Temenos UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2011

(Registered number: 01972767)

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Temenos UK Limited

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Temenos UK Limited

Company information

Directors

K Stonell
C Pangalos

Company secretary and registered office

DG Carruthers
5th Floor
71 Fenchurch Street
London
EC3M 4TD

Company number

01972767 (England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

Temenos UK Limited

Directors' report
For the year ended 31 December 2011

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2011

Principal activities

The principal activity of the company is the provision of software implementation support services to financial institutions in the United Kingdom and overseas, as well as the provision of software development and marketing support services to other Temenos Group companies

Business review

The sovereign debt crisis in Europe and its impact on funding markets put the banking sector back into a state of uncertainty As a consequence, we saw decision cycles lengthen substantially with a corresponding impact on licence sales which drives future maintenance and implementation revenues

Looking ahead, we are laying the foundations for the company to return to long-term sustainable growth Included in the Temenos group mid-term growth strategy is improving profitability in our Services business, growing our partner sales channel and increasing the level of licences derived from existing customers This will be especially relevant in the UK where there is a significant Services delivery organisation, where many Partner relationships are based and where there is a strong existing customer base

During 2011, Licence and Maintenance revenues grew to £8 8m (2010 £7 2m) and turnover increased overall to £32 8m (2010 £28 2m) Implementation revenues rose to £23 9m (2010 £21 0m)

Strategy

Across the Group, there is a strong focus to grow new Licence sales as this is the engine that drives maintenance and implementation revenues This would be expected to drive growth in the future UK implementation revenue stream

The delivery initiatives, organisational changes and strengthening of Global Services management are expected to deliver stronger implementation profitability and this is a key component of the UK business

The Group strategy is to continue the commitment to product investment and innovation (see the Research and Development spend below) With this investment, the Group will be able to deliver product superiority at a functional level as well as at a technology and architecture level The UK business mirrors the Group strategy with a significant headcount dedicated to product investment and innovation

Where it is deemed applicable, targeted acquisitions to enhance the product suite or increase the client base are undertaken following appropriate due diligence

Research and Development

During 2011 Temenos UK Limited has undertaken research and development activities with a cost of £8 4m (2010 £6 5m)

Investments

There were no acquisitions by Temenos UK Limited in 2011 The accounts reflect a reduction in the investment value of FE Mobile Limited, acquired in 2010, down to net asset value and an increase to Lydian Associates Limited, acquired in 2008 by the additional payment in the final settlement under the acquisition contract

Donations

During 2011 Temenos UK Limited made £200 donations (2010 £5,000 total donations) for charitable purposes No political donations have been made

Indemnity provision

At the time the report is approved, a qualifying third party indemnity provision is in place for the benefit of all directors in Temenos UK Limited

Going Concern

The directors believe that the Company remains a going concern as at the date of signing the financial statements and that it will be able to pay its debts and expenses as they fall due for at least a period of 12 months from the date of signing these financial statements The Directors of Temenos Group AG have provided a letter confirming support from Temenos Group AG covering at least 18 months following the signing of these financial statements

At the end of Q1 2012 Temenos Group AG reported an available credit facility of $95 4m and is therefore capable of providing support to the company

Future outlook

The trading results for 2011 were encouraging despite the difficult trading conditions For 2012, we expect Temenos UK Limited to benefit from the overall Group strategy to deliver ongoing profitability and from the restructuring programme undertaken in 2011 Temenos continues to invest strongly in both product development both internally and through targeted acquisitions, and the Directors have confidence about the long term growth prospects of the company

Financial risk management

(a) Financial risk factors

The company's activities expose it to a variety of financial risks market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

The Group treasury department has implemented risk management policies and procedures and an appropriate subset of the overall Group policies and procedures are implemented in the company by the board of directors and the company's local Finance team

Market risk

(i) Foreign exchange risk

Whilst the company operates internationally, the majority of contracts are denominated in Sterling Foreign exchange gains and losses principally arise from intercompany transactions

(ii) Price risk

The company is not significantly exposed to any price risks other than those related to derivative foreign exchange contracts

(iii) Cash flow and fair value interest risk

The company is not exposed to cash flow or interest rate risks as any temporary short falls in funding are covered by loans from group companies

Credit risk

Credit risk is the risk of financial loss to the company if a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables

The company's credit risk is significantly mitigated since all of its customers are financial institutions spread across a wide geographic spectrum that have either high credit-rating, strong past experience or government backing Moreover, such institutions are already strongly regulated by their local business laws to ensure a high level of capital structure in order to maintain a stable banking environment The majority of the company's receivables are with highly rated banks

