

COMPENSATION REPORT

The report explains our compensation philosophy and confirms the compensation that has been paid to the company's Board members and named Executive Officers in 2012. The report also confirms the decisions taken in 2012 that have set compensation policy and plans for 2013.

Our objective is to be clear, comprehensive and transparent on the pay and benefits of senior executives and to comply with Swiss regulations and best corporate governance practice. Additional information is included in the notes to the Unconsolidated Financial Statements of Temenos Group AG.

Executive compensation philosophy and 2013 plans

Our executive compensation programmes have been designed with two principal aims:

1. To align executives' and shareholders' interests by making a significant portion of compensation dependent on achieving increased shareholder value for the long term; and
2. To enforce the ethos of a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

To achieve these aims, base salary represents only a small part of total executive compensation.

For 2013, traditional variable cash compensation has been replaced by a Profit Share plan, which pays out when annual revenue, annual profit and annual EPS targets are achieved. To reinforce the company's two main goals, 50% of the Profit Share award is in cash and 50% is in deferred stock, which has a three year vesting period.

In addition to the annual Profit Share plan, we grant Long Term Equity Awards in the form of Stock Appreciation Rights (SARs) to executives and senior managers. Our Long Term Equity plans have challenging compound annual growth rate (CAGR) targets that must be achieved in order to vest, together with a requirement for holding the underlying stock after vesting.

The 2013 plan has a three year EPS CAGR target of 25%. Upon target achievement, SARs vest in January 2016 and have a 50% stock retention condition of a further 12 months beyond the vesting period. With these targets and vesting conditions, we align the long term performance of executives with shareholders' interests and we provide incentive for executives to remain with the company and continue performing.

In designing the plans, we place great emphasis on rewarding success. "At risk" compensation is typically 75% of total compensation and subject to forfeiture should revenue, profit and EPS targets be missed.

Governance

Compensation Committee Members

The Compensation Committee comprises of three Independent, Non-Executive Directors:

- Sergio Giacometto-Roggio, Chairman of the Compensation Committee;
- Ian Cookson, Member of the Compensation Committee; and
- Chris Pavlou, Member of the Compensation Committee.

Compensation Committee Meetings

The Compensation Committee meets on a regular basis, with a remit to review all aspects of Temenos compensation and benefits. In particular, the Committee governs directly:

- Compensation and benefits for the Temenos Group AG Board of Directors, the named executive officers and the Temenos Management Board; and
- The company's Long Term Equity Awards.

In so doing, the Committee reviews recommendations from the Chief Executive Officer, independent advisors and the company's compensation and benefits team. Strong reference is made to the recommendations and guidelines documented in the ISS 2013 European Proxy Voting Guidelines and the ethos Lignes directrices de vote 2013.



2012 Comparator group for 2013 compensation

In governing compensation policy, the Committee receives recommendations that are founded on benchmark data collated from a range of organisations in the technology space. The 2012 comparator group comprises 47 global software organisations that embody similar operating characteristics to Temenos by way of global reach, target markets, competitive dynamics and complexity. We assimilate and consider data from the entire group while our comparator methodology accounts for extreme outliers in the group.

The Comparator Group

Name	HQ
SAP	Germany
Adobe Systems	USA
Intuit	USA
Activision Blizzard	USA
Citrix Systems	USA
Symantec	USA
CA	USA
Autodesk	USA
Fiserv	USA
Red Hat	USA
BMC Software	USA
Cerner	USA
Software AG	Germany
McAfee	USA
Broadridge Financial Solutions	USA
Verisign	USA
Parametric Technology	USA
Rovi	USA
Compuware	USA
Electronic Arts	USA
Logitech International	Switzerland
Nuance Communications	USA
Aveva Group PLC	UK
Ansys	USA
Micro Focus International PLC	UK
Synopsys	USA
Salesforce.Com	USA
Informatica	USA
Allscripts Healthcare Solutions	USA
Micros systems	USA
Solera Holdings	USA
Concur Technologies	USA
Tibco Software	USA
Quest Software	USA
Rackspace Hosting	USA
Henry Jack & Associates INC	USA
Copart	USA
SXC Health Solutions Corp	Canada
Open Text	USA
Cadence Design Systems	USA
Oracle	USA
Quality Systems	USA
Novell	USA
Blackboard	USA
Lawson Software INC	USA
Solarwinds	USA
Netsuite	USA

For 2012 and 2013, the Chief Executive's and Executive Chairman's compensation aligns with the 30th percentile of the comparator data, significantly below the median of the comparator group excluding extreme outliers.

Named executive officers

We use the term "named Executive Officers" to refer to individuals on the Executive Committee, both present and past:

The named Executive Officers serving at the year-end were:

- Andreas Andreades, Executive Chairman
- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Global Head of Services
- Mark Cullinane, Chief Operating Officer from 1 January 2012 to 22 October 2012, and then Director of Corporate Development from 23 October 2012 to 26 February 2013.

Named Executive Officers who served the company in 2012 and who have now left, but whose compensation and benefits are covered in this report were:

- Guy Dubois, as Chief Executive Officer from 1 January 2012 to 11 July 2012.
- Bernd-Michael Rumpf, as Global Head of Services Delivery, from 1 January 2012 to 23 October 2012.

Make up of executive compensation

Executive compensation is made up of the following four elements:

Base salary	– To pay executives for their expected day-to-day contribution to the business and their leadership.
Profit share	– To make a significant portion of executive overall cash compensation variable and dependent on delivery of the company's annual key targets of revenue, profit and EPS. – To incentivise executives to deliver above target performance on a long term basis by using a combination of cash and deferred stock.
Long term equity awards	– To deliver the balance of total compensation via long term equity incentives linked directly to long term shareholder value creation. – To incentivise sustainable future performance in EPS growth. – To retain executives for the long term.
Benefits	– To provide a level of security in health and retirement and, should it be required, in disability and death.

Compensation report continued

Long Term Equity Awards

We grant SARs to executives and senior managers that have performance and vesting criteria that conform to ISS recommendations. The table below provides an overview of the scheme, performance criteria and pricing. The level and value of awards is commensurate with an executive's contribution to the business.

Target Population: executive officers and senior managers

Equity scheme	Performance criteria	Pricing of Long Term Equity Awards
Stock Appreciation Rights (SARs)	Grant conditions linked to the achievement of annual and three year cumulative EPS targets, vesting after more than three years with a 50% stock retention condition of a further 12 months after the vesting period.	To ensure pricing integrity, the 2012 Long Term Equity Awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

Compensation for 2012 and 2013

2012 Bonus Plan Payments

In keeping with our policy of placing the major part of executive compensation "at risk" and subject to the delivery of stringent performance targets, our named executive officers and Board Directors earned no payments under the annual cash incentive bonus plan for 2012 due to the profit target not being achieved, with the exception of Mr Rumpf who received a bonus guarantee on joining.

Prior Years' Long Term Equity Awards Lapsing

In 2012, EPS were less than target with two major consequences in terms of loss of award value to executives:

1. The balance of the unvested SARs granted in 2010 has now failed to vest and lapsed in entirety; and
2. The majority of the Long Term Equity awards made in 2011 (SARs and Restricted Stock) are now considered unlikely to vest due to expected cumulative EPS performance in 2012-2014 being lower than anticipated when the awards were made.

2013 Base Salary

For 2013, we have by and large maintained base salaries at 2012 levels, with the exception of executives who have moved into a new position with increased responsibilities. Salary details are provided in the Summary Compensation Tables in the notes to the Unconsolidated Financial Statements on page 7.

Pay Mix 2012 and 2013

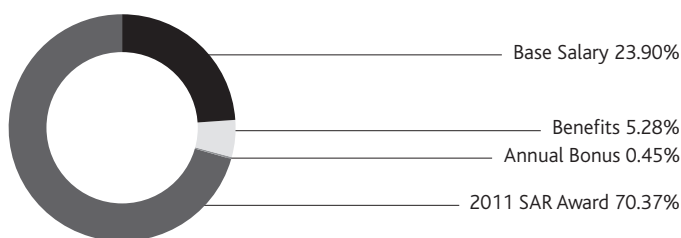
The charts below show a percentage split of annualised on-target total compensation for 2012 and for 2013 for the named Executive Officers serving at the year-end, excluding the Executive Chairman for whom, as part of the Board of Directors, compensation details are provided in the Summary Compensation Tables in the notes to the unconsolidated financial statements.

SARs are valued by an independent organisation using the Enhanced American Model so as to comply with IFRS2; for a three year SAR award one third of the value is included for each year. The base salary and benefits are the only fixed components, bonus, profit share and SAR awards being "at risk" and dependent on the achievement of results. Over the two years, approximately 74% of total on target compensation is dependent on achievement of financial results as disclosed elsewhere in the report.

2012 Compensation Earned

In 2012, 71% of target compensation was "at risk" with only the base salary and benefits percentages shown below representing fixed compensation. No performance linked 2012 cash bonuses were paid and any potential value from the 2011 SAR award, even though reported as compensation in accordance with International Financial Reporting Standards is unlikely to be realised.

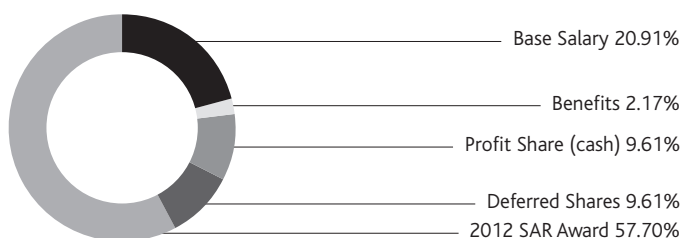
2012 Named Executive Officers



2013 Compensation Plan

In terms of the 2013 named executive compensation plans, the on target compensation split is shown below. As in prior years, the majority of compensation is "at risk" and dependent on achieving annual revenue, annual profit and annual EPS targets.

2013 Named Executive Officers





2013 Profit Share

For 2013, traditional Variable cash compensation has been replaced by a Profit Share plan, which pays out when annual revenue, annual profit and annual EPS targets are achieved. To reinforce the company's two main goals, 50% of the Profit Share award is in cash and 50% is in deferred stock, which has a three year vesting period.

In the interest of transparency, in addition to the aggregate data shown above and in the Summary Compensation Tables, we table below the 2013 on target payout for Andreas Andreades, David Arnott and Max Chuard.

Executive	2013 Target	On Target Cash Compensation	On Target Deferred Stock Value*
Andreas Andreades Executive Chairman	Group Licence Revenue Non-IFRS EPS	USD 149,458 USD 149,458	USD 149,458 USD 149,458
David Arnott Chief Executive Officer	Group Licence Revenue Non-IFRS EPS	USD 161,125 USD 161,125	USD 161,125 USD 161,125
Max Chuard Chief Financial Officer	Group Licence Revenue Non-IFRS EPS	USD 90,288 USD 90,288	USD 90,288 USD 90,288

* Any deferred stock earned under the scheme will vest on 1st January 2016 to promote retention and continued performance.

2013 Long Term Equity Awards

The Compensation Committee and Board approved a new long term equity award scheme in October 2012, where awards are subject to the achievement of annual and cumulative EPS targets in years 2013, 2014 and 2015, vesting after the 2015 results are announced in February 2016. 50% of any vested stock which will be obtained as a result of exercising vested SARs has to be retained for a period of 12 months, i.e. can only be disposed after February 2017, ensuring that executives are incentivised to deliver results and growth over a period of four years and four months.

Under the new scheme, our named executive officers have been granted a total of 4,705,000 Stock Appreciation Rights as an award to cover compensation for the three year period 2013 to 2015 and to incentivise the named executives for the delivery of the three year strategic plan that spans the 2013 to 2015 fiscal period inclusively. The details of targets and the award levels are as follows:

	2013	2014	2015	Cumulative 2013-2015
Non-IFRS EPS Targets, USD	1.19	1.44	1.73	4.36
Growth on Prior Year	35%	21%	20%	

Executive	SAR Award On Achievement of the Above Non-IFRS EPS Targets
Andreas Andreades Executive Chairman	900,000
David Arnott Chief Executive Officer	1,200,000
Max Chuard Chief Financial Officer	830,000
Other named executive officers	1,775,000

Report Of The Group Auditors On The Consolidated Financial Statements

Report of the statutory auditor to the general meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Temenos Group AG, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Guillaume Nayet
Audit expert
Auditor in charge



Yazan Jamjum

Geneva, 28 February 2013

Consolidated Income Statement For The Year Ended 31 December



	2012 USD 000	Re-presented 2011 USD 000
Revenues		
Software licensing	125,141	146,032
Maintenance	201,653	197,318
Services	123,415	130,119
Total revenues (note 22)	450,209	473,469
Operating expenses		
Cost of sales	142,893	138,941
Sales and marketing	78,900	122,623
General and administrative	70,495	70,318
Other operating expenses	109,806	143,633
Total operating expenses (note 25)	402,094	475,515
Operating profit/(loss)	48,115	(2,046)
Finance income	7,585	475
Finance costs	(18,924)	(14,506)
Finance costs – net (note 26)	(11,339)	(14,031)
Profit/(loss) before taxation	36,776	(16,077)
Taxation (note 12)	(12,617)	(12,231)
Profit/(loss) for the year	24,159	(28,308)
Attributable to:		
Equity holders of the Company	24,159	(28,252)
Non-controlling interest	–	(56)
	24,159	(28,308)
Earnings per share (in USD) (note 27):		
basic	0.35	(0.41)
diluted	0.35	(0.41)

Notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December

	2012 USD 000	2011 USD 000
Profit/(loss) for the year	24,159	(28,308)
Other comprehensive income:		
Available-for-sale financial assets (note 20)	53	(26)
Cash flow hedges (note 20)	2,579	(5,315)
Currency translation differences	2,424	(8,887)
Other comprehensive income for the year, net of tax	5,056	(14,228)
Total comprehensive income for the year	29,215	(42,536)
Attributable to:		
Equity holders of the Company	29,215	(42,353)
Non-controlling interest	-	(183)
	29,215	(42,536)

Notes on pages 7 to 49 are an integral part of these consolidated financial statements.



