.l. (Russian Branch)	Sadovaya-Samotechnaya 24/27, 127051, Moscow, Russian Federation
US FT Holdco, Inc.	Corporation Trust Center, 1209 Orange St, Wilmington DE 19801, United States
US FT Parent, Inc.	Corporation Trust Center, 1209 Orange St, Wilmington DE 19801, United States
Finastra International Limited (Ireland Branch)	East Point Business Park, Dublin, 3, Ireland
Finastra Software, Inc. (Previously Malazuai Software Inc.)	1209 Orange Street, City of Wilmington Country of New Castle DE 19801, USA

The following subsidiaries were classified as in liquidation at 31 May 2019:

Company name	Registered office address
ACT Pension Trustees Limited	One Kingdom Street, Paddington, London, W2 6BL, United Kingdom
D+H Finance S.à r.l.	287 - 289, Route d'Arlon, L-1150, Luxembourg, Luxembourg
D+H Investments Ireland Limited	8th floor, Block E, Iveagh Court, Harcourt Road Dublin 2 D02YT22, Ireland
Fundtech UK Limited	3 Field Court, London, WC1R 5EF, United Kingdom
IND Group Holding Limited	Florinis, 10-12, Stadyl Building, 4th Floor, Nicosia, 1065, Cyprus
Intersoftware Bureaux Limited	3 Field Court, London, WC1R 5EF, United Kingdom
Intersoftware UK Limited	3 Field Court, London, WC1R 5EF, United Kingdom
Misys Group Pension Trustees Limited	One Kingdom Street, Paddington, London, W2 6BL, United Kingdom
PT Troy Trade and Risk Management	Equity Tower 35th Floor, Jl. Jend Sudirman Kav 52-53 (SCBD), Jakarta, 12190, Indonesia
Payactive Limited	3 Field Court, London, WC1R 5EF, United Kingdom
Troy TRM Pte Limited (Philippines Branch) - In deregistration 01.07.2014	18/F Tower 1, The Enterprise Center, 6766 Ayala Avenue corner, Paseo de Roxas Avenue, Makati City, Philippines

30. Share-based payments

The Group operates the Finastra Group's Management Equity Plan ('Finastra MEP') 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.

As part of the Finastra MEP, the 'Finastra Employee Incentive Trust' was established in FY18 to hold legal ownership of the shares in Tahoe Topco Limited for the benefit of senior employees 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

Finastra Limited

Notes to the consolidated financial statements for the year ended 31 May 2019 (continued)

loans made available. As employees leave the proceeds from selling the shares back to the Group are used to repay the promissory notes. At 31 May 2019 \$5.6m of promissory notes remain in place (note 27).

The total cost recognized in the Group income statement in respect of the share-based payment plan was \$nil. A charge for the plan has not been recorded in the period as a vesting event was not deemed probable Finastra MEP activity during the year ended 31 May 2019 is as follows:

	Number of shares
Brought forward 1 June 2018	151,936,388
Granted and / or agreed during the period	17,882,816
Forfeited during the period	(19,370,650)
Outstanding at the end of the period	150,448,554

Subsequent to the 31 May 2019 a further net \$0.8m of full recourse loans have been issued to / repaid by the directors and senior management as part of the Management Equity Plan (note 27).

31. Controlling parties

The Company's immediate parent undertaking is Tahoe Midco Limited which is registered in Cayman Islands and operate in the United Kingdom through its branch (Tahoe Midco Limited (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 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 smallest group in which the results of the Company are consolidated is Tahoe Topco Limited, a company registered in the Cayman Islands.

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

32. Events after the balance sheet date

Other than the event disclosed in note 30, no subsequent events have occurred after the 31 May 2019 until the date of signing these financial statements.