At the initial phase of the negotiation, the company analyses the creditworthiness of the customer by ensuring that
(i) the customer is highly rated by credit rating institutions or by other publicly available information, and it is not negatively flagged in the software industry, or
(ii) the customer has a strong past experience without delinquency of payments, or
(iii) if (i) and (ii) are not applicable, the company may minimise the risk by requesting financial security such as prepayments, delivery against payments or collateral security

The company may withhold services under project implementation or withhold the right to use its software if a specific customer does not respect its payment obligations At present, the company does not hold any collateral security

Directors' report
For the year ended 31 December 2011 (continued)

Credit risk (continued)

There is no concentration of credit risk with respect to trade receivables as the company has a large number of customers which are internationally dispersed

Country risk is mitigated by the company's broad geographic customer base and is minimised by a prudent approach of recognising the revenue In rare cases where the country risk is predominant, the Company may recognise the revenue only upon cash collection

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due The company manages any potential liquidity risk by means of ongoing support from group companies

(b) Capital risk management

The company is a wholly owned subsidiary and hence is not exposed to capital market risk

Key performance indicators

The directors of the company manage the company's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the financial year, after taxation, was £6 2m (2010 loss of £1 5m)

The directors do not recommend payment of a dividend (2010 £nil)

Directors

The following directors held office during the year and up to the date of signing the financial statements

C Pangalos
K Stonell

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

Temenos UK Limited

Directors' report
For the year ended 31 December 2011 (continued)

Statement of directors' responsibilities (continued)

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to accept re-appointment as auditors and a resolution concerning their re-appointment as auditors will be proposed at the Annual General meeting

The report of the directors was approved by the Board on 29 June 2012 and signed on its behalf by

C Pangalos
Director

Temenos UK Limited

Independent Auditors' Report To The Members Of Temenos UK Limited

We have audited the financial statements of Temenos UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5-6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

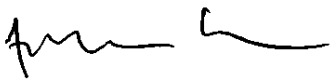
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report To The Members Of Temenos UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Archie Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
29 June 2012

Temenos UK Limited

Profit and loss account
For the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover	2	**32,765**	28,198
Cost of sales		**(26,814)**	(19,821)
Gross profit		**5,951**	8,377
Administrative expenses		**(11,075)**	(8,923)
Operating loss	3	**(5,124)**	(546)
Interest receivable and similar income	4	**-**	5
Interest payable and similar charges	5	**(1,029)**	(941)
Loss on ordinary activities before taxation		**(6,153)**	(1,482)
Taxation on loss on ordinary activities	8	**(9)**	-
Loss for the financial year	17,18	**(6,162)**	(1,482)

All results derive from continuing activities

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Temenos UK Limited

Balance sheet
As at 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Tangible assets	9	**1,152**	1,176
Investments	10	**34,675**	37,128
		35,827	38,304
Current assets			
Debtors	11	**50,742**	44,300
Cash at bank and in hand		**2,422**	710
		53,164	45,010
Creditors. amounts falling due within one year	12	**(79,712)**	(67,446)
Net current liabilities		**(26,548)**	(22,436)
Total assets less current liabilities		**9,279**	15,868
Creditors amounts falling due after more than one year	13	**(34,322)**	(35,530)
Provisions for liabilities	15	**(628)**	(46)
Net liabilities		**(25,671)**	(19,708)
Capital and reserves			
Called up share capital	16	**2,199**	2,199
Share premium account	17	**1,237**	1,038
Profit and loss reserve	17	**(29,107)**	(22,945)
Total shareholders' deficit	18	**(25,671)**	(19,708)

The financial statements on pages 9 to 24 were approved by the Board on 29 June 2012 and were signed on its behalf by



C Pangalos
Director

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies which have been applied consistently throughout the year are set out below and the company is a going concern despite being in a net liability position In determining the appropriate basis of preparation for the financial statements, the Directors are required to consider whether the company can continue in operational existence for the foreseeable future

The financial statements have been prepared under the going concern concept because of (1) the positive outlook of the ability of the Group to generate positive cash flows, (2) no provisions for future dissolution of the entity nor any impairment of current and long term assets has been recognised in these accounts and (3) the Directors of Temenos Group AG have provided a letter confirming support from Temenos Group AG covering at least 18 months following the signing of these financial statements

Consolidation

The company is a wholly-owned subsidiary of Temenos Group AG and is included in the consolidated financial statements of Temenos Group AG which are publicly available Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006

