

Temenos UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

Registered number: 01972767

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Temenos UK Limited

Annual report and Financial Statements for the year ended 31 December 2016

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Temenos UK Limited

Company information

Directors

D Noctor
M Gunning
O Pennese

Company secretary and registered office

D G Carruthers (resigned 15 February 2016)
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, Middlesex
UB8 1EX

Temenos UK Limited

Strategic report

for the year ended 31 December 2016

The directors present their strategic report on the Company for the year ended 31 December 2016.

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

2016 was a strong year for our services and partner strategy which is unchanged and continues to deliver results with Temenos and its partners taking 95 financial institutions live as a group. In addition, 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 2016, there has been a significant increase in turnover to £49.2m from £33.3m in 2015. This is due to high levels of client activity driving growth across all segments. Licence and maintenance revenues were £14.1m (2015: £8.2m) and implementation revenues were £35.1m in the year (2015: 25.1m).

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 2016 are included in the consolidated financial statements of that company which can be obtained from Temenos Group AG (address given in Note 19).

Strategy

Our strategy to deliver the very highest levels of customer success is clear. We will use partners where possible for implementation whilst continuing to build our expert and productised services business to add value to our customers. We will always work seamlessly with our product group to ensure that customer expectations are met. Finally, everything we do will be strictly governed, whether being delivered internally or by partners.

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.

Temenos UK Limited
Strategic report
for the year ended 31 December 2016 (continued)

Research and Development

During 2016 Temenos UK Limited has undertaken research and development activities with a cost of £3.5m (2015: £3.5m)

Future outlook

The turnover results for 2016 were outstanding after landmark 2015. For 2017, we expect Temenos UK Limited to benefit from the overall group strategy to deliver ongoing profitability. 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.

On behalf of the board



O Pennese
Director

19 June 2017

Temenos UK Limited

Directors' report

For the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

Results and dividends

The income statement is set out on page 9 and shows the loss for the financial year 2016 of £2.2m (2015: £27.3m). The loss in the financial year is principally due to recognition of an impairment loss of £4.1m on the carrying value of investments as well as the cost of share options exercised in the current year. The directors do not recommend the payment of a dividend (2015: £nil). Future development of the company has been discussed within the strategic report

Directors

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

D Noctor
M Gunning
O Pennese (Appointed on 11 April 2016)

Donations

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 12 months following the signing of these financial statements.

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.

Temenos UK Limited
Directors' report
For the year ended 31 December 2016 (continued)

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.

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.

Temenos UK Limited
Directors' report
For the year ended 31 December 2016 (continued)

(b) Capital risk management

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

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

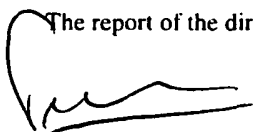
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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 report of the directors was approved by the Board on __ June 2017 and signed on its behalf by;



O Pennese
Director

Independent auditors' report to the members of Temenos UK Limited

Report on the financial statements

Our opinion

In our opinion, Temenos UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Temenos UK Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Alex Crompton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
19 June 2017

Temenos UK Limited

Income Statement

For the year ended 31 December 2016

		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
	<i>Note</i>		
Turnover	2	49,275	33,326
Cost of sales		(22,918)	(25,457)
Gross profit/(loss)		26,357	7,869
Administrative expenses		(23,434)	(4,149)
Impairment of investments	10	(4,108)	(29,975)
Operating loss	3	(1,185)	(26,255)
Interest payable and similar charges	4	(991)	(1,050)
Loss on ordinary activities before taxation		(2,176)	(27,305)
Tax on loss on ordinary activities	7	(47)	(31)
Loss after tax on ordinary activities		(2,223)	(27 336)

All results are derived from continuing activities.

There were no items of comprehensive income apart from the loss for the financial year.