	2012 USD 000	Re-presented 2011 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 7)	117,734	154,950
Trade and other receivables (note 8)	261,381	257,729
Other financial assets (note 9)	1,615	4,062
Total current assets	380,730	416,741
Non-current assets		
Property, plant and equipment (note 10)	13,798	13,210
Intangible assets (note 11)	436,124	404,744
Trade and other receivables (note 8)	41,629	49,108
Other financial assets (note 9)	–	210
Deferred tax assets (note 12)	30,326	33,814
Total non-current assets	521,877	501,086
Total assets	902,607	917,827
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	111,285	127,694
Other financial liabilities (note 9)	1,475	6,005
Deferred revenues	156,742	142,700
Income tax liabilities	11,916	15,667
Borrowings (note 14)	10,735	11,123
Provisions for other liabilities and charges (note 15)	6,540	5,061
Total current liabilities	298,693	308,250
Non-current liabilities		
Trade and other payables (note 13)	273	1,685
Other financial liabilities (note 9)	–	758
Income tax liabilities	1,544	1,544
Borrowings (note 14)	203,625	242,624
Provisions for other liabilities and charges (note 15)	1,318	2,488
Deferred tax liabilities (note 12)	6,318	8,448
Retirement benefit obligations (note 24)	4,079	3,849
Total non-current liabilities	217,157	261,396
Total liabilities	515,850	569,646
Capital and reserves attributable to the Company's equity holders		
Share capital	239,798	239,677
Treasury shares	(105,264)	(113,473)
Share premium and capital reserves (note 19)	20,398	19,367
Fair value and other reserves (note 20)	(64,941)	(69,997)
Retained earnings	296,766	272,607
	386,757	348,181
Non-controlling interest	–	–
Total equity	386,757	348,181
Total liabilities and equity	902,607	917,827

Notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For The Year Ended 31 December

	2012 USD 000	Re-presented 2011 USD 000
Cash flows from operating activities		
Profit/(loss) before taxation	36,776	(16,077)
Adjustments:		
Depreciation, amortisation and impairment of financial assets	59,808	90,585
Impairment charge of property, plant and equipment (note 10)	55	203
Profit on disposal of subsidiary, business and non-current assets	–	(645)
Cost of share options (note 21)	9,408	11,902
Foreign exchange loss/(gain) on non-operating activities	(6,499)	3,854
Interest expenses, net (note 26)	6,177	6,433
Fair value loss from financial instruments (note 26)	10,266	248
Fees related to the undrawn portion of the borrowing facility (note 26)	814	1,062
Other finance costs (note 26)	842	1,141
Other non-cash items	7,251	4,139
Changes in net working capital		
Trade and other receivables	(5,468)	(24,529)
Trade and other payables	(33,214)	9,966
Deferred revenues	11,481	13,719
Cash generated from operations	97,697	102,001
Income taxes paid	(10,719)	(3,173)
Net cash generated from operating activities	86,978	98,828
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,541)	(5,450)
Disposal of property, plant and equipment	23	120
Purchase of intangible assets	(4,178)	(4,525)
Capitalised development costs (note 11)	(41,782)	(38,499)
Acquisitions of subsidiary, net of cash acquired (note 6)	(16,674)	(1,467)
Disposal of subsidiary or business, net of cash disposed	–	378
Settlement of financial instruments	(10,136)	(396)
Interest received	250	164
Net cash used in investing activities	(78,038)	(49,675)
Cash flows from financing activities		
Acquisition of treasury shares	–	(113,473)
Proceeds from borrowings	178	150,060
Repayments of borrowings	(40,000)	(80,000)
Interest payments	(6,212)	(5,131)
Payment of financing costs	(819)	(3,477)
Payment of finance lease liabilities	(353)	(701)
Net cash used in financing activities	(47,206)	(52,722)
Effect of exchange rate changes	1,050	(1,755)
Decrease in cash and cash equivalents in the year	(37,216)	(5,324)
Cash and cash equivalents at the beginning of the year	154,950	160,274
Cash and cash equivalents at the end of the year	117,734	154,950

Notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity For The Year Ended 31 December



	Share capital USD 000	Treasury shares USD 000	Share premium and capital reserves (note 19) USD 000	Fair value and other reserves (note 20) USD 000	Retained earnings USD 000	Non- controlling interest USD 000	Total USD 000
Balance at 1 January 2011	236,958	(9,208)	19,508	(55,896)	300,859	506	492,727
Loss for the year	–	–	–	–	(28,252)	(56)	(28,308)
Other comprehensive income for the year, net of tax	–	–	–	(14,101)	–	(127)	(14,228)
Total comprehensive income	–	–	–	(14,101)	(28,252)	(183)	(42,536)
Decrease in ownership	–	–	–	–	–	(323)	(323)
Cost of share options (note 21)	–	–	11,902	–	–	–	11,902
Exercise of share options	2,719	9,208	(11,922)	–	–	–	5
Share issuance costs	–	–	(121)	–	–	–	(121)
Acquisition of treasury shares	–	(113,473)	–	–	–	–	(113,473)
	2,719	(104,265)	(141)	(14,101)	(28,252)	(506)	(144,546)
Balance at 31 December 2011	239,677	(113,473)	19,367	(69,997)	272,607	–	348,181
Profit for the year	–	–	–	–	24,159	–	24,159
Other comprehensive income for the year, net of tax	–	–	–	5,056	–	–	5,056
Total comprehensive income	–	–	–	5,056	24,159	–	29,215
Cost of share options (note 21)	–	–	9,408	–	–	–	9,408
Exercise of share options	121	8,209	(8,336)	–	–	–	(6)
Share issuance costs	–	–	(41)	–	–	–	(41)
	121	8,209	1,031	5,056	24,159	–	38,576
Balance at 31 December 2012	239,798	(105,264)	20,398	(64,941)	296,766	–	386,757

Notes on pages 7 to 49 are an integral part of these consolidated financial statements.

1. General information

TEMENOS Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of TEMENOS Group AG have been publicly traded on the SIX Swiss Exchange. On incorporation, TEMENOS Group AG succeeded TEMENOS Holdings NV in the role of the ultimate holding company of the Group. On 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 2 Rue de L'Ecole-de-Chimie, Geneva.

The Company and its subsidiaries (the "TEMENOS GROUP" or "the Group") are engaged in the development and marketing of integrated banking software systems. The Group is also involved in supporting the implementation of the systems at various client locations around the world as well as in offering help desk support services to existing users of TEMENOS software systems. The client base consists of mostly banking and other financial services institutions.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 February 2013.

2. Accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation ("IFRIC"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivatives instruments) and "available-for-sale" financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations effective as of 1 January 2012 that have been adopted by the Group.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2012 which were adopted by the Group:

- IFRS 7 (amendment) "Financial instruments: Disclosures".
- IAS 12 (amendment) "Income tax".

The adoption of the above standards, amendments and interpretations have not resulted in a material impact on the Group's consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- IFRS 7 (amendment) 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2013. This amendment requires more extensive disclosures in respect of the offsetting rules for financial assets and financial liabilities. The Group will apply this amendment for the financial reporting period commencing on 1 January 2013.
- IFRS 9 (Standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2015. This new standard introduces new requirements for the classification, recognition and measurement of financial assets and financial liabilities. Although the Group is still evaluating the potential effect of this new standard, it is not expected to have a material impact on the Group's financial statements. The Group will apply the new standard for the financial reporting period commencing on 1 January 2015.
- IFRS 10 (Standard) 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013. This new standard provides additional guidance to assist in the determination of control when difficulties to assess exist. This new standard is not expected to have a material impact on the Group's structure. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IFRS 11 (Standard) 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013. This new standard introduces principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. This new standard will have no impact on the Group's financial statements as the Group does not hold any interests in arrangements jointly controlled. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IFRS 12 (Standard) 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013. This new standard introduces the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and unconsolidated structured entities. The Group is still evaluating the effect of this new standard and will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IFRS 13 (Standard) 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Although the Group is yet to assess the impact, this new standard is not expected to have material effect on the Group's financial statements. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IAS 1 (amendment) 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 July 2012. This amendment requires an entity to group together items within OCI that may be reclassified to the profit or loss. It also reaffirms the existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Other than the grouping requirement, this amendment will have no impact on the Group's financial statements. The Group will apply this amendment for the financial reporting period commencing on 1 January 2013.



- IAS 19 (amendment) 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. This amendment introduces significant modifications such as, amongst other, removal of the corridor approach, change of methodology for the calculation of interest on plan asset and additional disclosures requirement. The impact to the consolidated income statement and the consolidated other comprehensive income that would be re-presented as a result of the retrospective application for the year 2012 is estimated to be USD 0.9 million gain and USD 1.5 million gain, respectively. The Group will apply the revised standard for the financial reporting period commencing on 1 January 2013.
- IAS 27 (amendment) 'Separate financial statement', effective for annual periods beginning on or after 1 January 2013. This standard has been re-named as a result of the issuance of IFRS 10 'Consolidated financial statements'. This revised standard will not have an impact on the Group's financial statements. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2013.
- IAS 28 (amendment) 'Investments in Associates and Joint Ventures', effective for annual periods beginning on or after 1 January 2013. This standard has been re-named and amended to conform with the changes based on the issuance of IFRS 11 'Joint arrangements'. This revised standard will have no impact on the Group's financial statements. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2013.
- IAS 32 (amendment) 'Financial instruments: Presentation', effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the offsetting rules for financial assets and financial liabilities. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2014.
- 2011 Annual improvements. None of these amendments is expected to have a material impact on the Group's financial statements. None of these improvements are expected to have a material effect on the Group's financial statements. The Group will apply the 2011 annual improvements for the financial reporting period commencing on 1 January 2013.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of TEMENOS Group AG ("the Company") as well as its subsidiaries.

Subsidiaries

Subsidiaries are all entities in which the Group has an interest of more than 50% of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between the Group's subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised in the income statement.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Accounting policies continued

(b) Basis of consolidation continued

Associates

Associates are entities over which the Group has significant influence but not the control. This generally represents between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount is subsequently increased or decreased by the Group's share of the profit or loss of the investee after the date of acquisition. When the Group's share of losses equals or exceeds its interest in the investee, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's investment in associates includes goodwill identified on acquisition.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss when appropriate.

(c) Foreign currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency and the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Swiss Francs.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated, on a monthly basis, at the average exchange rates of each monthly period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in shareholders' equity within "fair value and other reserves".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity and are included within "fair value and other reserves". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Gains or losses resulting from long term intragroup balances for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a net investment in foreign operations (i.e. quasi-equity loans).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of three months or less, and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, the Group reports repayments and proceeds from borrowings on a net basis when it relates to short term roll-forward of the revolving credit facility with the same banks (note 14).

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, change of strategy and default or delinquency in payments are considered indicators that the trade receivable could be impaired. However, due to the complexity of the Group's operations, an extensive review of the factors that has revealed one of these indicators needs to be carried out before the trade receivable is deemed to be impaired. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is either reduced through the use of an allowance account or directly written off when there is no expectation of further recovery. The impairment loss is recognised in the income statement. Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.



(f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows (in years):

Buildings	50
Furniture and fixtures	10
Office equipment	5
IT equipment	4
Vehicles	4

Leasehold improvements are depreciated over the shorter of the remaining lease term and useful life (ten years).

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance are charged to the income statement as incurred.

Gains or losses on disposals are determined by comparing the consideration received or receivable with the carrying amount and are recognised within "General and administrative" in the income statement unless otherwise specified.

(g) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment. The carrying value is allocated to the cash-generating unit ("CGU") that is expected to benefit from the synergies of the business combination. CGU to which the Goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to the goodwill is recognised immediately as an expense and is not subsequently reversed.

Computer software

Computer software licenses acquired through single purchase are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives.

Computer software technologies acquired through business combinations are initially measured at fair value and then amortised using the straight line method over their estimated useful lives.

Customer related intangible asset

Customer-related intangible assets are assets acquired through business combinations. They are initially measured at fair value and then amortised using either the straight-line method over their estimated useful lives or using a different allocation method when appropriate.

(h) Internally generated software development

The Group follows a strategy of investing a substantial part of its revenues in research and development work which is directed towards the enhancement of its product platforms.

The costs associated with the development of new or substantially improved products or modules are capitalised when the following criteria are met:

- technical feasibility to complete the development;
- management intent and ability to complete the product and use or sell it;
- the likelihood of success is probable;
- availability of technical and financial resources to complete the development phase;
- costs can be reliably measured; and
- probable future economic benefits can be demonstrated.

Directly attributable development costs that are capitalised include the employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognised as an expense when incurred.

Internally generated software development costs are amortised using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortised over a five-year period and development costs related to functional developments are amortised over a three-year period.

2. Accounting policies continued

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. 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 income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group incurs withholding tax in various jurisdictions. An assessment is made of the ability to recover these withholding taxes against the normal tax liabilities occurring within the Group, and a provision is made to the extent that withholding tax is considered irrecoverable.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense within "Finance costs".

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

A provision for onerous lease is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting its obligations under the contract.



(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Effective interest costs is recognised within "Finance costs-net" in the income statement.

Fees paid on the establishment of the borrowing facility are recognised either as part of the transaction costs in the initial measurement of the draw-down portion or as a prepayment for liquidity services that is subsequently amortised within the "Finance costs- net" in the income statement over the period of the facility to which it relates.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar instrument that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in a proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as liabilities in the balance sheet. The interest elements of the lease obligations are charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset (note 2f) and the remaining lease term.

All other leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or other instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any subsidiary of the Group purchases the Company's shares (treasury shares), the consideration paid (including any directly attributable incremental costs) is presented as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders. Gains or losses on the reissuance of the treasury shares are recognised within the share premium (note 19).

(o) Trade payables

Trade payables 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method. The related interest expense is recognised in the income statement within "Finance costs".

(p) Employee share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the instruments are exercised, the Group issues new shares or re-issues treasury shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.

2. Accounting policies continued

(q) Employee benefits

Pension obligations

The Group operates various pension schemes including both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee's service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses, past service cost and unrecognised assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses exceeding the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, and amendments to pension plans are charged or credited to the income statement over the expected average remaining service lives of the related employees.

For defined contribution plans, the relevant contributions are recognised as personnel costs when they are due. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. healthcare benefit). The entitlement of those benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination which occurs when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(r) Revenue recognition

The Group derives revenues from the following sources: (1) software licences and the provision of software development services; (2) software maintenance (help desk services and rights to future product enhancements); and (3) software implementation and support services.