Turnover

Turnover is derived from the following sources (1) software implementation and support services, (2) commissions received from the sale of software licences, (3) software licences and software maintenance (helpdesk services and rights to future product enhancements), and (4) software development services All turnover is net of value added tax and trade discounts

Revenue is recognised when all of the following conditions have been met (1) an agreement has been entered into with the customer, (2) the software or services have been delivered, (3) the license fee is fixed and the agreement is free of uncertainties that may alter the agreement such that it may not be complete and final, and (4) collection is probable In rare cases where the country risk is predominant, the Company may recognise the revenue only upon cash collection

Software license revenues represent all fees earned from granting customers licenses to use our banking applications software, either through an initial license or through the purchase of additional modules or user rights, but excludes any amounts related to maintenance Revenue is recognised when the base criteria have been met

Software maintenance is included in most software license arrangements and is generally priced as a percentage of the initial software license fees It is recognised on a straight line basis over the term of the arrangement

Software implementation and support services represents income from consulting and implementation services sold separately under services contracts Service contracts are accounted for on a percentage completion basis When estimates indicate that a loss will be incurred on a contract upon completion, a provision of the expected loss is recorded in the period in which the loss becomes evident

Licensing and service contract income that have been invoiced but have not been recognised as revenue are reported on the balance sheet under deferred income, while income earned but not yet invoiced is reported under accrued income

The intellectual property of the software sold by the company is owned by affiliated entities of the Temenos Group Correspondingly, revenues generated in respect of software licence and maintenance are subject to intra-group charges This is included as a cost within Administrative expenses in the profit and loss account

1 Accounting policies (continued)

Cost of sales

The direct costs associated with sales contracts, such as sales commissions and third party licensing costs, are expensed as a ' cost of sales" on a matching basis Service costs are recognised as incurred and primarily represent payroll costs for implementation support consultants and fees paid to third party consultants Payments received in respect of out of pocket expenses are netted against the associated cost

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition Tangible fixed assets are stated at historic purchase cost less accumulated depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Leasehold improvements	-	Over the period of the lease up to a maximum period of 10 years
Computer equipment	-	25% on cost
Fixtures, fittings and equipment	-	10-20% on cost
Software	-	25% on cost

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction All differences on exchange are taken to the profit and loss account

Pensions

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge disclosed in note 6 represents contributions payable by the company to the fund

Contributions are also made to the personal plans of employees The expenditure is charged to the profit and loss account as incurred

Cash flow statements

The company is a wholly owned subsidiary company of a group headed by Temenos Group AG, and is included in the consolidated financial statements of that company, which are publicly available Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (Revised 1996)' from preparing a cash flow statement

Related parties

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Temenos Group AG, whose financial statements are publicly available

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease" The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are treated as operating leases Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Rental income from property leased out under an operating lease is recognised in other operating income in the income statement on a straight line basis over the term of the lease Rent reviews are recognised when such reviews have been agreed with the tenants

Research and development

Research and development is charged to the profit and loss account in the period in which it is incurred

Share based payments

Temenos Group AG operates equity-settled, share-based compensation plans The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the company revises its estimates of the number of options that are expected to vest The impact of the revision of original estimates is recognised in the income statement over the remaining vesting period The credit entry is taken to reserves because the share option commitment is met by the ultimate parent company, Temenos Group AG

Investments
In the company's balance sheet, investments in subsidiary undertakings are carried at cost, less a provision for any diminution in value

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Turnover

The table shows turnover by destination

	Licence/Maintenance revenue		Implementation revenue		Total revenue	
	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Geographical market						
Europe (including UK)	**8,400**	6,365	**23,359**	19,735	**31,759**	26,100
Africa	**45**	12	**51**	126	**96**	138
Asia/Pacific	**(58)**	332	**557**	1,095	**499**	1,427
The Americas	**459**	533	**(47)**	-	**412**	533
	8,846	7,242	**23,920**	20,956	**32,766**	28,198

3 Operating loss

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Operating loss is stated after charging		
Wages and salaries	**21,157**	18,513
Social security costs	**2,619**	2,207
Other pension costs	**1,470**	1,180
Employer National Insurance on share based payments	**553**	799
FRS20 Share Option charge	**199**	222
Staff costs	**25,998**	22,921
Depreciation of tangible fixed assets		
- Owned assets	**584**	584
- Leased assets	**11**	34
Operating lease rentals - plant and machinery	**102**	134
- other	**1,557**	1,841
Research and development expenditure	**8,351**	6,511
Services provided by the company's auditor		
Fees payable for the audit	**99**	77
Fees payable for other services – tax compliance	**21**	34
Exchange (gains) / losses	**(493)**	614

