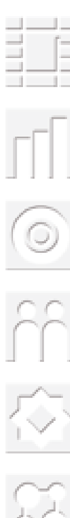
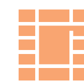


TEMENOS Group AG Annual Report 2007

The Banking Software Company

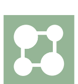
Retail Banking 

Corporate & Correspondent Banking

Universal Banking

Private Banking & Wealth Management

Islamic Banking

Microfinance & Community Banking 

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The Banking Software Company

What we do

Temenos offers front-to-back, mission critical software for financial institutions. Our market-leading software covers core functions such as deposit-taking, lending and internet banking and is relied upon by over 600 banks worldwide to process billions of transactions per day.

Our products

Temenos has two main products:

- TEMENOS T24 (T24), our flagship offering, supports Retail, Corporate & Correspondent, Universal, Private, Islamic and Microfinance & Community banks globally.
- TEMENOS Corebanking (TCB), a more specialist product, is aimed at the world's largest retail banks (+10m accounts).

T24 is a functionally rich, scalable, and proven integrated banking system. It is delivered as a pre-configured Model Bank solution that incorporates industry best-practice, enabling fast and predictable implementations and immediate, measurable benefits. Temenos' Model Bank approach allows a fast ROI and a highly flexible and responsive approach to banking. At the same time, business agility is maintained - as the Model Bank is in no way restricted or fixed - and T24's powerful flexibility features are always available. T24 incorporates modern technology including a comprehensive Service Orientated Architecture (SOA), fully enabled for standard SOAP web services, BPEL process execution and compliant with industry leading ESBs (Enterprise Service Buses).

T24 can be deployed on a fully scalable, multi-server n-tier architecture. It provides a full front-to-back solution from electronic delivery channels such as mobile devices and internet banking right through to settlement, general ledger and other back office functions all in a fully integrated, reliable and cost effective environment. T24 offers integrated and comprehensive information on the institution at all times, including a single customer view and a single view of the enterprise - including risk and profitability. Temenos' total commitment to open standards enables its customers to benefit from the latest advances in technology, ensuring business agility, continuity, data integrity and reduced downtime. In summary, T24 affords our customers a significant, immediate and ongoing return on investment.

TCB is a core banking processing engine for large, complex retail banking businesses, operated either by the bank or by an outsourcing operation. TCB is particularly well suited to banks that wish to adopt a phased core banking transformation in one or multiple lines of business. Built upon IBM's IFW architecture - which has become widely accepted by tier 1 retail banks - its unique Product Engine enables new products and services to be added quickly, drastically reducing time to market.

Our value proposition

Banks choose Temenos products because they have rich functionality and are built on a modern, open standards architecture. By automating processes, removing silos, and increasing flexibility, we enable banks to create efficiencies, cross-sell more effectively, and respond more quickly to changing regulations and customer needs.

Our commitment

We recognise that to continue leading this market, our products need to remain cutting edge. Consequently, we pledge to spend around 20% of our revenues on R&D each year, which is roughly twice as much as our rivals in the market.

The trends in the market

Recent years have seen a shift in the financial services industry. The traditional players in the market are being challenged by new entrants who boast more technologically advanced, flexible and lower-cost IT systems that enable them to provide more value-added and complex offerings to their customers.

Because of this threat, banks are reassessing their old, silo-based legacy systems that are costly to maintain, inflexible and difficult to change. By investing up to 20% of all revenues back into our products, Temenos' customers are guaranteed rich breadth of functionality and the most up-to-date solutions available to help them stay ahead of the competition.

What the future holds

There are an estimated 22,000 banks in the world, and 80% of these are still using legacy IT systems. This represents a compelling opportunity for vendors who can provide the technology to fill this gap in the market.

Core banking replacement is becoming a bigger priority for banks, and Temenos is the only software company who can truly offer a packaged, non-stop, core banking platform solution. By offering the best possible products in the market, we will continue to expand and maintain our position as the leading player in the industry for the long term.

Our history

Headquartered in Geneva, Temenos was founded in 1993 by George Koukis, who to this day remains actively involved as Chairman and Executive Director of the Group. In 1993 Temenos had just two offices and 34 employees. Today, we operate from 44 offices, have more than 600 clients using our software and over 2,300 employees. Temenos was listed on the Swiss Stock Exchange in 2001.