Temenos UK Limited

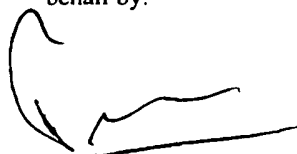
Statement of Financial Position

As at 31 December 2016

		31 December 2016 £'000	31 December 2015 £'000
	Note		
Fixed assets			
Intangible assets	8	315	546
Tangible assets	9	1,074	1,180
Investments	10	9,067	13,175
		10,456	14,901
Current assets			
Debtors	11	71,844	38,962
Cash at bank and in hand		1,615	1,344
		73,459	40,306
Creditors: amounts falling due within one year	12	(70,168)	(47,399)
Net current liabilities		(3,291)	(7,093)
Total assets less current liabilities		13,747	7,808
Creditors: amounts falling due after more than one year	13	(60,949)	(58,959)
Provisions for liabilities	14	(131)	(183)
Net liabilities		(47,333)	(51,334)
Capital and reserves			
Called up share capital	15	2,199	2,199
Other reserves		2,358	2,358
Profit and loss account		(51,890)	(55,891)
Total equity		(47,333)	(51,334)

The notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements on pages 9 to 27 were approved by the Board on 19 June 2017 and were signed on its behalf by:



O Pennese
Director

Temenos UK Limited

Statement of Changes in Equity

For the year ended 31 December 2016

	<i>Called up Share capital £'000</i>	<i>Other reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
Balance as at 1 January 2015	2,199	2,358	(29,660)	(25,103)
Loss for the year	-	-	(27,336)	(27,336)
Credit relating to share based payments	-	-	1,105	1,105
Balance as at 31 December 2015	2,199	2,358	(55,891)	(51,334)
Loss for the year	-	-	(2,223)	(2,223)
Credit relating to share based payments	-	-	6,224	6,224
Balance as at 31 December 2016	2,199	2,358	(51,890)	(47,333)

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

General information

The Company is a private limited company limited by shares and is incorporated in England. The address of its registered office is 5th Floor, 71 Fenchurch Street, London, EC3M 4TD.

Statement of compliance

The financial statements of Temenos UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention. The financial statements have been prepared under FRS 102.

Going Concern

At 31st December 2016, the Company had net current liabilities. The financial statements are prepared on the going concern basis 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 have been recognised in these financial statements and (3) the directors of Temenos Group AG have provided a letter confirming support from Temenos Group AG covering at least 12 months following the signing of these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Temenos UK Limited is a qualifying entity as its results are consolidated into the financial statements of Temenos Group AG which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present financial instrument disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraphs 12.26 and 12.29;
- (iii) from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments;
- (iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv); and
- (v) from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

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.

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Turnover 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 turnover only upon cash collection.

Software license turnover 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. Turnover 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 represent income from consulting and implementation services sold separately under services contracts. Service contracts are accounted for on a percentage of completion basis. Turnover is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Where a contract involves performing an indeterminate number of acts over a specified period of time, turnover is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. 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.

Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably

Licensing and service contract income that have been invoiced but have not been recognised as turnover are reported on the statement of financial position 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, turnover 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 income statement.

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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	-	25% on cost
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Amortisation is charged to administrative expenses in the income statement. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

The software intangible assets include licenses acquired to facilitate the delivery of services to clients through enabling the control of automated deployments to staging servers during implementations and through providing a platform for customer demonstrations and exploratory testing.

Tangible assets and depreciation

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

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in income statement and included within the operating profit.

Depreciation is calculated so as to write off the cost of tangible 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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

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 income statement whenever the carrying amount of an investment exceeds its recoverable amount.

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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Employee benefits

The Company provides a range of benefits to employees, including defined contribution pension plans and holiday pay.

Short term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the company.

A liability is recognised at each reporting date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the income statement.

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 17 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 income statement as incurred.

Taxation

Taxation comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the expected tax payable (or recoverable) for the current period, and any adjustment to tax payable in respect of previous periods, using tax rates enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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 statement of financial position 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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Taxation (continued)

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 reporting date.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement immediately.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

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 statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Leased assets (continued)

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 income statement, 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 income statement on a straight-line basis over the term of the lease.

Research and development

Research and development is charged to the income statement 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 reporting 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.

Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Intangible assets

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded as an integral part of the related hardware and the hardware cannot operate without the software, it is treated as a tangible asset. However, where the software is not an integral part of the related hardware, it is to be treated as an intangible asset. Management have decided that the software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

Provisions

The Company has recognised provisions for dilapidations and onerous leases which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, the most recent assessments of the likely cost and other reasonable factors.