The 2010 staff costs have been restated to include employees recharged to other group entities
Payroll costs of £8,499,131 have been recharged to other group companies (2010 £6,465,282)

4 Interest receivable and similar income

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Bank interest	-	5

5 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Finance lease interest	8	6
Bank interest	4	3
Interest owed on amounts owed to group and fellow subsidiary undertakings	1,017	932
	1,029	941

6 Employee information

The average monthly number of employees, including directors, during the year was

	2011 Number	2010 Number
Management and administration	51	33
Sales and marketing	64	55
Consultancy	76	80
Design and technical	139	133
	330	301

The 2010 employee numbers have been restated to include employees recharged to other group entities

7 Directors' emoluments

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Aggregate emoluments	358	408
Contributions to defined contribution pension scheme	29	32

Retirement benefits are accruing to two (2010 four) directors under a defined contribution scheme
One director (2010 two) have exercised share options in the year

Highest paid director

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Total amounts of emoluments and amounts (excluding shares receivable under long-term incentive schemes)	181	181
Contributions to defined contribution pension scheme	14	14

8 Taxation on loss on ordinary activities

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Current tax:		
UK corporation tax	-	-
Withholding tax charge	9	-
Current Tax	**9**	-
Deferred Tax	-	-
Taxation on loss on ordinary activities	**9**	-

Factors affecting current tax charge/(credit) for the year

The tax assessed for the year is higher (2010 higher) than the standard effective rate of corporation tax in the United Kingdom of 26 5% (2010 28%) The differences are explained below

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss on ordinary activities before taxation	**(6,153)**	(1,482)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 26 5% (2010 28%)	**(1,631)**	(415)
Effects of		
Expenses not deductible for tax purposes	**148**	119
Accelerated capital allowances and other timing differences	**135**	(32)
Depreciation in excess of capital allowances	**158**	(9)
Goodwill write-off	**1,034**	-
Schedule 23 relief	**27**	224
Withholding tax not recoverable	**9**	-
Losses not utilised	**129**	113
Current tax charge for the year	**9**	-

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Taxation on loss on ordinary activities (continued)

Factors affecting current and future tax charges

During the year, as a result of the changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 and that will be effective from 1 April 2011, and to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2016
The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

The company has accumulated trading losses of £15,039,000 (2010 £14,715,000) No deferred tax asset has been recognised (2010 £nil) The potential unrecognised deferred tax asset of the company is set out below The directors believe that the recoverability of this amount in the foreseeable future is uncertain, and therefore the potential deferred tax asset has not been recognised

	2011 Un-recognised £'000	2010 Un-recognised £'000
Accelerated capital allowances	**719**	436
Trading losses	**3,873**	3,973
Accumulated capital loss	**251**	271
Other losses	**472**	579
	5,315	5,259

9 Tangible assets

	Leasehold improvements £'000	Computer equipment £'000	Software £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2011	1,821	1,575	607	1,119	5,122
Additions	-	211	309	51	571
At 31 December 2011	**1,821**	**1,786**	**916**	**1,170**	**5,693**
Accumulated depreciation					
At 1 January 2011	1,519	1,192	261	974	3,946
Charge for the year	141	211	182	61	595
At 31 December 2011	**1,660**	**1,403**	**443**	**1,035**	**4,541**
Net book value					
At 31 December 2011	**161**	**383**	**473**	**135**	**1,152**
At 31 December 2010	302	383	346	145	1,176

The net book value of tangible fixed assets includes an amount of £Nil (2010 £11k) in respect of assets held under finance leases and hire purchase contracts, as per the table below

Computer Equipment	**2011 £'000**	2010 £'000
Cost	159	159
Accumulated depreciation	(159)	(148)
Net book value	-	11

10 Investments

	£'000
Cost and Net Book Value	
At 1 January 2011	37,128
Additions	930
Impairment	(3,383)
At 31 December 2011	**34,675**

The directors believe the carrying value of the investments is supported by the value of the underlying assets

The addition to Investments in 2011 is made up of a £930,000 increase to the acquisition cost of Lydian Associates Limited based on the final earn out payment for this company

The impairment relates to writing down the investment in FE Mobile Limited to the net asset value of that company

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Investments (continued)