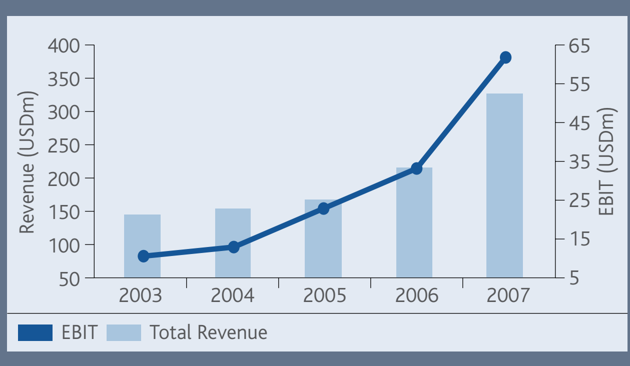
Key figures

All financial units in thousands of US dollars except earnings per share and EBIT margin

	2007	2006	% Change
Employees (including consultants)	2,307	1,726	34%
Revenue	329,860	216,267	53%
EBIT	62,503	33,315	88%
EBIT Margin	18.9%	15.4%	N/A
Net profit attributable to the group	64,674	34,445	88%
Cash generated from operating activities	61,030	26,244	133%
Total assets	457,577	352,166	30%
Shareholders equity	177,100	135,812	30%
Basic Earnings per share	$1.11	$0.60	85%
Diluted Earnings per share	$1.00	$0.57	75%
Adjusted Earnings per share*	$1.03	$0.57	81%

*adds back amortisation of acquired intangibles

R&D as % of sales
23 21 19 17 15 13 11 9 7
2003 2004 2005 2006
Temenos (cash R&D)
Peer Group (SAP, i-flex – excluding Services, Misys – excluding Sesame)



Trading details

Listing	SWX Swiss Exchange
Symbol	TEMN
Swiss Security Number	124 5391
ISIN	CH 00124 53913
Common Code	13169144

Chairman's Statement

2007 was another great and record-breaking year for Temenos. We have a clear vision and value proposition and, as our figures illustrate, this is resonating with banking institutions around the world.

Temenos performed extremely well on all financial measures. However, the one I would like to highlight is licence revenue, which was up more than 50% on 2006. Licences beget growth: future services and maintenance revenues are a function of current licences. More than any other metric, therefore, our licence sales signal the excellent health in which Temenos finds itself today.

There can be no doubt that 2008 presages a more difficult macroeconomic environment than 2007. Nonetheless, I am certain Temenos will sustain the positive momentum it has built up. Several factors have come together to make core banking replacement too compelling a proposition to ignore. And Temenos has identified the right formula for success: a clear focus on our clients and continual investment in people and products.

People are the key

Our workforce is talented and dynamic, comprising 60 nationalities, and our growth has enabled us to increase this workforce by nearly 35% in 2007.

Despite this rapid expansion, we have managed to preserve the Temenos culture. We continue to value the same qualities of innovation, initiative and hard work. As a result, Temenos still offers the kind of energetic, entrepreneurial environment that attracts great people and allows them to thrive.

Loyalty is also important to us and in 2007 we launched several initiatives. Perhaps the most salient of these is the 'STAR' plan, a scheme in which we reward employees making outstanding contributions with share options. This helps us to retain our most promising staff and aligns their interests with those of our shareholders.

We also believe strongly in people development. In 2007, Temenos employees attended an average of 14 days of training, helping them to broaden and deepen their skills; an outcome that benefits them, us and our customers.

Overall, our attrition rate is low and our average length of service high. Our employees, like me, are passionate about what we do and are committed to Temenos' long-term success.

Award-winning products

In cash terms, Temenos spent 20% of sales on R&D in 2007. This is significantly higher than all of our peers in the banking software vertical and guards against the kind of technological obsolescence that has beset many of our competitors' products.

We recognise that to lead this market, we need to supply technology to our clients that offers a clear value proposition and fast return on investment. Crucially, core banking software needs to create efficiencies, facilitate cross selling and enable the flexibility to respond to changing regulation and consumer needs. The plan is to continue to do this better than everyone else, listening to customer needs and responding accordingly.

It is always agreeable when Temenos' products receive recognition and, in this regard, we were delighted that T24 was named the Best Core Banking Product in Banking Technology's readers' poll in 2007. This followed The Banker award for Retail Banking Innovation that we received in June.

Our clients: the reason we're here

As agreeable as it is to win awards, we at Temenos try not to lose sight of why we are here: to serve our customers. An award-winning product is great, but it still has to be one that will give a clear return on investment for our customers.

A much more exciting endorsement for me, therefore, is customer wins. In 2007, Temenos signed 49 new name clients, up by more than 20% on the year before. In addition, IBS Publishing has ranked T24 in the top position in its 2007 Sales League Table, ahead of i-flex.

Another important figure, which receives less attention, is the number of clients taken live. This reached 36 in 2007 - another record for Temenos - and a manifestation of the hard work and increased efficiency of our services team and the success of Model Bank (a version of T24 with pre-configured products and processes for banking best practices and fast, low-risk implementation).

Corporate governance and responsibility

Temenos is quickly becoming a large enterprise. In terms of revenue, assets and staff, we are more than twice as big as we were just three years ago. We are now the seventh largest enterprise software company in Europe.

In view of our size, it is incumbent on us to adhere to the best corporate governance practices and we are pleased with our record. Our governance structure ensures the correct level of accountability to safeguard shareholders' interests and, again in 2007, this fact was acknowledged by the Ethos Investment Foundation (representing 77 Swiss pension funds), which rated us A+ in its latest report.