The Group recognises revenue in accordance with IAS 18: 'Revenue'. This requires the exercise of judgment and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgment, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18: 'Revenue'.

Software licensing

Software licence revenues represent all fees earned from granting customers licences to use the Group's softwares, either through an initial licence or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software licence arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised when the following criteria are met:

- Evidence of an arrangement exists;
- Delivery has occurred;
- The risks and rewards of ownership have been transferred to the customer;
- The amount of revenue can be measured reliably (i.e. fixed and determinable);
- The associated costs can be measured reliably;
- Collection is probable.

The Group deems license fees that are payable over 12 months from signing date as not fixed and determinable and, therefore, the fees are deferred until the payment becomes due within 12 months and all other related uncertainties have either elapsed or become remote.

Sale of software license to a customer which is not the end-user (i.e. reseller arrangement) is recognised when evidence of sell-through exists or when the Group has received non-refundable consideration.

Software development services revenue represents fees charged to clients for developing requested additional functionality and is recognised over the period of these developments. Generic developments relating to country-specific requirements or functionalities that are re-usable in future sales that are not readily available at the time of the sale are deferred and recognised upon delivery.

Maintenance

Software maintenance is included in most software licence arrangements and is generally priced as a percentage of the initial software licence fees. Maintenance provides customers with rights to unspecified software product upgrades, maintenance enhancements and access to the help desk during the term of the support period and is recognised ratably on a straight-line basis over the term of the arrangement.



Services

Software implementation and support services represents income from consulting, hosting and implementation services sold separately under services contracts. Fixed-price arrangements are accounted for on a percentage-of-completion basis in accordance with the rules applicable to long-term contract revenue recognition as defined in IAS 11, whereby revenue recognised during the period represents the mandays effort incurred up to the end of the reporting period as a percentage of the total estimated mandays to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Fees relating to time and material contracts are recognised when mandays efforts are provided and collection is deemed probable. Hosting contracts are recognised as services are being rendered.

Multiple element arrangements

In many cases, the Group enters into transactions with customers that include multiple elements such as software licence, maintenance, development services and services revenues. The revenues from these arrangements are generally accounted for separately. The factors considered in determining whether the revenue should be accounted for separately include the nature of the services (i.e. whether they are essential to the functionality of the software licence), the existence of the fair value for the separable elements (i.e. availability of services from other vendors), the timing of payments and the acceptance criteria on the realisability of the software licence fee.

When such multiple-element arrangements exist, the fair value of revenue allocated to each element is based upon its relative fair value determined by the normal market pricing or the "cost-approach plus reasonable margin" methodology when no observable market inputs exists. When fair value is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate a fair value to the delivered element. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

Deferred revenues

Fees collected in advance of the delivery period are reported under "deferred revenues" on the face of the statement of financial position and then subsequently recognised as revenue when the delivery occurs according to the revenue recognition policy. Fees that have been earned but not yet invoiced are reported under "trade and other receivables".

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are computed by dividing the profit or loss attributable to equity holders of the Company, adjusted for the effect that would result from the conversion of dilutive ordinary shares, by the weighted average number of ordinary shares plus the weighted average of number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer ("CEO").

(u) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must commit to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(v) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables or as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those held for trading. A financial asset held for trading is classified in this category if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are presented in the income statement within "Finance costs-net".

Financial assets at fair value through profit or loss are reported in current assets.

2. Accounting policies continued

(v) Financial assets continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 2e and 2d).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest would be immaterial.

The effective interest income is recognised in the income statement within "Finance costs – net".

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are recognised in other comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted.

Objective evidence could include, amongst other:

- significant financial difficulty of the counterparty;
- financial reorganisation or change in strategy;
- default or delinquency in payments;
- it becomes probable that the counterparty will enter bankruptcy.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivable, where the carrying amount may be reduced through the use of an allowance account (note 2e).

(w) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are those held for trading. A financial liability held for trading is classified in this category if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are presented in the income statement within "Finance costs – net".

Financial liabilities at fair value through profit or loss are reported in current liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest would be immaterial. The resulting discounted interest charge is recognised in the income statement within "Finance costs".

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.



(x) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each balance sheet date. The method of recognising the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

When hedge accounting is designated, the Group documents at the inception of the hedge the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy. This process includes linking all derivatives designated as hedges to specific assets or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 9. Movements on the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives not designated for hedge accounting are classified as a current asset or liability.

While providing effective economic hedges under the Group's risk management policies, certain derivatives are not designated as hedging instruments according to IAS 39 "Financial Instruments: Recognition and Measurement". They are classified as held for trading and the changes in the fair value are immediately recognised within "Finance costs – net".

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the same line as the hedged item.

Amounts deferred in other comprehensive income are reclassified to the income statement in the period when the hedged item affects the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability (e.g. fixed assets, deferred revenue), the gains and losses previously deferred in other comprehensive income are included in the initial cost of the asset or the carry amount of the liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the hedge item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

(y) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(z) Comparative information

The Group has re-presented comparative information to reflect the finalisation of the initial accounting of PRIMISYN (note 6). The Group has also represented comparatives to net "trade receivables" against "deferred revenues" in relation to invoices for future maintenance stream that are not collected at the balance sheet date amounting to USD 37,803 thousand to conform to current year presentation that better reflects the substance of the deferred revenue.

The Group has also re-presented the consolidated income statement comparatives to split "Sales and marketing" from the heading "Other operating expenses" of USD 122,623 thousand. This presentation better reflects the function of expenses on the face of the consolidated income statement.

3. Financial risk management

(a) Financial risk factors

The Group is exposed 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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the board of directors. The Chief Financial Officer and his team identify, evaluate and mitigate financial risks when deemed necessary.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to those described below. Foreign exchange risk arises from:

- forecasted revenue and costs denominated in a currency other than the entity's functional currency;
- monetary assets and liabilities denominated in a currency other than the entity's functional currency; and
- net investments in foreign operations.

The Group makes efforts to mitigate its foreign exposure risk by aligning the revenue streams to currencies that match the cost base and hedge the residual exposure by using derivatives instruments. The Group's policy is to mitigate the next 12 months of anticipated cash flows by entering into forward foreign exchange contracts.

When cash-flow hedge accounting is designated, the Group applies requirements of IAS 39 "Financial instruments" in respect of documentation and effectiveness testing.

The Group offsets its short-term material foreign currency exposures arising from monetary assets and liabilities by entering into forwards contracts. These derivatives are not designated as a hedging instrument according to IAS 39 "Financial instruments" since the related gains or losses are recognised and presented within the same period and the same income statement line item (i.e. Finance costs -net) as the underlined exposures.

The Group does not follow a defined plan to hedge the risk from the net investments in foreign operations as long as the risk is kept at a reasonable level.

The table below illustrates the Group's principal foreign currency exposures:

	Net exposure	
	2012 FCY* 000	2011 FCY* 000
EURO	(1,407)	(7,809)
UK Pounds	(5,257)	(9,248)
Swiss Francs	(14,528)	(7,848)
India rupee	41,670	(223,297)

*Foreign currency

A negative value represents a short position.

These exposures represent monetary assets and liabilities that are either:

- denominated in one of the currencies above and measured in an entity with a different functional currency ; or
- denominated in another currency but measured in an entity whose functional currency is one of the above.

These amounts include the derivatives classified as held for trading but exclude the derivatives qualified for cash-flow hedge accounting.



Sensitivity analysis

The following table details the Group's hypothetical sensitivity analysis to a 10% shift in the currencies above against the US dollars with all the other variables held constant. 10% increase/decrease represents the management assessment for a reasonable short-term volatility in the foreign exchange rates.

	2012			
	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Currencies strengthen by 10%				
Profit or loss:	(185)	(852)	(1,588)	76
Other comprehensive income:*	(3,076)	2,360	1,100	948
Equity	(3,261)	1,508	(488)	1,024
Currencies weaken by 10%				
Profit or loss:	185	852	1,588	(76)
Other comprehensive income:*	3,076	(2,360)	(1,100)	(948)
Equity	3,261	(1,508)	488	(1,024)

*Derivatives qualified for hedge accounting (cash flow hedge)

	2011			
	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Currencies strengthen by 10%				
Profit or loss:	(5,647)	(360)	2,454	(373)
Other comprehensive income:*	(5,171)	2,779	1,955	2,846
Equity	(10,818)	2,419	4,409	2,473
Currencies weaken by 10%				
Profit or loss:	5,647	360	(2,454)	373
Other comprehensive income:*	5,171	(2,779)	(1,955)	(2,846)
Equity	10,818	(2,419)	(4,409)	(2,473)

*Derivatives qualified for hedge accounting (cash flow hedge)

(ii) Price risk

The Group is not significantly exposed to any price risks other than those related to derivatives foreign exchange contracts.

(iii) Cash flow and fair value interest risk

The Group is exposed to cash flow interest rate risks arising from cash and cash equivalent and borrowings at variable rates.

The Group's policy is to limit the volatility in cash flow risk by the use of derivatives when the risk is deemed to be material. At 31 December 2012, the risk was not considered significant, as demonstrated by the sensitivity analysis below and, therefore, no derivatives were entered into.

Sensitivity analysis

A sensitivity simulation was performed on the net exposure with interest charged at variable rates. With all other variables held constant, an increase of the LIBOR by 100 basis point was tested. The result of the sensitivity analysis was USD 2.3 million additional finance expense to the income statement and, consequently, a reduction of equity for a similar amount.

3. Financial risk management continued

(a) Financial risk factors continued

Credit risk

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

The carrying amount of the financial assets, as reported under note 17, represents the maximum credit exposure.

The Group's policy is to determine the creditworthiness of any new prospective or existing customer at the initial phase of the negotiation. Payment terms and requirement of financial security are adapted according to the degree of the credit quality and the past experience.

The Group's policy also requires to continuously assess the quality of the credit risk over the contractual period for customers with significant balances. At present, the Group does not hold any collateral security.

In cases when delinquency in payments arises, the Group may withhold services delivery under current implementation or the right to use its software.

The Group mitigates the credit risk for cash and cash equivalent and derivative financial instrument by conducting all the transactions with major reputable financial institutions.

As at 31 December 2012 and 2011, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed and no individual customer represents more than 10% of the Group's outstanding "trade and other receivable" balances.

The Group's management believes that no impairment allowance is necessary in respect of trade and other receivables not past due other than those already provided for.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facility (note 14); and by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturity of the Groups' non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2012				
Trade and other payables	101,223	10,062	–	–
Onerous lease provision	438	366	509	76
Borrowings	632	10,139	203,728	109
Other long term payables	–	–	202	73
Total non-derivatives financial liabilities	102,293	20,567	204,439	258
At 31 December 2011 (re-presented)				
Trade and other payables	114,209	13,485	–	–
Onerous lease provision	640	560	1,667	357
Borrowings	1,007	10,158	288	242,352
Other long term payables	–	–	1,639	70
Total non-derivatives financial liabilities	115,856	24,203	3,594	242,779



The following table details the Groups' liquidity analysis for its derivative financial liabilities. These amounts represents the contractual undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to quoted prices in active markets for identical instruments.

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000
At 31 December 2012				
Outflow foreign exchange derivatives	142,243	5,766	6,403	–
Inflow foreign exchange derivatives	(142,693)	(5,975)	(6,169)	–
Net settled foreign exchange derivatives	238	133	–	–
Total derivatives	(212)	(76)	234	–

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000
At 31 December 2011				
Outflow foreign exchange derivatives	61,783	15,882	18,112	7,378
Inflow foreign exchange derivatives	(60,193)	(15,207)	(17,159)	(7,143)
Net settled foreign exchange derivatives	726	771	1,290	523
Total derivatives	2,316	1,446	2,243	758

(b) Capital risk management

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group is also subject to external covenants under its facility agreement. These covenants require the Group to remain within certain thresholds used for calculating financial ratios that are primarily based on financial indebtedness, operating profit and cash flows from operating activities.

The capital structure of the Group consists of borrowings (note 14), cash and cash equivalents (note 7) and equity attributable to equity holders of the parent. The Group is subject to external covenants under the facility agreement (note 14).

Notes To The Consolidated Financial Statements 31 December 2012

3. Financial risk management continued

(c) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

- (a) the fair value measurement of available for sale financial assets are calculated using quoted prices in an active market.
- (b) the fair value measurement of derivative instruments are calculated using quotes provided by the counter-party which is in turn based on observable market data.
- (c) the fair value for disclosure purposes of non-current trade and other receivables, non-current trade and other payables and non-current borrowings is based on the discounted cash flow method using the current interest rate that is available to the Group for similar financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and 2 in the current and prior periods.

Year ended 31 December 2012

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Assets				
Fair value through profit or loss (FVTPL)				
– Held for trading	–	474	–	474
Derivatives instruments used for hedging	–	1,055	–	1,055
Available-for-sale financial assets	86	–	–	86
Total	86	1,529	–	1,615

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Liabilities				
Fair value through profit or loss (FVTPL)				
– Held for trading	–	257	–	257
Derivatives instruments used for hedging	–	1,218	–	1,218
Total	–	1,475	–	1,475

Year ended 31 December 2011

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Assets				
Fair value through profit or loss (FVTPL)				
- Held for trading	–	874	–	874
Derivatives instruments used for hedging	–	3,364	–	3,364
Available-for-sale financial assets	34	–	–	34
Total	34	4,238	–	4,272

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Liabilities				
Fair value through profit or loss (FVTPL)				
- Held for trading	–	1,091	–	1,091
Derivatives instruments used for hedging	–	5,672	–	5,672
Total	–	6,763	–	6,763



4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

Impairment of goodwill

The Group tests annually whether goodwill have suffered any impairment in accordance with the accounting policy stated in note 2i. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

If the future sales and the size of the market opportunities are significantly lower than management's estimates the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2012 the carrying amount of the goodwill amounts to USD 313.8 million (2011: USD 294 million).

Deferred income taxes

The Group recognises deferred tax assets on carried forward losses and other temporary differences. The amount recognised is based on management's estimates and assumptions with regards to the availability of future taxable profits at the subsidiaries where the carried forward losses or temporary differences exist. Where the actual outcomes are to differ by 10% from management's estimates, the Group would:

- increase the deferred tax asset by USD 689 thousand, if favourable; or
- decrease the deferred tax asset by USD 689 thousand if unfavourable.

At 31 December 2012 the carrying amount of the deferred tax asset amounts to USD 30.3 million (2011: USD 33.8 million).

Critical judgements in applying the entity's accounting policies

Revenue recognition

As detailed in note 2r, the Group is required to make an assessment for each new software licence contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements. If significant modification or customisation is required, then the licence fee is recognised based on percentage-of-completion. However, the majority of such modifications or customisations have not been deemed significant in current or prior periods.

The Group also exercises judgement in assessing uncertainties surrounding the probability of collection when extended payment terms or other various contingencies exist. These assessments are made at the outset of the contract.

In respect of service revenue, the Group's management exercises judgement in determining the percentage of completion, specifically with regard to the total mandays remaining to complete the implementation.

Internally generated software development

As detailed in note 2h, the Group is required to make an assessment for each ongoing project in order to determine at what stage a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. The total development expense for the period was USD 98.4 million (2011: USD 119.3 million) and the total capitalised development costs was USD 41.8 million (2011: USD 38.5 million).

5. Group companies

The consolidated financial statements include the accounts of TEMENOS Group AG and the following entities as of 31 December 2012:

Company name	Country of incorporation	Ownership interest
VIVEO EL DJAZAÏR SARL	Algeria	100%
ODYSSEY FINANCIAL TECHNOLOGIES AUSTRALIA PTY LTD	Australia	100%
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%
TEMENOS ÖSTERREICH GMBH	Austria	100%
TEMENOS BELGIUM SA	Belgium	100%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Belgium	100%
TEMENOS HOLDINGS LIMITED	British Virgin Islands	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%
TEMENOS CANADA INC. (previously named ODYSSEY FINANCIAL TECHNOLOGIES Inc.)	Canada	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
584990 B.C. LIMITED (known as PRIMISYN)	Canada	100%
TEMENOS SOFTWARE SHANGAI CO. LIMITED	China	100%
TEMENOS COLOMBIA SAS	Colombia	100%
TEMENOS COSTA RICA SA	Costa Rica	100%
TEMENOS EASTERN EUROPE LIMITED	Cyprus	100%
TEMENOS (RUSSIA) LIMITED	Cyprus	100%
TEMENOS MIDDLE EAST LIMITED	Cyprus	100%
TEMENOS CYPRUS LIMITED	Cyprus	100%
TEMENOS ECUADOR SA	Ecuador	100%
TEMENOS EGYPT LLC	Egypt	100%
TEMENOS FRANCE SAS	France	100%
TEMENOS HOLDINGS FRANCE SAS	France	100%
QUETZAL INFORMATIQUE SAS	France	100%
VIVEO GROUP SAS	France	100%
VIVEO FRANCE SAS	France	100%
VIVEO BANKING & FINANCE CONSULTING SAS	France	100%
ODYSSEY FINANCIAL TECHNOLOGIES GmbH	Germany	100%
TEMENOS DEUTSCHLAND GMBH	Germany	100%
ACTIS.BSP GERMANY GMBH	Germany	100%
ACTIS.BSP IT SERVICES GMBH	Germany	100%
TEMENOS HELLAS SA	Greece	100%
TEMENOS HONG KONG LIMITED	Hong Kong	100%
TEMENOS INDIA PRIVATE LIMITED	India	100%
FINANCIAL OBJECTS SOFTWARE (INDIA) PRIVATE LIMITED	India	100%
EDGE IPK INC OFFSHORE DEVELOPMENT PVT LTD	India	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%
TEMENOS JAPAN KK	Japan	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%
TEMENOS KOREA LIMITED	Korea	100%
TEMENOS FINANCE LUXEMBOURG SARL	Luxembourg	100%
TEMENOS LUXEMBOURG SA	Luxembourg	100%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Luxembourg	100%
ODYSSEY GROUP S.A.	Luxembourg	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%
TEMENOS MEXICO SA DE CV	Mexico	100%
TEMENOS NORTH AFRICA LLC	Morocco	100%
TEMENOS (NL) BV	Netherlands	100%
TEMENOS HOLLAND BV	Netherlands	100%
TEMENOS INVESTMENTS BV	Netherlands	100%
TEMENOS PANAMA S.A.	Panama	100%
TEMENOS PHILIPPINES, INC.	Philippines	100%



Company name	Country of incorporation	Ownership interest
TEMENOS POLSKA SP.ZOO	Poland	100%
TEMENOS ROMANIA SRL	Romania	100%
VIVEO ROMANIA SRL	Romania	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
ODYSSEY FINANCIAL TECHNOLOGIES PTE LTD	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%
TEMENOS HISPANIA SL (previously named ODYSSEY FINANCIAL TECHNOLOGIES HISPANIA SL)	Spain	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%
TEMENOS SUISSE SA	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD SIRKETI	Turkey	100%
TEMENOS SOLUTIONS USA INC. (previously named ODYSSEY FINANCIAL TECHNOLOGIES INC.)	U.S.A.	100%
TEMENOS USA, INC.	U.S.A.	100%
FINANCIAL OBJECTS INC.	U.S.A.	100%
EDGE IPK INC.	U.S.A.	100%
TEMENOS UKRAINE LLC	Ukraine	100%
TEMENOS UK LIMITED	United Kingdom	100%
FE MOBILE LIMITED	United Kingdom	100%
FINANCIAL OBJECTS LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (UK) LIMITED	United Kingdom	100%
FINANCIAL OBJECTS INTERNATIONAL LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (RISK MANAGEMENT) LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SYSTEMS LIMITED	United Kingdom	100%
FAIRS LIMITED	United Kingdom	100%
GENISYS TECHNOLOGY LIMITED	United Kingdom	100%
LYDIAN ASSOCIATES LIMITED	United Kingdom	100%
9000 LIMITED	United Kingdom	100%
C.A.L. PROPERTY LIMITED	United Kingdom	100%
FINO SOFTWARE SERVICES LIMITED	United Kingdom	100%
GLOBAL FINANCIAL SYSTEMS LIMITED	United Kingdom	100%
LOGICAL HOLDINGS LIMITED	United Kingdom	100%
LOGICAL SUPPORT SERVICES LIMITED	United Kingdom	100%
LOGICAL TRUSTEES LIMITED	United Kingdom	100%
RAFT INTERNATIONAL LIMITED	United Kingdom	100%
RAFT (OVERSEAS) LIMITED	United Kingdom	100%
LSS SUPPORT SERVICES LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SOFTWARE LIMITED	United Kingdom	100%
WEALTH SOFTWARE LIMITED	United Kingdom	100%
WEALTH SYSTEMS LIMITED	United Kingdom	100%
JBASE SOFTWARE LIMITED	United Kingdom	100%
ODYSSEY FINANCIAL TECHNOLOGIES PLC	United Kingdom	100%
EDGE IPK LTD	United Kingdom	100%
TEMENOS VIETNAM COMPANY LIMITED	Vietnam	100%

In addition to the Group companies listed above, some Group subsidiaries maintain branches or representative offices at the following locations: Beirut (Lebanon); Dubai (United Arab Emirates); Riyadh (Saudi Arabia); Moscow (Russia); Prague (Czech Republic); Kiev (Ukraine); Taipei (Taiwan); Islamabad (Pakistan); Jakarta (Indonesia); New-York (U.S.A); Stockholm (Sweden), Santo Domingo (Dominican Republic), Tunis (Tunisia), Montpellier (France), Nantes (France), Hong Kong (Hong Kong), Lausanne (Switzerland) and Geneva (Switzerland).

6. Business combinations

2008 acquisition

Included in outflow from acquisition in the current year, is USD 2,263 thousand for settlement of contingent consideration in respect of the acquisition of LYDIAN ASSOCIATES LIMITED.

PRIMISYN

The below table discloses the financial effects and the movement in the Goodwill as a result of the finalisation of the initial accounting.

	2011 USD 000	2012 adjustment USD 000	Total USD 000
Purchase consideration:			
– Cash paid	1,255	–	1,255
Total purchase consideration	1,255	–	1,255
Fair value of net assets acquired	(1,239)	641	(598)
Goodwill	16	641	657

As required by IFRS 3: 'Business Combinations', comparative information in the financial statements has been re-presented to reflect the finalisation of the initial accounting.

Subsequent adjustments by category

	2011 USD 000	2012 adjustment USD 000	Total USD 000
Cash and cash equivalents	275	–	275
Trade and other receivables	324	–	324
Property, plant and equipment (note 10)	14	–	14
Intangible assets (note 11)	1,034	–	1,034
Trade and other payables	(93)	(276)	(369)
Provisions for other liabilities and charges (note 15)	–	(365)	(365)
Income tax	(41)	–	(41)
Deferred tax liability (note 12)	(274)	–	(274)
Total	1,239	(641)	598



Current year acquisitions

EDGE IPK

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.

With this acquisition the Group expects to compete much more effectively in the financial services front office application market and will provide a method for financial institutions to renovate and enhance in-house and even competitor systems, opening the door to an increased client base and excellent cross-selling opportunities.

The goodwill arising from the acquisition is mainly attributable to the enhancement of the solutions panel offered by the Group and to the penetration into the front office application market.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash paid	14,741
Total purchase consideration	14,741

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	330
Trade and other receivables	1,032
Property, plant and equipment (note 10)	48
Intangible assets (note 11)	6,667
Trade and other payables	(1,610)
Deferred revenues	(1,437)
Deferred tax liability (note 12)	(1,536)
Total identifiable net assets	3,494
Goodwill	11,247
Acquisition-related costs included in "General and administrative" line in the income statement	195
Consideration paid in cash	14,741
Cash and cash equivalents acquired	(330)
Cash outflow on acquisition	14,411

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

None of the goodwill is expected to be deductible for tax purposes.

The revenue and profit or loss contributed by the acquiree in the period between the date of acquisition and the balance sheet date are USD 4.2 million and USD 2.9 million gain, respectively.

If the acquisition had occurred on 1 January 2012, the estimated contribution by the acquiree to the Group's revenues and profit or loss would have been USD 6.8 million and USD 1.7 million gain, respectively.

The initial accounting has been provisionally completed at 31 December 2012. The Group is still evaluating the fair value of certain liabilities.

7. Cash and cash equivalents

The balance in respect of cash and cash equivalents consists of:

	2012 USD 000	2011 USD 000
Cash at bank and in hand	35,951	86,270
Short term deposits with banks	81,783	68,680
	117,734	154,950

Included in the above amount, is USD 2.9 million (2011: USD 4.1 million) of cash and cash equivalents that are held in jurisdiction where regulatory exchange controls exist and, therefore, are not available for the general use of the Group.

8. Trade and other receivables

	2012 USD 000	Re-presented 2011 USD 000
Trade receivables	295,952	289,450
Less: provision for impairment of trade receivables	(16,843)	(12,503)
Trade receivables – net	279,109	276,947
VAT and other taxation recoverable	8,145	12,115
Other receivables	3,730	4,427
Prepayments	12,026	13,348
	303,010	306,837
Less non-current portion	(41,629)	(49,108)
Total current portion of trade and other receivables	261,381	257,729

Included in "Trade receivables" line, are USD 152.2 million of unbilled receivables (2011: USD 146.6 million).

The carrying amount of the current financial assets included in the trade and other receivables approximates their fair values at 31 December.

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount of the current portion of the trade and other receivables is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of these receivables are periodically assessed by reference to external credit ratings (if available) or to historical information about their default rates. The Group does not hold any collateral as security.

Maturity and fair value of the non-current portion of the trade and other receivables

	Carrying amount		Fair value	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Between 1 and 2 years	41,629	49,108	41,282	48,559
	41,629	49,108	41,282	48,559

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%).



Ageing of the trade and other receivables past due but not impaired:

	2012 USD 000	Re-presented 2011 USD 000
Current (less than 30 days)	17,826	23,895
Past due 31–90 days	8,892	15,951
Past due 91–180 days	12,431	10,019
Past due 181–360 days	13,928	17,399
More than 360 days	21,941	6,927
	75,018	74,191

The Group believes that the past due and not impaired receivables are fully recoverable as there have been no history of defaults relating to these customers and no indicators of potential future litigation.

Movements in the allowance for doubtful debts

The allowance account is used for impairment of trade receivables. The other classes do not contain any impaired assets.

	2012 USD 000	Re-presented 2011 USD 000
At 1 January	12,503	12,076
Provision for receivables impairment	7,594	4,221
Used amounts	(2,955)	(2,357)
Unused amounts	(337)	(285)
Exchange gain or loss	38	(1,152)
At 31 December	16,843	12,503

Management acknowledges that although collection risk is remote given the profile of the Group's customer base, there is an inherent risk linked to the Group's trade receivables in respect of the complexity of the Group's business and the existence of mid to long projects.

Included in "Sales and marketing", is USD 12.3 million (2011: USD 43 million) for impairment loss related to trade receivables. Despite the stabilisation of the economic climate, the Group has provided for the adverse probable outcome on a limited number of projects that are facing some implementation difficulties or funding issues.

9. Other financial assets and liabilities

	2012		2011	
	Assets USD 000	Liabilities USD 000	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	1,055	1,218	3,364	5,672
Forward foreign exchange contracts – held for trading	474	257	874	1,091
Available-for-sale investment	86	–	34	–
At 31 December	1,615	1,475	4,272	6,763
Reported as follows:				
Current	1,615	1,475	4,062	6,005
Non-current	–	–	210	758
At 31 December	1,615	1,475	4,272	6,763

The ineffective portion recognised in the profit or loss in respect of cash flow hedges was USD nil (2011: USD nil).

The hedged transactions are expected to occur each month during the next 12 months. Related gains or losses recognised in the other comprehensive income as of 31 December 2012 will be recycled in the income statement in the periods during which the hedged transactions affect the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Available-for-sale investment financial assets includes investment in a publicly listed company in Australia.

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10. Property, plant and equipment

	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Total USD 000
Year ended 31 December 2012					
Cost					
At 1 January 2012	10,896	187	27,645	2,504	41,232
Foreign currency exchange differences	226	(5)	718	(2)	937
Acquisition of subsidiary (note 6)	–	–	48	–	48
Additions	243	210	4,592	–	5,045
Reclassification and disposals	157	–	(157)	–	–
31 December 2012	11,522	392	32,846	2,502	47,262
Depreciation and impairment					
At 1 January 2012	8,732	169	18,929	192	28,022
Foreign currency exchange differences	212	–	634	(1)	845
Charge for the year	670	21	3,807	44	4,542
Impairment loss	–	–	55	–	55
Reclassification and disposals	23	–	(23)	–	–
31 December 2012	9,637	190	23,402	235	33,464
Net book value					
31 December 2012	1,885	202	9,444	2,267	13,798
Year ended 31 December 2011					
Cost					
At 1 January 2011	10,912	402	26,131	3,026	40,471
Foreign currency exchange differences	(333)	(30)	(1,870)	(508)	(2,741)
Acquisition of subsidiary	–	–	14	–	14
Additions	1,309	–	4,528	–	5,837
Retirements/disposals	(992)	(185)	(1,158)	(14)	(2,349)
31 December 2011	10,896	187	27,645	2,504	41,232
Depreciation and impairment					
At 1 January 2011	8,562	351	16,579	182	25,674
Foreign currency exchange differences	(136)	(28)	(1,131)	(32)	(1,327)
Charge for the year	1,028	31	4,489	56	5,604
Impairment loss	106	–	97	–	203
Retirements/disposals	(828)	(185)	(1,105)	(14)	(2,132)
31 December 2011	8,732	169	18,929	192	28,022
Net book value					
31 December 2011	2,164	18	8,716	2,312	13,210

Leased assets, where the Group is a lessee, mainly comprise of IT hardware and some office equipment.



	Fixtures fittings & equipment USD 000	Total USD 000
Net book value at 31 December 2012	340	340
Net book value at 31 December 2011	681	681

In all cases the assets leased are pledged as collateral against the finance lease liability.

11. Intangible assets

Year ended 31 December 2012	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2012 (re-presented)	169,721	294,554	49,058	44,752	558,085
Foreign currency exchange differences	725	6,532	885	1,159	9,301
Acquisition of subsidiary (note 6)	–	11,247	5,462	1,205	17,914
Additions	41,782	1,471	5,576	–	48,829
31 December 2012	212,228	313,804	60,981	47,116	634,129
Amortisation					
At 1 January 2012	93,921	–	28,887	30,533	153,341
Foreign currency exchange differences	114	–	613	1,011	1,738
Charge for the year	25,504	–	8,453	8,969	42,926
31 December 2012	119,539	–	37,953	40,513	198,005
Net book value					
31 December 2012	92,689	313,804	23,028	6,603	436,124

11. Intangible assets continued

Year ended 31 December 2011	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2011	131,887	300,369	45,079	45,977	523,312
Foreign currency exchange differences	(665)	(6,472)	(1,693)	(927)	(9,757)
Acquisition of subsidiary	–	657	1,034	–	1,691
Additions ⁽¹⁾	38,499	–	4,340	–	42,839
Retirements, disposals and transfers	–	–	298	(298)	–
31 December 2011 (re-presented)	169,721	294,554	49,058	44,752	558,085
Amortisation					
At 1 January 2011	74,677	–	20,767	19,329	114,773
Foreign currency exchange differences	(1)	–	(1,484)	(1,116)	(2,601)
Charge for the year	19,245	–	9,488	12,436	41,169
Retirements, disposals and transfers	–	–	116	(116)	–
31 December 2011	93,921	–	28,887	30,533	153,341
Net book value					
31 December 2011 (re-presented)	75,800	294,554	20,171	14,219	404,744

⁽¹⁾ Addition to goodwill represents settlement of final contingent consideration not previously accounted for at the time of the acquisition that occurred before the application of the new IFRS 3 'Business Combinations'

Amortisation charge of USD 38.7 million (2011: USD 37 million) is included in the "Cost of sales" line; USD 0.1 million (2011: USD 0.1 million) in "Sales and marketing" line; USD 1.1 million (2011: USD 1.3 million) in "Other operating expenses" line and USD 3 million (2011: USD 2.8 million) in "General and administrative" line.

Impairment tests for goodwill

Goodwill is allocated to the "Product" reportable segment.

	2012			2011		
	Amount USD 000	Growth rate %	Discount rate %	Re-presented Amount USD 000	Growth rate %	Discount rate %
Product	313,804	1	13.77	294,554	1	11.02
	313,804			294,554		

The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget approved by the management covering a three-year period and then inflated over a perpetual period using the estimated growth rate assigned to the countries where the cash-generating unit operates. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU performs its operations. The growth rate and the pre-tax discount rate used in the calculation are presented above.

Budgeted cash flow projections are determined based on the expectation of the future client signings from evaluation of the Group's current pipeline. Budgeted gross margin is based on expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the cash-generating unit.

The discount rate represents the Group's Weighted Average Cost of Capital adjusted for tax effect to determinate the pre-tax rate as required by IFRS.



12. Taxation

Tax expense	2012 USD 000	2011 USD 000
Current tax on profits for the year	13,586	11,811
Adjustments in respect of prior years	(795)	1,065
Total current tax	12,791	12,876
Deferred tax – origination and reversal of temporary differences	(174)	(645)
Total tax expense	12,617	12,231

TEMENOS Group AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using a basic Swiss statutory corporate tax rate of 25%, is as follows:

	2012 USD 000	2011 USD 000
Profit/(loss) before tax	36,776	(16,077)
Tax at the domestic rate of 25%	9,194	(4,019)
Non-taxable income and expenses	2,188	829
Utilisation of previously unrecognised losses	(11,004)	(7,768)
Tax losses for which no deferred income tax asset was recognised	12,194	24,368
Tax adjustments related to prior periods	(795)	1,065
Reversal (recognition) of deferred tax assets on intellectual property	5,839	4,360
Non-taxable consolidation adjustment on intellectual property amortisation	(12,693)	(12,693)
Other movement on deferred tax assets and liabilities, including rate changes	(2,616)	(505)
Effects of different tax rates	2,250	(179)
Overseas withholding tax	6,024	4,881
Other tax and credits	2,036	1,892
Total tax expense	12,617	12,231

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2011: USD nil) and no income tax charged or credited directly to equity (2011: USD nil).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2012 USD 000	2011 USD 000
Deferred tax assets – to be recovered after more than 12 months	23,354	26,160
Deferred tax assets – to be recovered within 12 months	6,972	7,654
Deferred tax assets	30,326	33,814
Deferred tax liabilities – to be recovered after more than 12 months	(4,017)	(4,188)
Deferred tax liabilities – to be recovered within 12 months	(2,301)	(4,260)
Deferred tax liabilities	(6,318)	(8,448)
Net deferred tax assets	24,008	25,366

12. Taxation continued

An assessment of the realisability of deferred tax assets is made on a country by country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits is probable. The majority of the deferred tax assets recognised are expected to be utilised after more than twelve months.

The Group has not recognised deferred tax assets of USD 61,721 thousand (2011: USD 79,668 thousand) in respect of losses amounting to USD 287,441 thousand (2011: USD 268,018 thousand) that can be carried forward against future taxable income. Losses amounting to USD 75,002 thousand (2011: USD 74,019 thousand) will expire within the next 5 years, USD 28,983 thousand (2011: USD 18,071 thousand) will expire within 5 to 10 years and USD 7,603 thousand (2011: USD 17,973 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 18,269 thousand (2011: USD 24,108 thousand) in respect of temporary differences arising on an intra-group transfer of intellectual property. There are no unrecognised deferred tax assets in respect of these temporary differences (2011: nil).

As part of the acquisition of EDGE IPK, the Group acquired deferred tax assets of USD nil and deferred tax liabilities of USD 1,536 thousand.

The gross movement on the deferred income tax account is as follows:

	2012	2011
	USD 000	USD 000
At 1 January	25,366	25,095
Income statement credit	174	645
Foreign currency exchange differences	4	36
Acquisition of subsidiaries	(1,536)	(274)
Reclassification	–	(136)
At 31 December	24,008	25,366

The movement in deferred tax assets is as follows:

	Tax losses	Taxable intellectual property	Taxable goodwill	Other	Total
	USD 000	USD 000	USD 000	USD 000	USD 000
At 1 January 2011	8,308	28,468	1,283	370	38,429
Charged to the income statement	(672)	(4,360)	(442)	(62)	(5,536)
Foreign currency exchange differences	(10)	–	(12)	2	(20)
Reclassification	44	–	–	897	941
At 31 December 2011	7,670	24,108	829	1,207	33,814
Credited/(charged) to the income statement	3,100	(5,839)	(356)	(493)	(3,588)
Foreign currency exchange differences	117	–	(48)	31	100
At 31 December 2012	10,887	18,269	425	745	30,326



The movement in deferred tax liabilities is as follows:

	Acquisition fair value adjustment USD 000	Investments in subsidiaries USD 000	Other USD 000	Total USD 000
At 1 January 2011	(11,691)	(1,060)	(583)	(13,334)
Credited/(charged) to the income statement	5,260	1,060	(139)	6,181
Acquisition of subsidiary	(274)	–	–	(274)
Foreign currency exchange differences	6	–	50	56
Reclassification	(1,077)	–	–	(1,077)
At 31 December 2011	(7,776)	–	(672)	(8,448)
Credited/(charged) to the income statement	3,848	–	(86)	3,762
Acquisition of subsidiary (note 6)	(1,536)	–	–	(1,536)
Foreign currency exchange differences	(76)	–	(20)	(96)
At 31 December 2012	(5,540)	–	(778)	(6,318)

13. Trade and other payables

	2012 USD 000	Re-presented 2011 USD 000
Trade payables	37,138	39,477
Accrued expenses	52,266	61,050
Other payables	21,881	27,167
Current trade and other payables	111,285	127,694
Non-current other payables	273	1,685
Total trade and other payables	111,558	129,379

The carrying amount of the current financial liabilities included in the trade and other payables approximates their fair values at the balance sheet date.

The current trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

Maturity and fair value of the non-current portion of trade and other payables

	Carrying amount		Fair value	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Between 1–2 years	200	1,615	198	1,597
Between 3–5 years	73	70	72	69
	273	1,685	270	1,666

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%)

14. Borrowings

	2012 USD 000	2011 USD 000
Current		
Obligations under finance leases (note 16)	242	321
Other loans	44	3
Bank borrowings	10,449	10,799
	10,735	11,123
Non-current		
Obligations under finance leases (note 16)	70	303
Other loans	181	43
Bank borrowings	203,374	242,278
	203,625	242,624
Total borrowings	214,360	253,747

The fair value of current borrowings approximates their carrying amount at 31 December, as the impact of discounting is not significant.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Obligations under finance leases (note 16)	70	303	69	300
Other loans	181	43	179	43
Bank borrowings	203,374	242,278	201,680	239,571
	203,625	242,624	201,928	239,914

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%)

Bank borrowings are at variable rates and mature until 2014. The carrying amounts are all denominated in USD.

Bank facilities

On 20 October 2010, the Group concluded a combined term loan and revolving credit facility with a pool of five large financial institutions, replacing existing financing facilities. The pertinent details of the facility available to the group are as follows:

Multicurrency term loan refinancing facility:

USD 100 million bearing interest at LIBOR/EURIBOR (depending on drawing currency) plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. Utilised amounts are repayable in fixed instalments between October 2011 and February 2014.

As at 31 December 2012, USD 80 million (2011: USD 90 million) is drawn under the refinancing facility.

Multicurrency revolving credit facility (RCF) available for general corporate purposes including acquisitions and trade finance:

USD 250 million bearing interest at LIBOR/EURIBOR (depending on drawing currency) plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. The facility is repayable in full on 28 February 2014.

As at 31 December 2012, a total of USD 133.6 million (2011: USD 163.6 million) is drawn as cash loans under the RCF and guarantees totalling USD 22.7 million (2011: USD 19.8 million) were in issue.

Commitment fees are due on the undrawn portion of the above facility.

The facilities granted are subject to various financial covenants which have been adhered to during the year 2012.



15. Provisions for other liabilities and charges

	Legal claims USD 000	Property provision USD 000	Termination benefits USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2012 (re-presented)	1,039	3,767	2,378	365	7,549
Foreign currency exchange differences	14	98	32	3	147
Increase in provisions recognised in the income statement	–	813	6,789	–	7,602
Used during the year	(129)	(2,024)	(4,935)	–	(7,088)
Unused during the year	(29)	(94)	(229)	–	(352)
31 December 2012	895	2,560	4,035	368	7,858
Reported as follows:					
2012					
Current	895	1,242	4,035	368	6,540
Non-current	–	1,318	–	–	1,318
31 December 2012	895	2,560	4,035	368	7,858
2011					
Current (re-presented)	1,039	1,279	2,378	365	5,061
Non-current	–	2,488	–	–	2,488
31 December 2011	1,039	3,767	2,378	365	7,549

Legal claims

The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2012 is expected to be utilised in 2013. The management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2012.

Property provisions

The amounts represent the net present value of the estimated future costs associated with onerous leases and dilapidations. Provision for onerous lease represents the lowest cost to exit the lease contract. Provisions for dilapidations represents the estimated costs to be incurred at the date of exit.

USD 1.2 million is expected to be utilised during 2013 and USD 1.3 million for the period from 2014 till 2016.

Termination benefits

The amounts represent the benefits payable for the period with no future economic benefit to the Group. The carrying amount is expected to be fully utilised in 2013.

Contingent liability arising on business combination

PRIMISYN received government contributions to develop its software for the public benefit of Canada. Such contributions were governed by specific provisions, specifically with regard to the change in ownership of the acquiree. The Group has provided for such provisions as the IP were disposed of to an entity outside Canada. The carrying amount is expected to be fully utilised in 2013.

16. Obligations under finance leases

Finance leases liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Obligations under finance leases:				
repayable within one year	260	362	242	321
repayable between one and five years	76	320	70	303
	336	682	312	624
Included in the financial statement as:				
Current borrowings (note 14)			242	321
Non-current borrowings (note 14)			70	303
			312	624

The interest charge on obligations under finance leases is recognised in the income statement within "Finance costs".

17. Financial instrument by category

The accounting policies for financial instruments have been applied to the line items below:

	2012 USD 000	Re-presented 2011 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading	474	874
Derivatives instruments used for hedging	1,055	3,364
Available-for-sale financial assets	86	34
Loans and receivables (including cash and cash equivalent)	407,469	447,254
Total	409,084	451,526
Financial liabilities		
Fair value through profit or loss (FVTPL)		
– Held for trading	257	1,091
Derivatives instruments used for hedging	1,218	5,672
Financial liabilities measured at amortised cost	325,918	383,126
Total	327,393	389,889



18. Share capital

As at 31 December 2012, the issued shares of TEMENOS Group AG comprised 72,023,148 ordinary shares of a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2012 are summarised below:

	Number
Total number of shares issued, as at 31 December 2011	72,000,930
Treasury shares	(3,123,695)
Total number of shares outstanding, as at 31 December 2011	68,877,235
Shares issued on exercise of employee share options	22,218
Movement in treasury shares	212,133
Total number of shares outstanding, as at 31 December 2012	69,111,586

As at 31 December 2012, the number of treasury shares held by the Group amounted to 2,911,562 (2011: 3,123,695).

TEMENOS Group AG also has conditional capital, comprising:

Authorised shares available until 17 June 2013	14,304,823
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

19. Share premium and capital reserves

	Share premium USD 000	Employee share options reserve USD 000	Discount on shares issued to employees USD 000	Negative premium arising on creation of Temenos Group AG USD 000	Total USD 000
Balance at 1 January 2011	138,632	75,418	(126,086)	(68,456)	19,508
Cost of share options (note 21)	–	11,902	–	–	11,902
Exercise of share options	–	–	(11,922)	–	(11,922)
Share issuance costs	(121)	–	–	–	(121)
Balance at 31 December 2011	138,511	87,320	(138,008)	(68,456)	19,367
Cost of share options (note 21)	–	9,408	–	–	9,408
Exercise of share options	–	–	(8,336)	–	(8,336)
Share issuance costs	(41)	–	–	–	(41)
Balance at 31 December 2012	138,470	96,728	(146,344)	(68,456)	20,398

19. Share premium and capital reserves continued

Share premium

The share premium primarily includes the following transactions:

- premium on issuance of new shares at a price above their par value.
- the equity component recognised at the inception of the convertible bond and the premium resulting from the early redemption occurred in 2010.
- the expenses incurred in issuing new shares or acquiring own shares.
- gains or losses on the re-issuance of own shares.

Share options reserve

As detailed in note 21, the Group has issued instruments to employees. The fair value of these instruments is charged to the income statement over the period that the related service is received, with a corresponding credit made to the share options reserve.

Discount on shares issued to employees

As detailed in note 21, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfils its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the group in respect of these shares issued or reissued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees.

Negative premium arising on creation of TEMENOS Group AG

TEMENOS Group AG was incorporated on 7 June 2001. The issued and outstanding shares of TEMENOS Holdings NV were exchanged shortly before the initial public offering for TEMENOS Group AG shares, thus rendering TEMENOS Holdings NV a wholly owned subsidiary of TEMENOS Group AG. The number of shares acquired was 40,104,336 which prior to the exchange had a nominal value of USD 0.001 per share, totalling USD 39 thousand. The new shares in TEMENOS Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. Expenses related to the initial public offering of TEMENOS Group AG, and share premium items arising prior to the creation of TEMENOS Group AG, were recorded against this account.

A deficit of USD 62,277 thousand was recorded to share premium on the cancellation of shares repurchased in 2000. This was transferred into "negative premium arising on creation of TEMENOS Group AG" during the period ended 31 December 2001.

20. Fair value and other reserves

	Cumulative translation adjustment USD 000	Available- for-sale Investment USD 000	Fair value gains (losses) on qualifying cash flow hedges USD 000	Total USD 000
Balance at 1 January 2011	(58,438)	(31)	2,573	(55,896)
Currency translation differences	(8,450)	–	–	(8,450)
Disposal of subsidiary	(310)	–	–	(310)
Transfers to income statement within "Personnel costs"	–	–	(3,524)	(3,524)
Net fair value loss	–	(26)	(1,791)	(1,817)
Balance at 31 December 2011	(67,198)	(57)	(2,742)	(69,997)
Currency translation differences	2,424	–	–	2,424
Transfers to income statement within "Personnel costs"	–	–	3,104	3,104
Transfers to income statement within "Software licensing revenue"	–	–	(1,873)	(1,873)
Transfers to deferred revenues	–	–	(638)	(638)
Net fair value gain	–	53	1,986	2,039
Balance at 31 December 2012	(64,774)	(4)	(163)	(64,941)



21. Share based payments

Share options

Share options are granted to executive board members and selected employees. Share options are conditional on the employee completing a specified period of service (the vesting period). The vesting period ranges from one to five years and the share options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2012		2011	
	Number of shares options	Weighted average exercise price	Number of shares options	Weighted average exercise price
Outstanding at the beginning of the year	1,385,170	\$16.79	1,516,439	\$15.03
Granted during the year	–	–	135,963	\$23.54
Forfeited during the year	(195,608)	\$24.99	(85,661)	\$8.93
Exercised during the year	(101,500)	\$4.20	(181,571)	\$10.88
Outstanding at the end of the year	1,088,062	\$16.56	1,385,170	\$16.79

1,043,701 of the outstanding options (2011: 1,029,054) were exercisable at the balance sheet date with a weighted average exercise price of USD 15.98 (2011: USD 13.77). The options exercised during the year had a weighted average share price at the time of exercise of USD 17.15 (2011: USD 29.24).

Share appreciation rights

Share appreciation rights are granted to executive board members and selected employees. Share appreciation rights 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 share appreciation rights grants may be increased by a maximum of 40% of the original grant subject also in certain cases to individual performance criteria. The vesting period for the unvested share appreciation rights ranges from three to four years and the share appreciation rights have a maximum contractual term of eleven and a quarter years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

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

	2012		2011	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	6,323,656	\$20.50	7,037,490	\$22.05
Granted during the year	6,964,376	\$16.43	2,539,780	\$21.79
Forfeited during the year	(3,173,293)	\$22.54	(2,448,269)	\$27.01
Exercised during the year	(176,988)	\$10.81	(805,345)	\$18.56
Outstanding at the end of the year	9,937,751	\$17.17	6,323,656	\$20.50

2,256,097 of the outstanding share appreciation rights (2011: 1,670,793) were exercisable at the balance sheet date with a weighted average exercise price of USD 18.69 (2011: USD 16.36). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 17.87 (2011: USD 36.54).

As described above, in case of overachievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant, subject also in certain cases to individual performance criteria. There were no share appreciation rights granted during the year as a result of the application of the overachievement provisions from grants in prior years (2011: nil). As at 31 December 2012 there were 7,113,132 remaining share appreciation rights (2011: 2,621,296) that may be subject to the overachievement provisions with a weighted average exercise price of USD 16.48 (2011: USD 24.08).

21. Share based payments continued

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

2012 Exercise price	Number	Remaining contractual life (years)
\$1.42-\$1.97	13,300	0.48
\$6.00-\$7.96	191,900	1.48
\$8.52-\$9.78	461,929	3.80
\$10.03-\$12.48	564,405	5.54
\$14.98-\$16.82	6,904,732	9.55
\$17.32-\$17.72	777,182	8.90
\$19.03-\$23.51	464,646	6.69
\$24.00-\$25.97	1,267,417	6.64
\$26.55-\$27.79	345,940	6.01
\$31.56-\$34.82	34,362	8.31
	11,025,813	

2011 Exercise price	Number	Remaining contractual life (years)
\$1.39-\$1.92	80,300	1.04
\$5.97-\$7.96	216,401	1.93
\$8.52-\$9.96	571,660	5.14
\$10.03-\$12.86	736,727	6.54
\$14.98-\$17.05	508,762	4.53
\$17.32-\$17.45	1,855,455	9.90
\$18.59-\$23.51	262,686	5.43
\$24.00-\$25.67	2,499,748	7.91
\$26.55-\$27.79	361,157	7.12
\$30.80-\$32.13	42,000	9.01
\$33.51-\$34.82	537,930	9.15
\$34.82-\$38.60	36,000	9.11
	7,708,826	

Fair value of stock options and share appreciation rights

The fair value of options and share appreciation rights granted during the period 2012 is determined using an "Enhanced American Pricing Model".

The weighted average fair value of options and share appreciation rights granted during the period was USD 5.19 (2011: USD 9.93). The significant inputs into the model were weighted average share price at grant date of USD 16.43 (2011: USD 21.44), weighted average exercise price of USD 16.43 (2011: USD 22.06), standard deviation of expected share price returns of 42.87% (2011: 40.97%), weighted average option lives of 5.91 years (2011: 5.76 years) and weighted average annual risk-free interest rate of 1.04% (2011: 1.67%). 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.



Performance, Loyalty and Restricted shares

	2012 Number of shares	2011 Number of shares
Outstanding at the beginning of the year	1,239,294	533,947
Granted during the year	18,000	1,154,197
Forfeited during the year	(388,696)	(23,850)
Exercised during the year	(105,817)	(425,000)
Outstanding at the end of the year	762,781	1,239,294

Loyalty shares

There were no grants of Loyalty shares in 2012 (2011: 27,667). 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 USD nil (2011: USD 14.66). None of the Loyalty shares were exercisable at the balance sheet date (2011: nil).

Performance shares

A grant of 18,000 (2011: 855,000) Performance shares was 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 USD 17.74 (2011: USD 15.98). None of the Performance shares were exercisable at the balance sheet date.

Restricted shares

There were no grants of Restricted shares in 2012 (2011: 255,000). Restricted shares are conditional on the employee completing a specified period of service. The vesting period is between two and three 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 USD nil (2011: USD 24.75). There were no outstanding Restricted shares at the balance sheet date.

Other shares

There were no other share grants made in 2012 (2011: 16,530). 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 USD nil (2011: USD 32.62). There were 9,483 other restricted shares that were exercisable at the balance sheet date (2011: nil).

The total expense recorded in the income statement in respect of employee share options, share appreciation rights, performance, loyalty and other shares is USD 9,408 thousand (2011: USD 11,902 thousand).

22. Segment information

The Chief Operating Decision Maker ("CODM") has been identified as the Group's Chief Executive Officer ("CEO"). He regularly reviews the Group's operating segments in order to assess performance and to allocate resources.

The CODM considers the business from a product perspective and, therefore, recognises the reporting segments as: "Product" and "Services". Other representation of the Group's activity such as regional information is also presented to the CODM but it is not primarily used to review the Group's performance and to make decisions as how to allocate resources.

The "Product" segment is primarily engaged in marketing and licensing the Group's software solutions, including software development fees for requested functionality, and the "Services" segment represents various implementation support such as consulting and training.

The Group's Chief Executive Officer assesses the performance of the operating segments based on the operating result. This measure includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated costs mainly comprise of restructuring costs, share-based payment expenses, depreciation and amortisation, offices-related expenses, net finance costs and any other administrative or corporate overheads that cannot be directly attributable to the operating segments.

The "Product" and "Services" segments derive their revenue primarily from the licensing and maintenance of the Group's software solutions and from providing a wide range of supporting activities relating to the implementation of the Group's products, respectively.

The table below summarises the primary information provided to the Group's Chief Executive Officer:

	Product		Services		Total	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Revenue	326,794	343,350	123,415	130,119	450,209	473,469
Operating contribution	131,845	93,122	1,374	7,450	133,219	100,572
Total assets (re-presented)	170,335	113,389	108,774	119,207	279,109	232,596

All revenue is derived from external customers. The Group has a large number of customers and no individual customer contributed more than 10% of total Group's revenue in the current and prior year.

The accounting policies applied to the reportable segments are the same as the Group's accounting policies described in note 2.

Intersegment transactions are recognised as part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

Reconciliation to the Group's Financial Statement	2012 USD 000	2011 USD 000
Total operating contribution from the reportable segments	133,219	100,572
Depreciation and amortisation (note 25)	(47,468)	(46,773)
Unallocated expenses	(37,636)	(55,845)
Finance costs – net (note 26)	(11,339)	(14,031)
Profit/(loss) before taxation	36,776	(16,077)

Total assets	2012 USD 000	Re-presented 2011 USD 000
Total assets allocated to the reportable segments	279,109	232,596

Unallocated items:

Trade and other receivables	23,901	74,241
Cash and cash equivalents	117,734	154,950
Other financial assets	1,615	4,272
Property, plant and equipment	13,798	13,210
Intangible assets	436,124	404,744
Deferred tax assets	30,326	33,814
Total assets per the balance sheet	902,607	917,827



Geographical Information

	2012 USD 000
Revenue from external customers	
Switzerland (country of the Group's domiciliation)	23,691
United Kingdom	43,645
Canada	30,102
Luxembourg	25,759
Other countries	327,013
Total	450,209
	2011 USD 000
Switzerland (country of the Group's domiciliation)	23,542
United Kingdom	55,058
France	32,529
Germany	28,559
Other countries	333,781
Total	473,469

Revenues are based on the location where the license and maintenance is sold or the service is provided.

	2012 USD 000	Re-presented 2011 USD 000
Non-current assets other than financial instruments and deferred tax assets		
Switzerland (country of the Group's domiciliation)	83,477	90,203
Luxembourg	140,324	129,091
United Kingdom	76,541	58,199
France	75,065	78,044
Other countries	74,515	62,417
Total	449,922	417,954

23. Personnel costs

	2012 USD 000	2011 USD 000
Wages and salaries	192,791	208,640
Termination benefits	12,394	5,312
Social charges	24,961	30,412
Defined contribution pension costs	5,530	5,097
Defined benefit pension costs (note 24)	3,717	3,612
Cost of employee share option scheme	9,408	11,902
	248,801	264,975

23. Personnel costs continued

Included in the personnel costs, is the remuneration of the key management personnel as illustrated below:

	2012 USD 000	2011 USD 000
Key management personnel of TEMENOS Group AG		
– short-term cash compensation and benefits	3,352	2,939
– post-employment benefits	547	215
– termination benefits	1,939	–
– share-based payment	5,908	7,288
	11,746	10,442
Non-executive directors		
– short-term benefits	429	340

Disclosure of Board of Directors and Executive Committee remuneration in accordance with articles 663bbis and 663c of the Swiss Code of Obligations can be found in note 9 of the unconsolidated Financial Statements of TEMENOS Group AG.

24. Retirement benefit obligations

The Group maintains defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the income statement when incurred.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or to departing employees. Such payments are based on the amount of the employee's final salary and their length of service. The amounts are largely unfunded and an accrual is recognised based on the same methodology as used for defined benefit plans.

The Group also maintains funded defined benefit pension plans in Switzerland, France and India.

The amounts recognised in the balance sheet at 31 December are as follows:

	2012 USD 000	2011 USD 000
Present value of funded obligations	(20,943)	(20,237)
Fair value of plan assets	21,832	18,505
Surplus/(deficit) of funded plans	889	(1,732)
Present value of unfunded obligations	(1,409)	(1,144)
less:		
Unrecognised actuarial (gains)/losses	(418)	244
Unrecognised asset	(1,693)	(766)
Net liability in the balance sheet	(2,631)	(3,398)
Represented by:		
Accrued liabilities	(4,079)	(3,849)
Prepaid asset	1,448	451
Net liability in the balance sheet	(2,631)	(3,398)



The movement in the defined benefit obligation over the year is as follows:

	2012 USD 000	2011 USD 000
As at 1 January	21,381	26,839
Current service cost	2,317	2,720
Interest cost	711	814
Employee contributions	1,588	1,341
Actuarial losses	788	443
Settlements	(3,375)	–
Curtailments	345	529
Exchange differences	496	(1)
Benefits paid	(1,899)	(11,304)
As at 31 December	22,352	21,381

The movement in the fair value of plan assets over the year is as follows:

	2012 USD 000	2011 USD 000
As at 1 January	18,505	24,783
Expected return on plan assets	627	768
Settlements	(3,375)	–
Exchange differences	473	179
Employer contributions	4,534	3,020
Employee contributions	1,588	1,341
Benefits paid	(1,899)	(11,304)
Actuarial gains/(losses)	1,379	(282)
As at 31 December	21,832	18,505

The actual return on plan assets was positive USD 2,006 thousand (2011: positive USD 486 thousand).

The amounts recognised in the income statement are as follows:

	2012 USD 000	2011 USD 000
Current service cost	2,317	2,720
Interest cost	711	814
Expected return on plan assets	(627)	(768)
Amortisation of net gain	(29)	(17)
Loss on curtailment	445	488
Assets not recognised	900	375
Total costs included in personnel costs	3,717	3,612

Principal weighted average actuarial assumptions at the balance sheet date:

	2012	2011
Discount rate at 31 December	2.73%	3.24%
Expected rate of return on plan assets at 31 December	3.03%	2.86%

24. Retirement benefit obligations continued

The plan assets are invested in the following categories of investment:

	2012	2011
Equity securities	12%	13%
Fixed income securities	18%	19%
Real estate	9%	17%
Insurance contracts	50%	50%
Other	11%	1%
	100%	100%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2013 are USD 1,863 thousand.

The following table shows a five-year summary reflecting the deficit or surplus of the funded defined benefit plan as well as the experience adjustments arising of the plan liabilities and the plan assets.

At 31 December	2012 USD 000	2011 USD 000	2010 USD 000	2009 USD 000	2008 USD 000
Present value of defined benefit obligation	22,352	21,381	26,839	11,845	8,634
Present value of plan assets	21,832	18,505	24,783	10,517	8,554
Deficit	520	2,876	2,056	1,328	80
Experience adjustments on plan liabilities	(800)	122	352	(12)	(71)
Experience adjustments on plan assets	1,379	(282)	38	467	(1,294)

25. Expenses by nature

	2012 USD 000	2011 USD 000
Third party licences and commissions	11,813	10,857
Personnel costs and external consultants	285,521	309,376
Depreciation and amortisation (note 10 and 11)	47,468	46,773
Travel expenses	29,524	38,158
Rent and other occupancy costs	16,631	28,762
Marketing and other professional costs	21,306	15,651
Other costs	31,613	64,437
Capitalised expenditure (note 11)	(41,782)	(38,499)
	402,094	475,515



26. Finance costs – net

	2012 USD 000	2011 USD 000
Finance income:		
– Interest income on short-term bank deposits	248	158
– Interest income on short-term investments	18	4
– Interest income on non-current trade and other trade receivables	559	313
– Foreign exchange gain, net	6,760	–
Total finance income	7,585	475
Finance costs:		
– Interest expense on obligations under finance leases	(34)	(116)
– Interest expense on non-current trade and other payables	(10)	(31)
– Interest expense on borrowings	(6,783)	(6,403)
– Other interest expense	(175)	(358)
– Fees related to the undrawn portion of the borrowing facility	(814)	(1,062)
– Other financing costs	(842)	(1,141)
– Fair value loss from financial instruments, net	(10,266)	(248)
– Foreign exchange loss, net	–	(5,147)
Total finance costs	(18,924)	(14,506)
Finance costs – net	(11,339)	(14,031)

27. Earnings per share calculations

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2012 USD 000	2011 USD 000
Profit/(loss) attributable to equity holders of the Company	24,159	(28,252)
Weighted average of ordinary shares outstanding during the year (in thousands)	68,971	69,290
Basic earnings per share (USD per share)	0.35	(0.41)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the periods presented in this consolidated financial statements, the Group has only one category with a potential dilutive effect: "Share options".

For the period ended 31 December 2011, this category was anti-dilutive as the Group recognised a net loss. Therefore, diluted EPS was equal to the basic EPS.

For the period ended 31 December 2012, this category was fully dilutive.

	2012 USD 000	2011 USD 000
Profit/(loss) used to determine diluted earnings per share	24,159	(28,252)
Weighted average of ordinary shares outstanding during the year (in thousands)	68,971	69,290
Adjustments for:		
– Share options (in thousands)	770	–
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	69,741	69,290
Diluted earnings per share (USD per share)	0.35	(0.41)

28. Commitments and contingencies

The Group has obligations under operating leases relating to office premises and leased equipment. The leases have varying terms, escalation clauses and renewal rights. At 31 December 2012, operating lease payments recognised in the income statement relating to office premises amounted to USD 12.9 million (2011: USD 16.8 million) and operating lease payments recognised in the income statement relating to leased equipment were USD 1.2 million (2011: USD 2 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 USD 000	2011 USD 000
No later than 1 year	13,678	17,124
Later than 1 year and no later than 5 years	32,582	33,298
Later than 5 years	8,003	13,018
Total	54,263	63,440

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business (note 14). The Group is also involved in various lawsuits, claims, investigations and proceedings incidental to the normal conduct of its operations. These matters mainly include the risks associated with personnel litigation, tax claims and contractual disputes.

Although an estimate of the future financial effects cannot be reliably estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 15.

29. Related party transactions and balances

Remuneration of executive and non-executive directors is described in note 23. Equity compensation for executive and non-executive directors granted in the form of options, SARs and shares is described in note 21.

There were no other large or significant transactions with related parties during the year ended 31 December 2012.

30. Events after the reporting period

A dividend in respect of the year ended 31 December 2012 of CHF 0.28 per share, amounting to a total dividend up to CHF 19,352 thousand, is to be proposed by the Board of Directors to the Annual General Meeting in May 2013.

31. Risk assessment required by Swiss Law

Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. The Group Risk Management function coordinates risk management through the Group, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. The Group integrates this risk management into its ongoing business planning process. Potential negative developments are evaluated, so that we can implement timely countermeasures if any events should lead to deviations from our business plan. The Internal Audit department aligns their activities to the risk management system. The Board of Directors monitors the risk assessment process of the Group and is ultimately responsible for it. Additional details about financial risk management are presented in note 3 and a presentation of the Group's risk mitigation is presented in the governance section of the annual report.



Report of the statutory auditor to the general meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Temenos Group AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet
Audit expert
Auditor in charge

Francis Renaud
Audit expert

Geneva, 22 March 2013

Unconsolidated Balance Sheet

As At 31 December 2012

	2012 CHF 000	2011 CHF 000
Assets		
Current assets		
Prepayments and other assets	220	165
Liquid funds	934	108
Total current assets	1,154	273
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	859,091	753,331
Receivable from other Group entities	55,619	42,544
Total non-current assets	914,710	795,875
Total assets	915,864	796,148
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	880	686
Other liabilities	854	558
Tax payable	683	293
Total current liabilities	2,417	1,537
Non-current liabilities		
Payable to other Group entities	43,919	42,959
Total non-current liabilities	43,919	42,959
Shareholders' equity		
Share capital (note 3)	360,116	360,005
General legal reserve (note 4)	5,164	5,164
General reserve from capital contributions (note 4)	216,326	208,594
Reserve for Treasury shares from capital contributions (note 4)	96,459	104,191
Retained earnings (note 4)	191,463	73,698
Total shareholders' equity	869,528	751,652
Total shareholders' equity and liabilities	915,864	796,148

Unconsolidated Income Statement For The Year Ended 31 December



	2012 CHF 000	2011 CHF 000
Income from investments in subsidiaries	126,383	726
Financial (expense) /income	(10)	2,711
Expenses associated with the maintenance of the Register of Shareholders and other expenses	(8,289)	(2,938)
Profit before taxation	118,084	499
Taxation	(319)	(498)
Profit of the year	117,765	1

1. Legal status and principal activities

TEMENOS Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of TEMENOS Group AG have been publicly traded on the SIX Swiss Exchange.

TEMENOS Group AG succeeded TEMENOS Holdings Ltd in the role of the ultimate holding company of the Group but is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of TEMENOS Group AG comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

2. List of direct subsidiaries

The following are the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights).

	Voting rights
TEMENOS Holdings Limited, British Virgin Islands (holding company) 40,105 shares of a nominal value of USD 1 each.	100%
TEMENOS Headquarters SA, Switzerland (holding and licensing company) 1,000 shares of a nominal value of CHF 100 each.	100%
TEMENOS Suisse SA, Switzerland (operating company) 15,000 shares of a nominal value of CHF 500 each.	100%
TEMENOS Investments BV, Netherlands (holding company) 180 shares of a nominal value of EUR 100 each.	100%
TEMENOS Romania SRL, Romania (operating company) 100,000 shares of a nominal value of RON 1 each.	52%
TEMENOS Egypt LLC, Egypt (operating company) 2 shares of a nominal value of EGP 100 each.	50%
TEMENOS Luxembourg SA, Luxembourg (operating company) 47'250 shares of a nominal value of EUR 25 each.	100%
TEMENOS Finance Luxembourg SARL, Luxembourg (financing company) 37,500 shares of a nominal value of EUR 1 each.	100%
TEMENOS UK Limited, United Kingdom (holding and operating company) 10,994,218 shares of a nominal value of Pounds 20 each.	100%
TEMENOS Holdings France SAS, France (holding company) 28,010,000 shares of a nominal value of EUR 10 each.	100%
TEMENOS USA Inc., USA (operating company) 100 shares of a nominal value of USD 0.01 each.	100%
Quetzal Informatique SAS, France (operating company) 14,705 shares of a nominal value of EUR 16 each.	100%
TEMENOS Panama SA, Panama (dormant company) 100 shares of a nominal value of USD 100 each.	100%



3. Share capital

The shares issued by the Company during the year are set out below:

	2012 number	2011 number
Total number of TEMENOS Group AG shares issued, as at January 1	72,000,930	71,524,117
Shares issued and allotted on exercising of employee share options	22,218	476,813
Total number of TEMENOS Group AG shares issued, as at December 31	72,023,148	72,000,930

TEMENOS Group AG also has conditional capital, comprising:

Authorised shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 17 June 2013)	14,304,823
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all issued shares, as at December 31, 2012 are as follows:

Massachusetts Mutual Life Insurance Company / Oppenheimer Funds Inc.	9.92%
Patinex AG	5.17%
Zadig Gestion (Luxembourg) SA	5.10%
Alken Luxembourg S.à.r.l	5.05%
ODDO & Cie	3.04%
Credit Suisse Funds AG	3.02%
UBS Fund Management (Switzerland) AG	3.02%
BlackRock, Inc.	3.02%
Aviva plc	3.01%

4. Share premium and capital reserves

	General legal reserve CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Total CHF 000
Balance at 1 January 2011	345	291,708	–	99,593	391,646
Appropriation of available earnings:					
– to General legal reserve	4,819	–	–	(4,819)	–
Reserve for Treasury shares from capital contributions	–	(104,191)	104,191	–	–
Transfer from "Retained Earning" to "General Reserve from Capital Contribution" as per 2011 Annual General Meeting ("AGM") resolution	–	21,077	–	(21,077)	–
Share issued less related costs	–	–	–	–	–
Profit of the year	–	–	–	1	1
Balance at 31 December 2011	5,164	208,594	104,191	73,698	391,647
Appropriation of available earnings:					
– to General legal reserve	–	–	–	–	–
Reserve for Treasury shares from capital contributions	–	7,732	(7,732)	–	–
Transfer from "Retained Earning" to "General Reserve from Capital Contribution" as per 2012 Annual General Meeting ("AGM") resolution.	–	–	–	–	–
Profit of the year	–	–	–	117,765	117,765
Balance at 31 December 2012	5,164	216,326	96,459	191,463	509,412

5. Treasury Shares

TEMENOS Group AG holds through one of its subsidiary 2,911,562 shares at 31 December 2012 intended for resale or for allotting to members of the TEMENOS Employee Share Option Scheme at the time that they exercise their options (2011: 3,123,695).

6. Contingent liabilities

TEMENOS Group AG has provided certain guarantees to third parties, primarily in favour of TEMENOS Finance Luxemburg Sàrl, in the context of credit facilities placed at the disposal of the latter for a total of USD 350 million. Management believes that these guarantees are unlikely to be activated.

7. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2012, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.28 per share, for a total amount up to CHF 19,351,976 (depending on the amount of treasury shares as of the ex-dividend date).

This distribution shall be declared out of the disposable amount of the General reserve from capital contributions as at 31 December 2012 taking the legal form of an ordinary dividend in cash. From a tax standpoint, this ordinary dividend constitutes a repayment of part of the general reserve from capital contributions.

As a result, the General reserve from capital contributions at 31 December 2012, amounting to CHF 216,325,678, will be reduced as follows:

	2012 CHF 000	2011 CHF 000
Proposal of the board of directors		
Reserves from capital contributions		
Balance before distribution	216,326	208,594
Repayment of general reserve from capital contributions	(19,352)	–
Balance after distribution	196,974	208,594
Retained earnings		
Retained earnings brought forward	73,698	94,774
Transfer to General reserve from capital contributions	–	(21,077)
Net income	117,765	1
Retained earnings available for appropriation	191,463	73,698
Appropriation to legal reserves	(6,023)	–
Retained earnings to be carried forward	185,440	73,698

Provided that the proposal of the Board of Directors is approved, the last trading day with entitlement to receive the dividend will be 27 May 2013. The shares will be traded ex-dividend as of 28 May 2013 (Ex date). The dividend record date will be set on 30 May 2013 (Record date). The dividend will be payable as of 31 May 2013 (Payment date).

TEMENOS treasury shares are not entitled to dividends.

8. Risk assessment

TEMENOS Group AG is fully integrated into the Group-wide internal risk management framework. The risk management framework also addresses the specific risks of TEMENOS Group AG (refer to note 31 of the consolidated financial statement).



9. Disclosure of compensation and equity participation as per articles 663b^{bis} and 663c of the Swiss Code of Obligations

This note provides summary compensation information which is in addition to the Compensation Report.

Summary Compensation Tables

The total of all compensation, in US dollars, earned in 2012 and 2011 by each member of the Board of Directors is shown below. The Long Term Incentive Plan (LTIP) Value in column seven represents the cost of awards to the company based on IFRS2 expense accounting, rather than the value received by the individual. Currently granted SARs will only start to have a value after EPS targets are achieved over the next three years which trigger vesting and when the stock price rises above the grant price.

Board of Directors

Name	Fiscal year	Cash			All other compensation ⁽¹⁾	Total cash compensation	LTIP value	Total compensation
		Base salary	Annual bonus					
A. Andreades								
Executive Chairman from 11.07.2012								
Chairman 01.07.2011 to 10.07.2012	2012	599,274	–	117,465	716,739	3,752,500 ⁽²⁾	4,469,239	
CEO 01.01.2011 to 30.06.2011	2011	814,713	–	113,462	928,175	2,455,000	3,383,175	
C. Pavlou								
Vice Chairman from 11.07.2012								
	2012	93,279 ⁽⁵⁾	–	–	93,279	–	93,279	
	2011	85,000	–	–	85,000	–	85,000	
G. Koukis								
Member from 01.07.2011								
Chairman to 30.06.2011	2012	85,000	–	18,125	103,125	–	103,125	
	2011	345,224	–	70,187	415,410	–	415,410	
S. Giacometto-Roggio								
Member from 13.06.2012								
	2012	52,432 ⁽⁶⁾	–	–	52,432	–	52,432	
	2011	–	–	–	–	–	–	
T. de Tersant								
Member from 13.06.2012								
	2012	55,191 ⁽⁷⁾	–	–	55,191	–	55,191	
	2011	–	–	–	–	–	–	
I. Cookson								
Member from 13.06.2012								
	2012	46,913	–	–	46,913	–	46,913	
	2011	–	–	–	–	–	–	
G. Dubois								
CEO from 01.07.2011 to 11.07.2012								
	2012	427,678	–	1,087,008 ⁽³⁾	1,514,686	462,300 ⁽⁴⁾	1,976,986	
	2011	383,788	–	68,456	452,244	3,348,700 ⁽⁴⁾	3,800,943	
P. Selway-Swift								
Vice-Chairman to 13.06.2012								
	2012	38,320	–	–	38,320	–	38,320	
	2011	85,000	–	–	85,000	–	85,000	
L.P. Rutherford								
Member to 13.06.2012								
	2012	38,320	–	–	38,320	–	38,320	
	2011	85,000	–	–	85,000	–	85,000	
M. Austen								
Member to 06.01.2012								
	2012	1,393	–	–	1,393	–	1,393	
	2011	85,000	–	–	85,000	–	85,000	

⁽¹⁾ All other Compensation includes life, medical, disability, accident insurances, pension and car allowance.

⁽²⁾ Mr Andreades' long term incentive plan compensation corresponds to the IFRS2 expense related to SARs awarded in 2010 to cover the 3 year 2010-2012 plan (USD 2,455,000) and in 2012 to cover the 2013 to 2015 strategic plan (USD 1,297,500). The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements. In the case of Mr Andreades, this represents one third of the cost of his 2010 plan and 2 months for the 2013 three year plan; for the 2010 award to have any value, the stock price must increase by over 37% compared to the stock price as at 31 December 2012 as the grant price is USD 24 and for the 2012 three year award to vest, EPS targets must be achieved for 2013, 2014 and 2015. Should the 2013 to 2015 EPS targets not be achieved the 2012 award will not vest and therefore no compensation will be derived from this grant. The only portion of Mr Andreades' compensation which is not at risk is therefore USD 716,739.

⁽³⁾ This includes the payment on termination of employment, amounting to USD 812,988.

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- ⁽⁴⁾ In the case of Mr Dubois, who had a three year SAR plan, this represents one third of the cost apportioned for his period of employment. On joining Temenos Mr Dubois had been granted 50,000 Restricted Stock vesting on 15 February 2013 and 50,000 Restricted Stock vesting on 15 February 2014 subject to continued employment to the vesting date. If Temenos was subject to a change of control or Mr Dubois' employment was terminated without cause by the Company before the vesting date the stock would vest immediately. The value of restricted stock which vested on Mr Dubois' leaving Temenos was USD 1,537,234. All of the remainder of his stock awards (1,500,000 SARs, 160,000 performance shares and 80,000 Restricted Stock) lapsed when his employment ended.
- ⁽⁵⁾ Mr Pavlou's fees constitute a basic fee of USD 85,000 annually plus USD 15,000 annually for his duties as Vice-Chairman of the Company and Chairman of the Nomination Committee, the latter being prorated from 11 July 2012.
- ⁽⁶⁾ Mr Giacometto-Roggio's fees constitute a basic fee of USD 85,000 annually plus USD 10,000 annually for his duties as Chairman of the Compensation Committee, both being prorated from 13 June 2012.
- ⁽⁷⁾ Mr de Tersant's fees constitute a basic fee of USD 85,000 annually plus USD 15,000 annually for his duties as Chairman of the Audit Committee, both being prorated from 13 June 2012.

The total of all compensation, in US dollars, earned in 2012 and 2011 by the named Executive Officers, excluding the Executive Chairman whose compensation is reported in the Summary Compensation Tables, is shown below.

Function	Cash			All other compensation ⁽¹⁾	Total cash compensation	LTIP value ⁽²⁾	Total compensation
	Fiscal year	Base salary	Annual Bonus				
Named Executive Officers	2012	2,000,268	37,768	1,568,358 ⁽³⁾	3,606,394	5,890,648	9,497,042
	2011	1,213,494	–	216,910	1,430,404	6,854,472	8,284,876

- ⁽¹⁾ All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment.
- ⁽²⁾ This corresponds to the IFRS2 expense related to any SARs, Restricted Stock & Performance Shares awarded in 2012 or 2011 respectively. Where awards are part of a three year plan, one third of the cost has been included. The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements.
On joining Temenos Mr Rumpf was granted 37,500 Restricted Stock vesting on 15 December 2013 and 37,500 vesting on 30 November 2014, which have been recognised in part in the payments relating to his termination of employment; note 3 below. He was also granted 108,029 2012 SARs which have lapsed. These awards had been included in the 2011 expense.
- ⁽³⁾ This includes USD 1,126,384 in respect of payments relating to termination of employment made to Mr Rumpf, part of which includes recognition for the waiver of 75,000 Restricted Stock.

In the table above the named Executive Officers for 2012 are Mr Arnott, Mr Chuard, Mr Cullinane, Mr Loustau, Mr Davis, Mr Winterburn and Mr Rumpf, who was the highest paid executive in the company. In 2011, the named Executive Officers were Mr Arnott, Mr Cullinane, Mr Loustau and Mr Rumpf, who joined the company on 1 December 2011. Mr Andreades and Mr Dubois are excluded as their compensation is shown in the Board of Directors' table above. As individuals are paid in currencies other than US dollars some of the variation from year to year is due to foreign exchange fluctuations. All amounts, including the "fair value" of benefits, are shown on an accrual basis and before taxation.

Chief Executive Officers' Compensation

Function	Cash			All other compensation ⁽¹⁾	Total cash compensation	LTIP value ⁽²⁾	Total compensation
	Fiscal year	Base salary	Annual Bonus				
D. Arnott							
CEO from 11.07.12	2012	522,559	–	41,690	564,249	1,816,500	2,380,749

- ⁽¹⁾ All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment.
- ⁽²⁾ For the 2012 three year award to vest, EPS targets must be achieved for 2013, 2014 and 2015. Should the 2013 to 2015 EPS targets not be achieved the 2012 award will not vest and therefore no compensation will be derived from this grant.



9. Disclosure of compensation and equity participation as per articles 663b^{bis} and 663c of the Swiss Code of Obligations continued

Shareholdings and Equity Incentives
Independent Directors' shares

Name	Position	31 December 2012 Shares	31 December 2011 Shares
C. Pavlou	Member from 01.01.2012 Vice-Chairman from 13.06.2012	50	50
I. Cookson	Member	4,750	–
S. Giacometto-Roggio	Member	10,000	–
T. de Tersant	Member	3,000	–

Executive Officers and non-independent Directors, shares and outstanding equity awards

31 December 2012

Name	Position	Shares	Grant year	Grant price USD	SARs, Options and Performance Shares		
					Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares
A. Andreades	Executive Chairman	929,982	2010	24.00	750,000	–	–
			2012	16.32	–	750,000	–
G. Koukis	Member	115,111	2007 to 2009	12.48 to 24.55	110,355	–	–
			2011 & 2012	17.45 & 16.32	–	1,076,431	100,000
D. Arnott	CEO	133,000	2008	12.48	6,915	–	–
M. Chuard	CFO	30,000	2007 to 2009	12.48 to 24.55	198,501	–	–
			2011 & 2012	17.45 & 16.32	–	689,436	50,000
M. Cullinane	COO	–	2008	12.48	5,470	–	–
			2011 & 2012	17.45 & 16.32	–	624,719	100,000
A. Loustau	CTO	24,373	2007 to 2009	12.48 to 27.79	342,220	–	–
			2011 & 2012	17.45 & 16.32	–	467,344	100,000
M. Winterburn	Group Product Director	–	2011 & 2012	17.45 & 16.32	–	461,502	50,000
M. Davis	Global Head of Services	–	2009	24.55	1,214	–	–
			2011 & 2012	17.45 & 16.32	–	186,501	20,000

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31 December 2012

31 December 2011

Name	Position	Shares	Grant year	Grant price USD	SARs, Options and Performance/Restricted Shares		
					Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance/ Restricted Shares
A. Andreades	Chairman	929,982	2010	24.00	–	750,000	–
G. Koukis	Member	115,111	2007 to 2010	12.48 to 24.55	108,271	10,672	–
G. Dubois	CEO	5,000	2011	17.45 to 33.51	–	1,500,000	340,000
M. Cullinane	COO	–	2008 to 2011	12.48 to 24.55	–	430,188	100,000
D. Arnott	CFO	–	2008 to 2011	12.48 to 24.55	–	364,395	100,000
A. Loustau	CTO	24,373	2007 to 2011	12.48 to 27.79	337,459	40,229	100,000
B-M. Rumpf	GHSD	–	2011	17.45	–	108,029	75,000

No options and/or shares were held on 31 December 2012 and 2011 by related persons.

Terms of outstanding equity Incentives

The above tables include all the outstanding equity incentives for the named individuals at the respective dates; the make-up and terms of the grants are explained in the following notes.

1. The 2013-2015 SARs plan awarded 4,154,999 SARs at a grant price of USD 16.32 and grant date of 31 October 2012, and 550,000 SARs at a grant price of USD 22.40 and a grant date of 4 March 2013. Vesting of the 2013-2015 SAR awards is subject to active employment to the end of the vesting period and achievement of annual and cumulative EPS targets for the years 2013 to 2015 inclusive. If the cumulative diluted EPS is below 85% of target, the respective SARs grant will be forfeited. For achievement between 85% target and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant. A total of 4,154,999 SARs had been granted to the named executive officers serving at 31 December 2012 (as identified in the Compensation Report).

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or cumulative target if compensating for a one or two year miss	March 2016	Annual & cumulative EPS targets 2013 USD 1.19
50% on achievement of cumulative target		2014 USD 1.44 2015 USD 1.73 Cumulative USD 4.36

2. The 2012 SARs plan, granted in November 2011, has a grant price of USD 17.45, with vesting subject to active employment to the end of the vesting period and achievement of annual and cumulative EPS targets for the years 2012 to 2014 inclusive. If the cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% target and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant. A total of 100,934 SARs had been granted to the named executive officers at 31st December 2012 (as identified in the Compensation Report).

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or cumulative target 50% on achievement of cumulative target	February 2015	Annual & cumulative EPS targets 2012 USD 1.14 2013 USD 1.37 2014 USD 1.80 Cumulative USD 4.31



3. 420,000 2012 Performance Shares, granted in November 2011, the vesting of which is subject to active employment to the end of the vesting period and achievement of annual and cumulative EPS targets for the years 2012 to 2014 inclusive. If the cumulative diluted EPS is below 80% of target, the respective Performance Shares will be forfeited. For achievement between 80% of target and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative EPS target, an additional 2% of Performance Shares may be granted up to a maximum of 140% of the total grant.

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or cumulative target	February 2015	Annual & cumulative EPS targets
50% on achievement of cumulative target		2012 USD 1.14
		2013 USD 1.37
		2014 USD 1.80
		Cumulative USD 4.31

4. Under the 2010 SAR Plan granted in December 2009, there are 29,789 SARs that vested in March 2011, with the remainder having lapsed due to the cumulative EPS target not being achieved.
5. Under the 2009 SAR plan granted in December 2008, there are 131,136 SARs that vested by March 2012; this represented 71.3% of the award, the remainder having lapsed as the target performance conditions had not been achieved:
6. 750,000 SARs under the 2010-2012 CEO plan for Mr. Andreades which have now vested.
7. The 2011 figures include 300,000 SARs under the 2010-2012 CFO SAR Plan for Mr Arnott and 400,000 SARs under the 2010-2012 COO plan for Mr Cullinane which have lapsed as the EPS targets were not achieved.

Loans granted to members of governing bodies

As of 31 December 2012, the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to persons related to the latter.