The undertakings in which the company's interest at the year end is 20% or more are as follows

Name	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Subsidiary Undertakings			
Financial Objects Limited	England	Ordinary 100%	Software sales and development
Financial Objects (UK) Limited	England	Ordinary 100%	Software sales and development
Financial Objects International Limited	England	Ordinary 100%	Software sales and development
FINO Software Services Limited	England	Ordinary 100%	Software sales and support
9000 Limited	England	Ordinary 100%	Software sales and support
Global Financial Systems Limited	England	Ordinary 100%	Software sales and support
Financial Objects Software (India) Pvt Ltd (a)	India	Ordinary 100%	Software development
Wealth Management Software Limited	England	Ordinary 100%	Intermediate holding company
Wealth Management Systems Limited (b)	England	Ordinary 100%	Software technology and services
Logical Trustees Limited (b)	England	Ordinary 100%	Employee benefit trust
Fairs Limited (b)	England	Ordinary 100%	Software technology and services
Genisys Technology Limited (b)	England	Ordinary 100%	Software technology and services
Financial Objects (Risk Management) Limited (c)	England	Ordinary 100%	Intermediate holding company
Raft Overseas Limited (c)	England	Ordinary 100%	Software sales and support
R A F T International AB (d)	Sweden	Ordinary 100%	Software sales and support
Financial Objects Inc (d)	USA	Ordinary 100%	Software sales and support
Raft International Limited	England	Ordinary 100%	Intermediate holding company
CAL Property Limited (b)	England	Ordinary 100%	Dormant
Logical Holdings Limited (b)	England	Ordinary 100%	Dormant
Logical Support Services Limited (b)	England	Ordinary 100%	Dormant
LSS Support Services Limited (b)	England	Ordinary 100%	Dormant
Raft Software Private Limited (India) (d)	India	Ordinary 100%	Dormant
Wealth Software Limited (b)	England	Ordinary 100%	Dormant
Wealth Systems Limited (b)	England	Ordinary 100%	Dormant
Lydian Associates Limited	England	Ordinary 100%	Software sales and development
FE Mobile Limited	England	Ordinary 100%	Mobile software and consultancy

a owned by FINO Software Services Limited
b owned by Wealth Management Software Limited
c owned by Raft International Limited
d owned by Raft Overseas Limited

11 Debtors

	31 December 2011 £'000	31 December 2010 £'000
Trade debtors	**4,939**	2,647
Amounts owed by group undertakings	**39,016**	34,694
Taxation and social security	**570**	-
Other debtors	**31**	28
Prepayments and accrued income	**6,186**	6,931
	50,742	44,300

Included in other debtors is £Nil (2010 Nil) which falls due after more than one year
Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

12 Creditors: amounts falling due within one year

	31 December 2011 £'000	31 December 2010 £'000
Trade creditors	**3,383**	3,734
Amounts owed to group undertakings	**66,502**	49,407
Taxation and social security	**-**	2,228
Accruals and deferred income	**7,669**	12,050
Acquisition cost	**2,158**	-
Amounts owed under finance leases (note 14)	**-**	27
	79,712	67,446

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

13 Creditors: amounts falling due after more than one year

	31 December 2011 £'000	31 December 2010 £'000
Acquisition cost	1,039	2,047
Amounts owed to group subsidiary undertakings	33,283	33,483
	34,322	35,530

The rate of interest on the loan is calculated as LIBOR + 2%
The amounts owed to group and fellow subsidiary undertakings are unsecured

All amounts fall due in less than five years

14 Finance leases

	31 December 2011 £'000	31 December 2010 £'000
Future minimum repayments under finance leases are due as follows		
Within one year	-	33
Total gross payments	-	33
Less finance charges included above	-	(6)
	-	27

15 Provisions for liabilities

	Termination Benefits £'000	Onerous Lease £'000	Dilapidation Provision £'000	Total £'000
At 1 January 2011	-	-	46	46
Charged to the profit and loss account	108	445	29	582
At 31 December 2011	**108**	**445**	**75**	**628**

No provision has been released or applied for any purpose other than that for which it was established
The amount provided for onerous lease was the estimated shortfall in rent for a sub-let property for the period to 27 April 2017

The dilapidation provision arises from leaseholder decommissioning obligations at the end of the lease term It is based on estimated expenditure at the end of the lease term, which is reassessed on an annual basis The provision will be utilised when the decommissioning expenditure is incurred at the end of the lease term

The termination benefits provision is for redundancy costs for staff already informed of the redundancy decision at 31 December 2011 The provision will be released against the payments made in 2012