Impairment of debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing impairment, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Critical judgements and estimates in applying the accounting policy (continued)

Impairment of investments

The Company tests annually whether investments have suffered any impairment. The recoverable amounts of investments have been determined based on value-in-use calculations. These calculations make use of future cash flow projections and a pre-tax discount rate that require management to make estimates and assumptions.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Turnover

The table shows turnover by destination:

	Licence/Maintenance turnover		Implementation turnover		Total turnover	
	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Geographical market						
Europe (including UK)	10,515	6,323	36,764	23,519	47,279	29,842
Africa	359	231	1,051	1,238	1,410	1,469
The Americas	409	1,722	77	169	486	1,891
Asia Pacific	-	-	100	124	100	124
	11,283	8,276	37,992	25,050	49,275	33,326

3 Operating (loss) / profit

This is after charging / (crediting):

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	22,882	19,431
Social security costs	4,396	3,131
Other pension costs	1,527	1,492
Share based payments	8,021	1,105
Staff costs	36,826	25,159
Depreciation of tangible fixed assets		
- Owned assets	311	286
- Leased assets	59	73
- Amortisation of intangible assets	258	285
Operating lease rentals	1,345	1,250
Exchange loss/(gains)	1,523	(1,615)
Impairment of investments (note 10)	4,108	29,975
Services provided by the company's auditor		
Fees payable for the audit	70	73
Fees payable for other services – tax compliance	17	11
Fees payable for other non-audit services	-	12

Included in staff costs is research and development expenditure of £3.5m (2015: £3.5m)

Temenos UK Limited**Notes to the financial statements for the year ended 31 December 2016 (continued)****4 Interest payable and similar charges**

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest payable to group and fellow subsidiary undertakings	991	1,050

5 Employee information

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

	2016 Number	2015 Number
Management and administration	38	47
Sales and marketing	45	38
Consultancy	68	35
Design and technical	158	172
	309	292

6 Directors' emoluments

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Aggregate emoluments	5,679	510
Contributions to defined contribution pension scheme	24	13

Retirement benefits are accruing to two (2015: one director under a defined contribution scheme).
Three directors (2015: three) exercised share options in the year.

Highest paid director

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Total amounts of emoluments and amounts (excluding shares receivable under long-term incentive schemes)	4,114	257
Contributions to defined contribution pension scheme	13	12

The highest paid director exercised share options during the year (2015: shares were exercised).

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7 Tax on loss on ordinary activities

(i) Analysis of tax charge in the year

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax:		
Withholding tax charge	45	31
Current Tax	2	31
Taxation on loss on ordinary activities	47	31

(ii) Analysis of tax charge in the year

The tax assessed for the year is higher (2015: higher) than the standard effective rate of corporation tax in the United Kingdom of 20% (2015: 20.25%). The differences are explained below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss on ordinary activities before taxation	(2,176)	(27,305)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%)	(435)	(5,529)
Effects of:		
Expenses not deductible for tax purposes – total permanent at 20%	2,764	6,796
Capital allowances and other timing differences – temp diff	(188)	(192)
Withholding tax not recoverable	45	31
Utilisation of trading losses	(2,141)	(1,075)
Reversal of prior year temporary difference	2	-
Total tax charge for the year	47	31

(iii) Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Company has accumulated trading losses of £ 22,723,672 (2015: £29,922,540).

No deferred tax asset has been recognised (2015: £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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7 Tax on profit on ordinary activities (continued)

	2016 Un-recognised £'000	2015 Un-recognised £'000
Accelerated capital allowances	885	544
Trading losses	4,545	6,059
Accumulated capital loss	201	203
Other losses	91	185
	5,722	6,991

8 Intangible assets

	Software £'000
Cost	
At 1 January 2016	2,049
Additions	28
Disposal	-
At 31 December 2016	2,077
Accumulated amortisation	
At 1 January 2016	1,503
Charge for the year	259
Disposal	-
At 31 December 2016	1,762
Net book value	
At 31 December 2016	315
At 31 December 2015	546

The software intangible assets include licenses acquired to facilitate the delivery of services to clients.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9 Tangible assets

	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 January 2016	2,103	2,645	1,884	6,632
Additions		251	13	264
Disposal	-	-	-	-
At 31 December 2016	2,103	2,896	1,897	6,896
Accumulated depreciation				
At 1 January 2016	1,890	2,155	1,407	5,452
Charge for the year	59	221	90	369
Disposal	-	-	-	-
At 31 December 2016	1,949	2,376	1,497	5,821
Net book value				
At 31 December 2016	154	520	400	1,074
At 31 December 2015	213	490	477	1,180

10 Investments

	£'000
Cost	
At 1 January 2016	43,150
Additions	-
Disposals	-
At 31 December 2016	43,150
Amounts provided	
At 1 January 2016	(29,975)
Impairment loss	(4,108)
At 31 December 2016	(34,083)
Net book value	
At 31 December 2016	9,067
At 31 December 2015	13,175

Investments are not listed and are held at cost less impairment as fair value cannot be reliably determined.