When it comes to corporate responsibility, however, we try to behave like a smaller company and endeavour to engage in a personal and responsible manner with the communities in which we operate, the individuals we employ, and the wider environment. The initiatives pursued in 2007 included reducing and offsetting our carbon emissions and sponsoring IT-related charities.

I would like to conclude by thanking the Board of Directors and each Temenosian for their hard work in 2007. To our shareholders, I thank you for your continued support and look forward to updating you on our progress in 2008.

"Several factors have come together to make core banking replacement too compelling a proposition to ignore. And Temenos has identified the right formula for success: a clear focus on our clients and continual investment in people and products."

49

new clients
20% more than 2006. In 2007 Temenos is back at the top of the IBS league table.

20%

of sales spent on R&D in 2007
This is significantly higher than all of our peers in the banking software vertical and guards against the kind of technological obsolescence that has beset many of our competitors' products.

"Temenos is quickly becoming a large enterprise. In terms of revenue, assets and staff, we are more than twice as big as we were just three years ago. We are now the seventh largest enterprise software company in Europe."

George Koukis Chairman

Business Review

I always look forward to writing this review and in view of our performance in 2007 and the strong position in which we find ourselves going into 2008, this is true more than ever.

Revenue grew by over 50% in 2007

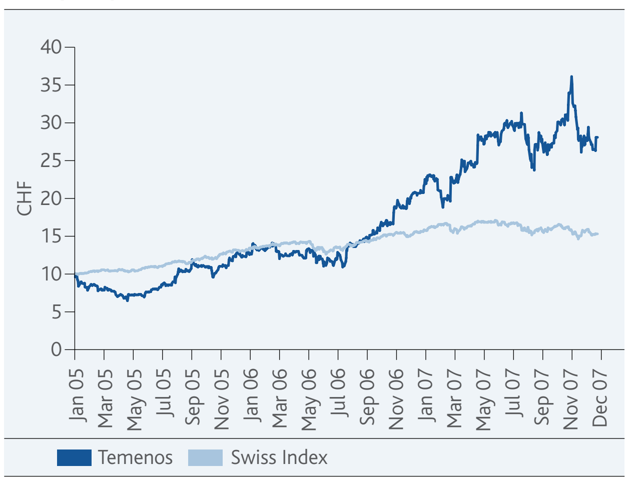
We grew revenue by a massive 53% in 2007, to USD330m. This follows growth of 28% in 2006 and 10% in 2005, meaning that we have more than doubled revenue in 3 years; a CAGR of 29%. It is true that the 2007 revenue includes a contribution from Actis.BSP, the German company that we acquired in March, but even organically the growth was 46%.

Growth impressive across all three revenue lines

Licence growth of 52% took total licence revenues to USD148.8 million. This is very exciting, especially given that for two quarters of 2007 we were operating within the credit crunch brought about by huge write-offs in US subprime mortgages and related investments. While we remain vigilant to changes in demand – we track our pipeline on a weekly basis – we highlight that our exposure to investment banking is small, that we are well diversified both geographically and across the banking verticals, and that the factors driving demand are more prevalent than ever.

The strongest increase came from services, which were up 65% year-on-year. This growth reflects the extra capacity that we have put into services and which has enabled us to take 36 of our clients live on T24 in 2007. Services, as a proportion of total revenue, remains below 35% and we expect to keep it within the range of 30-35% in 2008; in clear differentiation to most of our competitors, our product-based business model allows us to deliver on our proposition with this services mix.

Share price performance vs Swiss Index rebased



Healthy margin improvement delivered

Despite investing in growth, we have seen four percentage points of margin improvement in 2007, to reach an operating margin of 19%. In order to deliver our growth projections for 2008, we opened five new offices and hired nearly 600 extra staff (a 35% increase). Nonetheless, because there is substantial natural leverage in our model, we are able to deliver sustainable annual increments in margin. Since our software is packaged (every single client, irrespective of size or location, runs the same core code) and our clients are generally on the latest releases, our marginal cost of support is low and the margin we earn on the provision of maintenance is high. Moreover, as we grow, we are also benefiting from economies of scale, especially with respect to administration expenses.

Better services margins are also helping to lift group margins. In 2007, we made a margin of 7.4% on our services business compared to a loss of 2.4% in 2006. This improvement is the result of a clear and focused plan, led by Tony Mahony, our Global Head of Professional Services, to introduce more robust processes, project execution and KPIs. Now, every stage of every Temenos implementation is pre-determined according to an established methodology, itself the product of experience and best practice. We also invested heavily in training and development of our staff. In March of this year, we achieved CMMI level 3 certification for our Chennai Application Management Operation. We intend to extend the certification across all Temenos production facilities and groups and move to CMMI level 5 over the next 24 months.

Temenos is recognised as being best in class for product and sales execution and the next challenge is to become best in class for services. But we are now firmly on the right path.