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Called up share capital

	31 December 2011 £'000	31 December 2010 £'000
Authorised		
12,500,000 ordinary shares of 20p each (2010 12,500,000)	**2,500**	2,500
Allotted and fully paid		
10,994,218 ordinary shares of 20p each (2010 10,994,218)	**2,199**	2,199

17 Reserves

	Share Premium Account £'000	Profit and Loss Account £'000
At 1 January 2011	1,038	(22,945)
FRS20 Share Options Charge	199	-
Loss for the financial year (note 18)	-	(6,162)
At 31 December 2011	**1,237**	**(29,107)**

18 Reconciliation of movement in total shareholders' deficit

	2011 £'000	2010 £'000
Loss for the financial year	**(6,162)**	(1,482)
FRS20 Share Options Charge	**199**	222
Net additions to shareholders deficit	**(5,963)**	(1,260)
Opening shareholders' deficit	**(19,708)**	(18,448)
Closing shareholders' deficit	**(25,671)**	(19,708)

19 Operating leases commitments

As at 31 December 2011, the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	-	3	-	97
Within two to five years	1,571	-	-	5
After five years	253	-	1,557	-
	1,824	**3**	**1,557**	**102**

Operating lease commitments reported increased by £168,319 compared to 2010 There has been an increase due to committing to an additional property lease in December 2011 which expires in August 2016 of £267,358 per year and a decrease due to equipment leases concluded in 2011 of £99,039

20 Pension costs

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund There were outstanding contributions at the year end of £188,020 (2010 £316)

Details of contributions made to the fund in the year are given in Note 3

21 Share based payments

The ultimate parent company Temenos Group AG provides employees, on a discretionary basis, share options and appreciation rights that need to be accounted for under FRS 20 – Share based payments

Share options and share appreciation rights are granted to directors and selected employees Options are conditional on the employee completing a specified period of service (the vesting period) and share appreciation rights are only exercisable if the Group achieves its targets of profitability

The options and stock appreciation rights have a contractual term of ten years The Group has no legal or constructive obligation to repurchase or settle the options of share appreciation rights in cash

The FRS20 Share Based Payments charge for 2011 was £198,942 (2010 £221,555)

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	2011		2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	**519,732**	**13.7433**	**520,374**	**9 8591**
Granted	128,329	**12.8083**	161,208	**19 2000**
Forfeited	(271,800)	**15.9293**	(27,740)	**11 6800**
Exercised	(36,750)	**10.6773**	(134,110)	**7.2843**
Outstanding at 31 December	**339,511**	**12.1496**	**519,732**	**13 7433**
Exercisable at 31 December	**131,768**	**9.5941**	**71,477**	**5.3356**

21 Share based payments (continued)

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows

31 December 2010 Exercise prices	Number	Weighted average remaining life
0 78-1 09	28,000	2 22
4 11	7,500	3 01
5 19	12,500	3 01
5 73	43,261	8 17
8 08	77,304	8 17
12 03	12,500	6 30
15 11	38,000	8 94
15 58-15 84	176,637	8 68
17 13	38,835	9 16
22 47	85,195	10 17
	519,732	8 24

31 December 2011 Exercise prices	Number	Weighted average remaining life
0 86-1 20	22,500	1 05
4 38	7,500	2 01
5 53	12,495	7 16
5 71	12,500	2 01
7 78	28,869	7 78
10 80-10 88	106,947	9 92
12 43	12,500	5 30
15 05-15 31	95,090	7 94
15 60	30,000	0 80
16 56	11,110	8 16
	339,511	7 00

The weighted average fair value of options and share appreciation rights granted in the year determined using an "Enhanced American Pricing Model" was $3 49 (2010 $6 09) The significant inputs into the model were weighted average share price at grant date of $12 39 (2010 $19 43), weighted average exercise price of $12 81 (2010 $19 27), standard deviation of expected share price returns 40 9% (2010 41 10%), weighted average option lives of 5 89 years (2010 5 23 years) and weighted average annual risk-free interest rate of 1 69% (2010 2 61%) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period Where there is no relevant historical period the standard deviation of expected share price returns is based on calculations derived from a relevant peer group

22 Ultimate parent company and controlling party

The immediate and ultimate parent undertaking and controlling party is Temenos Group AG, a company incorporated in Switzerland

Temenos Group AG is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2011 The consolidated financial statements of Temenos Group AG are available from Temenos Group AG, c/o 2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland