

Temenos UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2012

(Registered number: 01972767)

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Temenos UK Limited

Contents	Pages
Company information	1
Directors' report	2-6
Independent auditors' report to the members of Temenos UK Limited	7-8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11-24

Temenos UK Limited

Company information

Directors

D Noctor
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 2012

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2012

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

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the financial year 2012 after taxation of £2.6m (2011: loss of £6.2m)

The directors do not recommend payment of a dividend (2011: £nil)

Business review

2012 was probably one of the most challenging years our industry has seen. Banks worldwide are still having to deal with the consequences of the 2008 financial turmoil and the ensuing sovereign debt crisis, increased regulation and scrutiny from national and supranational regulators and lower returns on equity. On top of this, technology and especially advances in mobility and broader channel access and customer experience are producing changes in customer behaviour which present both an opportunity and a huge threat for banks, existing and new.

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 2012, licence and maintenance revenues were £6.2m (2011: £8.8m) and turnover fell to £26.4m (2011: £32.8m). Implementation revenue decreased to £20.2m (2011: £23.9m).

Key performance indicators

The Company is an integral part of the Temenos Group AG group of companies ("the group"). The key performance indicators of Temenos Group AG for the year ended 31 December 2012 are included in the consolidated financial statements of that company (which can be obtained from Temenos Group AG address given in Note 20).

Strategy

Across the group, we are now moving into the "Lead" phase having moved through the "Build" and "Scale" phases. Throughout this entire time, there are many things that have remained true to Temenos: a single domain focus, being truly global, a commitment to openness and the highest levels of R&D. These principles are as relevant today as they were 20 years ago and will provide the bedrock for Temenos as we move to the next level. 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.

Temenos UK Limited

Directors' report

For the year ended 31 December 2012 (continued)

Strategy (continued)

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

Research and Development

During 2012 Temenos UK Limited has undertaken research and development activities with a cost of £4.8m (2011 £8.4m)

Investments

On 1 October 2012 the group finalised the acquisition of 100% of the share capital of EDGE IPK, a UK based provider of User Experience Platform ("UXP") software to the financial services industry for £9.1m The Companies investments are not deemed to be impaired as the investments are supported by the net assets and future cash flows of the subsidiary companies

Donations

During 2012 Temenos UK Limited made no contribution to donations (2011 £200 total donations) for charitable purposes No political donations have been made

Indemnity provision

Throughout the financial year and at the date of the approval of these financial statements, the Company maintained Directors and Officer's Liability insurance policies on behalf of the directors of the Company These policies meet the 2006 companies Act definition of a qualifying third party indemnity provision

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 2013 Temenos Group AG reported an available credit facility of \$95m and is therefore capable of providing support to the Company

Future outlook

The trading results for 2012 were encouraging despite the difficult trading conditions For 2013, we expect Temenos UK Limited to benefit from the overall group strategy to deliver ongoing profitability and from the restructuring programme undertaken in 2012 Temenos continues to invest strongly in both product developments internally and through targeted acquisitions, and the directors have confidence about the long term growth prospects of the Company

Temenos UK Limited

Directors' report

For the year ended 31 December 2012 (continued)

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.

Temenos UK Limited

Directors' report

For the year ended 31 December 2012 (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

Directors

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

C Pangalos
Des Noctor
K Stonell (Resigned on 13/11/2012)

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

Temenos UK Limited

Directors' report

For the year ended 31 December 2012 (continued)

Statement of directors' responsibilities (continued)

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

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

- 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.

The report of the directors was approved by the Board on 21 June 2013 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 2012 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 page 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 and financial statements 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 2012 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.

Temenos UK Limited

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

21 June 2013

Temenos UK Limited

Profit and loss account

For the year ended 31 December 2012

		Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
	<i>Note</i>		
Turnover	2	26,425	32,765
Cost of sales		(18,194)	(26,814)
Gross profit		8,231	5,951
Administrative expenses		(9,712)	(11,075)
Operating loss	3	(1,481)	(5,124)
Interest payable and similar charges	4	(1,122)	(1,029)
Loss on ordinary activities before taxation		(2,603)	(6,153)
Taxation on loss on ordinary activities	7	(4)	(9)
Loss for the financial year	15,16	(2,607)	(6,162)

All results are derived 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 2012

	<i>Note</i>	31 December 2012 £'000	31 December 2011 £'000
Fixed assets			
Tangible assets	8	1,792	1,152
Investments	9	43,845	34,675
		45,637	35,827
Current assets			
Debtors	10	70,010	50,742
Cash at bank and in hand		3,638	2,422
		73,648	53,164
Creditors, amounts falling due within one year	11	(84,472)	(79,712)
Net current liabilities		(10,824)	(26,548)
Total assets less current liabilities		34,813	9,279
Creditors amounts falling due after more than one year	12	(62,582)	(34,322)
Provisions for liabilities		(309)	(628)
Net liabilities		(28,078)	(25,671)
Capital and reserves			
Called up share capital	14	2,199	2,199
Share premium account	15	1,437	1,237
Profit and loss reserve	15	(31,714)	(29,107)
Total shareholders' deficit	16	(28,078)	(25,671)

The financial statements on pages 9 to 24 were approved by the Board on 21 June 2013 and were signed on its behalf by


C Pangalos
Director

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Going Concern

At 31 December 2013, the Company had net current liabilities. The accounts are prepared on the going concern 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

Cash flow statements

The Company is a wholly owned subsidiary of by 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 a cash flow statement under the terms of FRS 1 (revised 1996)

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

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. Turnover is recognised 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 exclude 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

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Software implementation and support services represent 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.

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 18 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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods. Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods which are different from their inclusion in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date.

On 22 June 2010, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (having been substantively enacted on 20 July 2010). Subsequent UK Budget Statements have announced additional reductions in the main UK corporation tax rate to 26% taking effect from 1 April 2011, and 24% taking effect from 1 April 2012. At the balance sheet date, the Finance Act 2012 had been substantively enacted confirming that the main UK corporation tax rate will be 23% from 1 April 2013.

Further proposals to reduce the main UK corporation tax rate to 21% on 1 April 2014 and 20% on 1 April 2015 had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

These reductions may reduce the Company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further rate reductions. Although these should further reduce the company's future current tax charge, it is estimated that this will not have a material effect on the Company.

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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

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

Investments are stated at cost less provision for diminution in value. The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If such an indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an investment exceeds its recoverable amount.

2 Turnover

The table shows turnover by destination

	Licence/Maintenance revenue		Implementation revenue		Total revenue	
	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Geographical market						
Europe (including UK)	5,618	8,400	19,947	23,359	25,565	31,759
Africa	25	45	5	51	30	96
Asia/Pacific	228	(58)	76	557	304	499
The Americas	401	459	125	(47)	526	412
	6,272	8,846	20,153	23,920	26,425	32,766

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Operating loss

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Operating loss is stated after charging		
Wages and salaries	22,334	21,157
Social security costs	2,765	2,619
Other pension costs	1,526	1,470
Employer National Insurance on share based payments	44	553
FRS20 Share Option charge	201	199
Staff costs	26,870	25,998
Depreciation of tangible fixed assets		
- Owned assets	525	584
- Leased assets	52	11
Operating lease rentals - plant and machinery	97	102
- other	1,217	1,557
Research and development expenditure – current year	4,791	8,351
Exchange gains	(228)	(493)
Services provided by the company's auditor		
Fees payable for the audit	99	99
Fees payable for other services – tax compliance	21	21

4 Interest payable and similar charges

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Finance lease interest	-	8
Bank interest	(2)	4
Interest payable to group and fellow subsidiary undertakings	1,124	1,017
	1,122	1,029

5 Employee information

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

	2012 Number	2011 Number
Management and administration	47	51
Sales and marketing	58	64
Consultancy	38	76
Design and technical	148	139
	291	330

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Directors' emoluments

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Aggregate emoluments	418	358
Contributions to defined contribution pension scheme	27	29

Retirement benefits are accruing to two (2011 two) directors under a defined contribution scheme

One director (2011 one) have exercised share options in the year

Highest paid director

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Total amounts of emoluments and amounts (excluding shares receivable under long-term incentive schemes)	181	181
Contributions to defined contribution pension scheme	15	14

7 Taxation on loss on ordinary activities

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax:		
UK corporation tax	2	-
Withholding tax charge	2	9
Current Tax	4	9
Taxation on loss on ordinary activities	4	9

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

Factors affecting current tax credit for the year

The tax assessed for the year is higher (2011 higher) than the standard effective rate of corporation tax in the United Kingdom of 24.5% (2011 26.5%). The differences are explained below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loss on ordinary activities before taxation	(2,603)	(6,153)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 24.5% (2011 26.5%)	(639)	(1,631)
Effects of		
Expenses not deductible for tax purposes	152	148
Accelerated capital allowances and other timing differences	268	135
Depreciation in excess of capital allowances	143	158
Goodwill write-off	-	1,034
Schedule 23 relief	25	27
Disposal of fixed assets	10	-
Withholding tax not recoverable	2	9
Losses not utilised	43	129
Current tax credit for the year	4	9

Factors affecting current and future tax charges

During the year, as a result of the changes in the UK corporation tax rate to 24%, which was substantially enacted on 26 March 2012 and was effective from 1 April 2012, and to 23%, which was substantially enacted on 3 July 2012 and will be effective from 1 April 2013

A further reduction to the UK corporation tax rate has been announced. The change proposes to reduce the rate to 22% from 1 April 2014. The change had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

The Company has accumulated trading losses of £35,552,000 (2011 £15,039,000). No deferred tax asset has been recognised (2011 £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.

	2012 Un-recognised £'000	2011 Un-recognised £'000
Accelerated capital allowances	410	719
Trading losses	7,735	3,873
Accumulated capital loss	231	251
Other losses	211	472
	8,587	5,315

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tangible assets

	Leasehold improvements £'000	Computer equipment £'000	Software £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2012	1,821	1,786	916	1,170	5,693
Additions	-	149	272	837	1,258
Disposals	(14)	(6)	-	(21)	(41)
At 31 December 2012	1,807	1,929	1,188	1,986	6,910
Accumulated depreciation					
At 1 January 2012	1,660	1,403	443	1,035	4,541
Charge for the year	52	189	251	85	577
At 31 December 2012	1,712	1,592	694	1,120	5,118
Net book value					
At 31 December 2012	95	337	494	866	1,792
At 31 December 2011	161	383	473	135	1,152

9 Investments

	£'000
Cost and Net Book Value	
At 1 January 2012	34,675
Additions	9,170
At 31 December 2012	43,845

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

The addition to Investments in 2012 is made up of a £9,170,000 due to the acquisition cost of Edge IpK Limited that made during the year

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
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

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

Wealth Management Systems Limited (b)	England	Ordinary 100%	company Software technology and services
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
Lydian Associates Limited	England	Ordinary 100%	Software sales and development
FE Mobile Limited	England	Ordinary 100%	Mobile software and consultancy
Edge IPK Limited	England	Ordinary 100%	Software technology and services
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		

10 Debtors

	31 December 2012 £'000	31 December 2011 £'000
Trade debtors	6,416	4,939
Amounts owed by group undertakings	58,058	39,016
Taxation and social security	-	570
Other debtors	21	31
Prepayments and accrued income	5,515	6,186
	70,010	50,742

Included in other debtors is £23,000 (2011 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

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Creditors: amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £'000
Trade creditors	3,838	3,383
Amounts owed to group undertakings	71,835	66,502
Taxation and social security	773	-
Accruals and deferred income	6,253	7,669
Acquisition cost	1,773	2,158
	84,472	79,712

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

12 Creditors: amounts falling due after more than one year

	31 December 2012 £'000	31 December 2011 £'000
Acquisition cost	-	1,039
Amounts owed to group subsidiary undertakings	62,582	33,283
	62,582	34,322

The amounts owed to group subsidiary undertakings represents a loan of £62,582,000 which is unsecured and repayable in less than five years. The loan before interest at overnight Libor rate plus a margin of 2%

13 Provisions for liabilities

	Termination Benefits £'000	Onerous Lease £'000	Dilapidation Provision £'000	Total £'000
At 1 January 2012	108	445	75	628
Charged to the profit and loss account	(108)	(244)	33	(319)
At 31 December 2012	-	201	108	309

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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Called up share capital

	31 December 2012 £'000	31 December 2011 £'000
Authorised		
12,500,000 ordinary shares of 20p each (2011 12,500,000)	2,500	2,500
Allotted and fully paid		
12,500,000 ordinary shares of 20p each (2011 10,994,218)	2,199	2,199

15 Reserves

	Other Reserves £'000	Profit and Loss Account £'000
At 1 January 2012	1,237	(29,107)
Loss for the financial year	-	(2,607)
At 31 December 2012	1,237	(31,714)

16 Reconciliation of movement in total shareholders' deficit

	2012 £'000	2011 £'000
Loss for the financial year	(2,607)	(6,162)
FRS20 Share Options Charge	200	199
Net additions to shareholders deficit	(2,407)	(5,963)
Opening shareholders' deficit	(25,671)	(19,708)
Closing shareholders' deficit	(28,078)	(25,671)

17 Operating leases commitments

As at 31 December 2012, the Company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	-	-	-	3
Within two to five years	1,824	-	1,571	-
After five years	-	-	253	-
	1,824		1,824	3

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 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 yearend of £118,942 (2011: £188,020).

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

19 Share based payments

Share options and share appreciation rights

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 payment.

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.

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

	Number	2012 Weighted average exercise price £	Number	2011 Weighted average exercise price £
Outstanding at 1 January	339,511	12.1496	519,732	13.7433
Granted	237,480	10.5500	128,329	12.8083
Forfeited	(84,021)	13.8380	(271,800)	15.9293
Exercised	(33,056)	7.7080	(36,750)	10.6773
Outstanding at 31 December	459,914	11.2950	339,511	12.1496
Exercisable at 31 December	91,364	9.7046	131,768	9.5941

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 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

Notes to the financial statements for the year ended 31 December 2012 (continued)

31 December 2012	Number	Weighted average remaining life
Exercise prices		
0.88-1.22	6,400	0.72
4.20	7,500	1.00
5.48	10,168	6.16
5.81	12,500	1.00
7.71	15,183	3.59
10.08-11.76	327,060	9.48
14.91-15.17	50,993	6.00
15.46	19,000	0.16
16.40	11,110	7.16
	459,914	7.86

The weighted average fair value of options and share appreciation rights granted in the year determined using an "Enhanced American Pricing Model" was £3.26 (2011: £3.49). The significant inputs into the model were weighted average share price at grant date of £10.43 (2011: £12.39), weighted average exercise price of £10.55 (2011: £12.81), standard deviation of expected share price returns 42.79% (2011: 40.90%), weighted average option lives of 5.91 years (2011: 5.89 years) and weighted average annual risk-free interest rate of 1.09% (2011: 1.69%). 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.

Performance, Loyalty and Restricted shares

	2012	2011
Outstanding at 1 January	73,303	14,637
Granted	-	61,468
Forfeited	(3,442)	(2,802)
Exercised	(1,706)	-
Outstanding at 31 December	68,155	73,303

Loyalty shares

There were no grants of loyalty shares in 2012 (2011: 3,762). Loyalty shares are conditional on the employee completing a specified period of service. The vesting period is three years and there is no maximum contractual term. The group has no legal or constructive obligation to repurchase or settle the loyalty shares in cash. The weighted average fair value of loyalty shares granted during the period determined by the share price on the date of grant was £nil (2011: £8.64). None of the loyalty shares were exercisable at the balance sheet date (2011: nil).

Performance shares

There were no grants of performance shares in 2012 (2011 56,000). Performance shares were made to certain employees. Performance shares are conditional on the employee completing a specified period of service and are only exercisable if the group achieves specified cumulative earnings per share targets. In case of overachievement of earnings per share targets, certain performance share grants may be increased by a maximum of 40% of the original grant. The vesting period is a minimum of three years and there is no maximum contractual term. The group has no legal or constructive obligation to repurchase or settle the performance shares in cash. The weighted average fair value of performance shares granted during the period determined by the share price on the date of grant was £nil (2011 £9.98). None of the performance shares were exercisable at the balance sheet date.

Other shares

There were no other share grants made in 2012 (2011 1,706). These other restricted shares are conditional on the employee completing a specified period of service. The vesting period is one and a quarter years and there is no maximum contractual term. The group has no legal or constructive obligation to repurchase or settle the restricted shares in cash. The weighted average fair value of restricted shares granted during the period determined by the share price on the date of grant was £nil (2011 £20.34). There were no other restricted shares that were exercisable at the balance sheet date (2011 nil).

The FRS20 Share Based Payments charge for 2012 was £201,009 (2011 £198,942).

20 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 2012. 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.