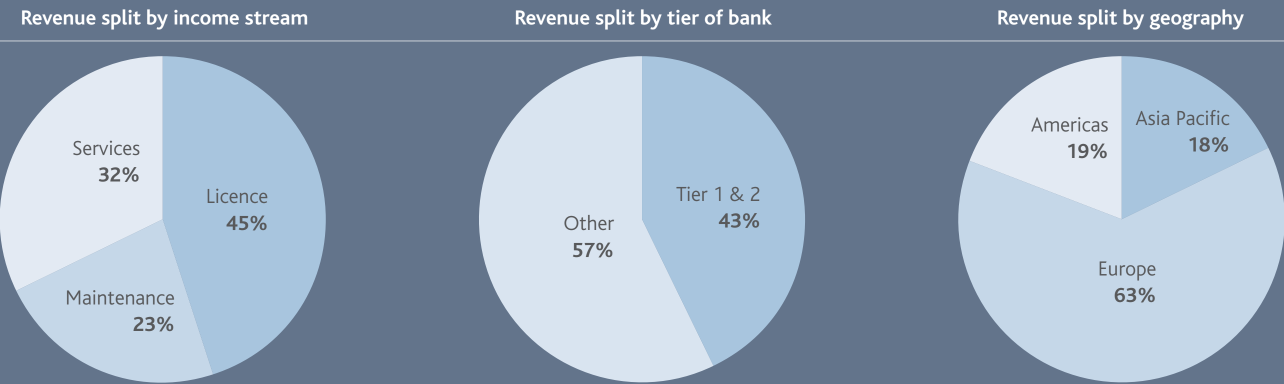
Earnings up by nearly 90%

We increased net earnings from USD33.3m to USD62.5 in 2007, a rise of 88%. Even if we look at diluted earnings per share, which takes account of dilution from our convertible bond and the share options granted to management, we have produced an annual return of nearly 80% (and a three year return of 354%). This is an excellent achievement, which in my view is the result of having created the right value proposition for our clients and the right organisation and business model to deliver the growth this generates.

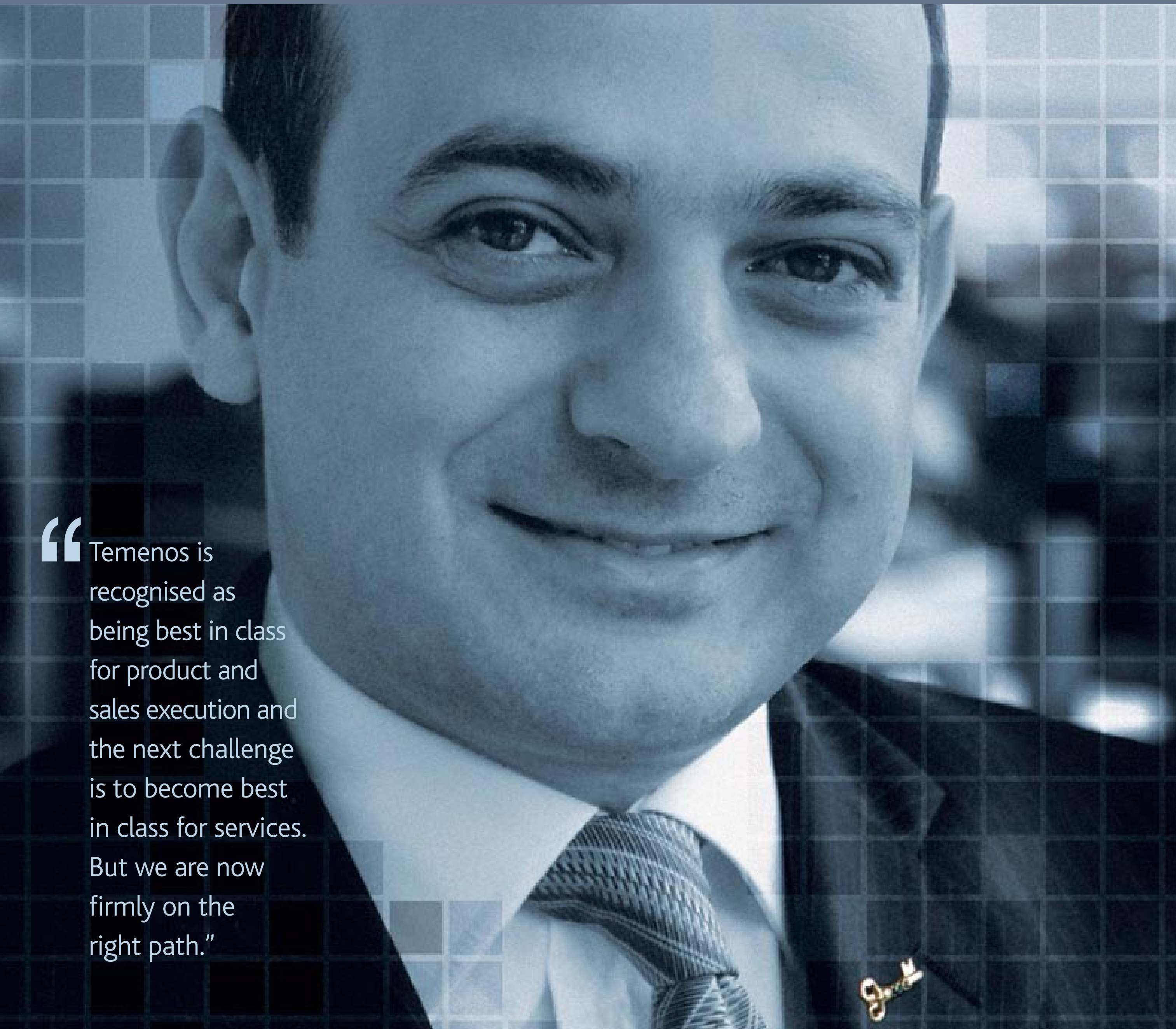
Strong cash generation

In 2007, we generated operating cash flow of USD65m, representing a cash flow conversion (EBITDA into cash flow from operations) of 83%, compared with our outlook of 75%. The stronger performance owed in part to an improvement in TCB, which became both cash flow positive and profitable (at the EBITDA level) in 2007.

As in the previous two years, it is our intention to return cash to shareholders through stock buybacks. For 2008, we have takeover board approval to purchase USD60m of shares and, so far, have acquired USD30m at an average price of CHF23.9.



"The consensus among industry analysts is that core banking replacement is becoming a bigger priority for banks and most expect the market for third-party banking software to grow at 7-10% annually until 2010."



Business Review continued

> "Acquisitions must satisfy strict financial conditions and, crucially, must be synergistic. We will not diversify into non-contiguous software markets."

Benefits of operating in a growth market

The banking industry is changing. There has been a proliferation of new entrants, offering current accounts and consumer loans with better rates and better levels of service than traditional bricks and mortar banks. This has put pressure on banks to lower costs and improve customer service. At the same time, there has been a growing body of regulation affecting financial institutions. All in all, banks have been forced to question the viability of old, silo-based legacy systems that are costly to maintain, inflexible and difficult to change.

With around 80% of banks still using proprietary systems, the opportunity is huge. The consensus among industry analysts is that core banking replacement is becoming a bigger priority for banks and most expect the market for third-party banking software to grow at 7-10% annually until 2010.

At the high end of the market, we believe that T24 and TCB are both perfectly suited to the complex business of core system renewals at tier 1 banks and will help to unlock this pent-up demand and translate it into real dollar-based spend over the next 10 years. This differs to the situation in the early Nineties, when plans to replace legacy systems with custom developed solutions either never materialised or failed because of the high risk and cost inherent in these implementations.

In addition, lack of investment on the part of software vendors has meant that legacy departmental and point solutions implemented in the Eighties and early Nineties have run out of steam. This has produced a fertile market for core system replacement across all tiers.

Taking market share from our competitors

We believe that we can continue to grow our revenue by at least 20-25% organically over the next two years, more than double the rate of growth of the market. This is because we are gaining market share at the expense of our competitors. For example, while our licences have increased by more than 50% in the 12 months to 31 December 2007, i-flex's licences fell. We rarely see Misys in competitive bids, and in fact, we are actively replacing their products with our T24 system.

Our value proposition

In contrast to our competitors based in India who follow more of a services model, we offer a truly packaged system that allows our customers to run their businesses independently of Temenos. T24 is a highly flexible and parameterised system. Once installed, the bank can use T24's parameters to build its own applications, write its own reports, launch new products – even change the look of the system - without ever having to call our services organisation.

This could not be more different to the business model of most of our main competitors where a new product launch requires code delivery from their Indian factories, lengthening time to market to more than a year. By contrast, our approach, as our case studies exemplify, can be measured in terms of weeks (if not days). Our commitment is to provide an annual upgrade that incorporates the new features and functionality developed over the year.

On the subject of development and in contrast to all of our competitors, we pledge to spend approximately 20% of sales on R&D. The average for the banking vertical is roughly half this amount (and i-flex in the year to March 2007 spent just 4% of product revenue on R&D). This level of spend ensures T24 and TCB remain ahead of rival products, thereby protecting our customers' investments and ensuring they continue to benefit from a best-in-class product.

Our award-winning products

In terms of product development, 2007 was an exciting year.

2007 brought the general release of TEMENOS ARC (ARC), our suite of front-end modules covering CRM, work-flow processing and multi-channel banking. We have been delighted with the uptake: by the end of the year, 29 of our clients purchased at least one ARC module. This level of adoption confirms our belief that the potential for ARC is huge - possibly as large as T24 itself. We sell ARC to new and existing clients and, so far, penetration of the installed base is very modest (less than 2% of our 500 plus T24 clients have taken ARC). The average deal size should also grow significantly as we introduce new modules into the ARC suite.

2007 also saw the release in June of version 7.0 of TCB, our product for high-end retail banks. While this version of TCB includes many new features such as improved processes around change management, the most prominent is the ability to be able to deploy the system in both COBOL (within a mainframe environment) or JAVA (within a UNIX environment). This effectively future-proofs the investment in that TCB would survive a customer's decision to change platforms and, by extension, also means customers do not have to defer their core banking investment.

Strategic alliances signed in 2007

We will use this version of TCB in our strategic alliance with Metavante Corporation in the United States. The alliance, signed in February 2007, gives Metavante exclusive rights to distribute TCB within the United States. We are very excited by what this alliance brings to Temenos: the ability to distribute our products to the U.S. both at the top end of the market, targeting the country's top 150 banks, but also at smaller institutions through an outsourcing model.

Metavante carried out a detailed analysis before choosing Temenos. Driven by Metavante's belief that some of the largest banks in the U.S. are soon to undertake core replacement projects, Metavante selected TCB to help meet their need for a next-generation, global core banking system for the U.S. market.

Together with Metavante, we are co-developing this advanced core banking platform for U.S. financial institutions based on TCB and next generation technologies with the potential to deliver scalability, enable speed-to-market, maximise the value of customer relationships, and improve operational efficiencies.

Other partnerships signed in 2007 included a strategic alliance with Satyam Computer Services, covering system integration and implementation for T24 and TCB globally; and an agreement with FE-Mobile to deliver mobile banking functionality within ARC.

More clients than any other core banking vendor

Our leadership of the core banking space, evident from a deal value perspective for many years, was also manifested in deal volume last year. The International Banking Systems Journal, which publishes a well-respected annual league table, confirmed our belief that T24 was the best-selling banking system in 2007 by ranking T24 in the top position in its 2007 Sales League Table.

On average, our clients are larger (tier 1 and 2 banks represented nearly 45% of licence sales in 2007 compared to 40% in 2006); more diversified across different banking verticals (with retail and universal banks making up a much larger share of revenues than in the past); and more distributed across the globe (we signed deals in seven completely new geographies in 2007).

I would like to draw attention to a selection of three of our wins in 2007:

Dresdner Kleinwort, the investment bank, also offering commercial banking services, selected T24 for its international corporate cash management system. The bank's decision was influenced chiefly by SEPA, which is likely to mean corporates will concentrate their European cross border payments volume on a few core banks. Dresdner wanted to use early IT systems advantage to extend and support their client franchise on an international basis. We signed the deal with Dresdner in August.

Banque Libano-Française chose to deploy T24 using the BPEL (Business Process Execution Language) standard and Oracle's Fusion workflow engine and middleware to realise its SOA (Services Oriented Architecture) vision. This deal is significant in that it demonstrates our commitment to and compliance with open standards, but also because it shows that banks are choosing to deploy T24 over i-flex's FLEXCUBE on the Oracle Fusion platform.

Volkswagen Financial Services in China went live with T24 in just seven months. The speed of this implementation is a success story in itself, but the deal is more strategically important as an example of T24 moving into an adjacent market space (captive finance services for the automotive industry) and thereby increasing the size of its overall addressable market.

Keen to make further acquisitions in 2008

The acquisition of Actis.BSP in March 2007 has been very successful. It was motivated partly by market development (taking T24 into the German market, where it was under-represented), partly by acquiring a client base (who we can migrate to T24 over time) and partly by acquiring local market expertise (services people and developers). On all counts, it has been an excellent deal: we have used the acquired expertise to build a T24 Model Bank solution for Germany, and have since made two German T24 sales, where we forecasted no deals. The contribution to operating profit from our increased presence in Germany was over USD 1 million in 2007.

Our shareholders can expect more deals of this type. There are many markets around the world where Temenos has little or no market share. And, as the Actis acquisition demonstrates, these deals are highly accretive and vital if Temenos is to gain the critical mass to lead this market over the longer term.

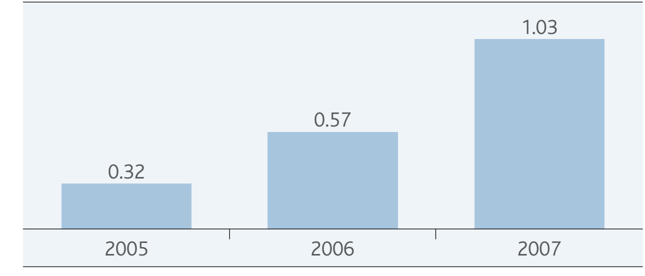
We are also actively looking for acquisitions that would take Temenos into adjacent market spaces. We now have a client base of more than 600 banks. We can leverage these relationships and our existing salesforce to sell complimentary products into our installed base, which would be highly synergistic.

Acquisitions must satisfy strict financial conditions and, crucially, must be synergistic. We will not diversify into non-contiguous software markets.

As a final comment, I would like to thank our shareholders for their continued support. In spite of the subprime crisis, which weighed upon our valuation at the end of the year, we were still able to deliver a 36% increase in the share price in 2007. I remain highly confident about Temenos' future prospects and I look forward to updating you on our progress next year.

Andreas Andreades, CEO

Adjusted earnings per share (EPS)



Product Developments

2007 saw excellent new business growth for Temenos and it marked another year of important progress for T24 and TCB. T24 was selected by 47 new customers, a record for us and a significant increase over previous years.

We launched **ARC**, our new front office product based on T24 technology, and its take-up, particularly by new clients, has significantly exceeded our expectations. 29 of our clients purchased at least one ARC module during the period. In particular, the Internet Banking module, which features ground-breaking new architecture, has gained immediate acceptance, with 12 licences sold during the year.

The Islamic Banking model for T24 had a record year with seven new wins, representing 15% of our new clients. We also attracted our first significant Islamic client outside of the Middle East - in Malaysia - demonstrating that our global approach is applicable to this region as well as to conventional banking.

Our decision to invest in diversifying the database platforms that T24 is able to run on has proved successful. We announced the availability of **T24 on the Microsoft SQL Server** database in 2007 and four new clients (8%) chose this platform during the year. Additionally we attracted our first significant new client in the Unix version of IBM's DB2 database. This diversification will assist us in demonstrating the benefit of open systems to our clients and prospects.

T24 on the Oracle platform continues to be successful, accounting for 42% of our new clients. One client, Banque Libano Français in Beirut, has attracted particular attention because T24 will be the core banking system within a modern SOA based architecture where all other components are from Oracle. This exciting new project begins implementation in early 2008.

Our T24 Services business had a very strong year with 36 implementation projects completing successfully. The organisation reached a new level of capacity during the period, at one point managing over 100 projects simultaneously. We also launched our new Management Consulting service during the period. This service enables a client to take full advantage of T24's advanced process capabilities by providing 'process alignment' consulting during the implementation project. This allows our clients to gain greater benefit from their use of T24 and to clearly measure that benefit in financial terms. Our offshore services managed by our **Temenos Application Management (TAM)** group expanded considerably during its first full year of operation. They provided services to 40 clients and launched several new service products including an off-shore upgrade service that was used by eight clients during the period.

The **T24 Model Bank** product and associated implementation methodology, that we launched in 2006 is now used by the vast majority of our new client implementations, higher than our expectation and demonstrating the benefit that Temenos' products and experience can bring to our clients.

We continue to add value for existing T24 clients, as evidenced by our longstanding new release strategy whereby every enhancement carried out is incorporated in the core system and made available to all clients under the terms of our maintenance agreement. Release 08 of T24 (developed during 2007 and available for general release in April 2008) contains over 50 new enhancements including phase 2 of ARC and our new retail product processing architecture, Arrangement Architecture (AA). AA is a very significant extension to our retail product processing capability, providing the client with a product build and manufacturing 'factory' modelled upon industrial scale product processing. This greatly extends the product features available to our clients, enables them to configure and launch products quicker, and enables us to enhance our own product more efficiently due to the component nature of the new architecture. These new capabilities were delivered to a pilot client at the end of 2007.