The carrying value of investments have been compared to their recoverable amounts, represented by their value in use to the company. This resulted in an impairment in 2016 of £4.1m (2015: £29.9m).

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

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (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 (d)	England	Ordinary 100%	Software sales and development
Financial Objects International Limited (d)	England	Ordinary 100%	Software sales and development
FINO Software Services Limited (d)	England	Ordinary 100%	Software sales and support
Temenos East Africa Ltd	Kenya	Ordinary 99%	Software sales and support
Financial Objects Software (India) Pvt Ltd (a)	India	Ordinary 100%	Software development
Wealth Management Software Limited (d)	England	Ordinary 100%	Intermediate holding company
Wealth Management Systems Limited (b)	England	Ordinary 100%	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
Edge IPK Inc. (c)	USA	Ordinary 100%	Software sales and support
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 Edge IPK Ltd		
d.	owned by Financial Objects Limited		

11 Debtors

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Trade debtors	3,090	1,716
Amounts owed by group undertakings	64,600	33,038
Taxation and social security	604	580
Other debtors	296	27
Prepayments and accrued income	3,254	3,601
	71,844	38,962

Included in other debtors is nil (2015: £ 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 2016 (continued)

12 Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors	3,954	3,096
Amounts owed to group undertakings	58,586	38,383
Other taxation and social security	1,047	379
Accruals and deferred income	6,581	5,541
	70,168	47,399

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 2016 £'000	31 December 2015 £'000
Amounts owed to group subsidiary undertakings	60,949	58,959

The amounts owed to group subsidiary undertakings represents a loan of US \$ 76,674 million (£60,949 million) which is unsecured and repayable in less than five years. The loan bears interest at the overnight Libor rate plus 2%. The directors have received confirmation from the holder of the loan that the loan will not be called within 12 months of the balance sheet date and as such has been classified as due after more than one year.

14 Provisions for liabilities

	Onerous Leases £'000	Dilapidation Provision £'000	Total £'000
At 1 January 2016	43	140	183
Charged/(released) to the income statement	(37)	(15)	(52)
At 31 December 2016	6	125	131

No provision has been released or applied for any purpose other than that for which it was established. The amount provided for onerous leases is the estimated shortfall in rent for 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 2016 (continued)

15 Called up share capital

	31 December 2016 £'000	31 December 2015 £'000
Authorised		
12,500,000 ordinary shares of 20p each (2015: 12,500,000)	2,500	2,500
Allotted, issued and fully paid		
10,994,218 ordinary shares of 20p each (2015: 10,994,218)	2,199	2,199

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16 Operating leases commitments

As at 31 December 2016, the Company had the following future minimum lease payments under non-cancellable operating leases as set out below:

	2016 £'000	2015 £'000
Operating leases which expire:		
No later than 1 year	1,264	1,006
Later than 1 year and no later than 5 years	3,210	1,212
Later than 5 years	999	-
	5,474	2,218

17 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 £224k (2015: £239k).

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

18 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 Section 26 of FRS 102 – 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.

Performance, Loyalty and Restricted shares

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.

Temenos UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

18 Share based payments (Continued)

Performance shares

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.

Profit share plan

For the years ended 31 December 2016 and 31 December 2015 a profit share plan was in place for the group's employees. Under the terms of the plan, part of the amount due to certain employees is not paid in cash but will instead be satisfied by the award of restricted shares. These restricted shares will only vest unconditionally after a further one or two years period of service. The Group has no legal or constructive obligation to repurchase or settle the shares in cash.

19 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 2016. The consolidated financial statements of Temenos Group AG are available from Temenos Group AG, 2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland.

20 Related party transactions

As the Company is a wholly owned subsidiary of Temenos Group AG, the Company has taken advantage of the exemption under Section 33.1A of FRS 102 from disclosing transactions or balances with entities which form part of the group.

The consolidated financial statements of Temenos Group AG, within which this Company is included, can be obtained from the address given in note 19.