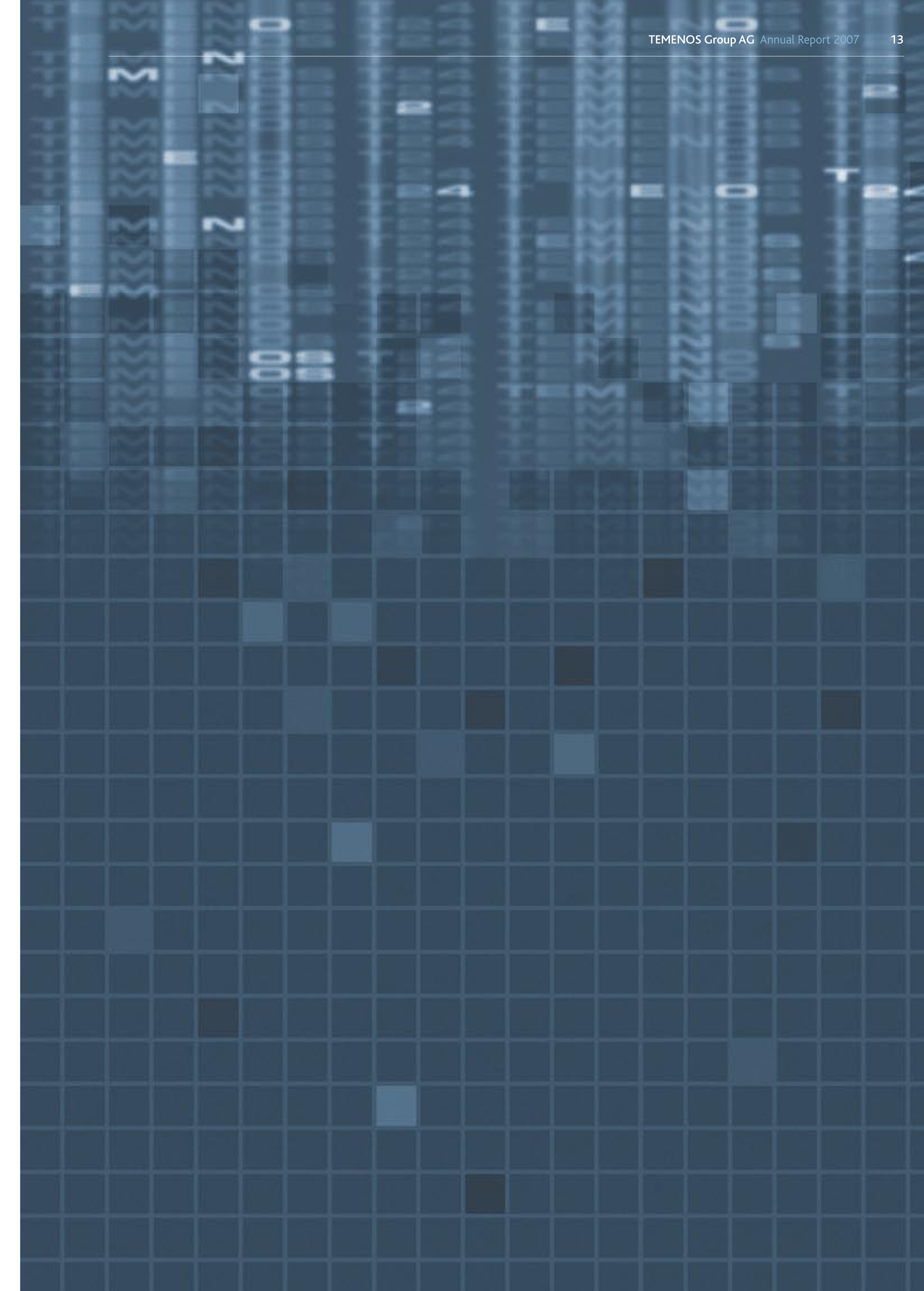
At our **Temenos Client Forum** in June 2007 we announced several new initiatives to assist our existing clients. T-Verify will be an automated testing tool to make upgrading T24 faster and with lower organisational impact and lower risk. We encourage our clients to upgrade to the latest releases to enable them to take advantage of the new functionality that we have developed. T24 Updates is a new and active support concept where we will 'push' minor upgrades and maintenance fixes to our clients instead of waiting for them to contact our help desk. This will improve customer satisfaction and reduce work for our support division. We also announced a new module to support structured products, the retail version of derivative investments. These products are particularly popular in Asia but their use is spreading globally. All these enhancements will be available in Release 09.

Our risk management offering **T-Risk,** which was launched at the beginning of 2006, has had a successful year, being selected by 13 clients, a 160% increase on 2006.

TCB continued through 2007 to consolidate its position as the primary core banking solution for the largest global Retail Banking organisations with very high volume transaction and account processing needs. 2007 focused on successful execution and delivery, ensuring major strategic projects at KasikornBank and Metavante continued to progress.

Kasikornbank, is a leading Banking Institution in Thailand. TCB is the nucleus around which the Bank is implementing their K-Transformation initiative, a strategy that will ensure that the Bank's application and technology platform fully enables it to meet its business objectives of continuous unit cost improvement while simultaneously meeting the needs of its customers through the speedy introduction of innovative products and services. The ability to compete through aligning differentiated products and services with the micro-needs of the Bank's customer segments is a critical success factor in the Bank's ability to deliver shareholder value in the future. Temenos is committed to roll TCB into production by early 2010.

The strategic relationship with **Metavante,** signed in February 2007, was followed with the kick-off of the three-year multi-release Joint Development Plan (JDP). The JDP takes the TCB product to a global level enabling the top 150 Retail Banks in the world to process all their banking subsidiaries, wherever they may be located, from a single technology and application platform. This will enable these 'global megabanks' to establish a single global customer view and consistent service level, transparently handling time zones, multiple currencies, languages and regulatory environments. The first step in the JDP is delivering the architectural software componentisation, without which it would be impossible for these large banks to transform their global business on an incremental multi-year managed-risk basis. The first deliverables from the JDP will be available in the 3rd quarter of 2008.



Corporate Social Responsibility

Temenos tries in every way possible to act as a responsible company and to be accountable to all of its stakeholders.

Ethical activity through our products

With ten years' experience in Microfinance and established relationships with the World Bank and other international organisations concerned with Microfinance, Temenos has a deep understanding of, and a longstanding commitment to, this market. We offer eMerge on T24 as a solution for Microfinance Institutions (MFIs) and Community Banks in emerging markets. eMerge on T24 integrates international banking standards with Microfinance-specific functions, providing MFIs with a set of more than 20 common commercial banking functionalities.

Temenos understands the limited resources that many MFIs have at the moment of selecting and implementing a core banking system. The modular structure of eMerge on T24 therefore offers MFIs a pre-configured application enabling fast, low-risk and cost-effective implementations. As they develop, MFIs can select additional modules. eMerge on T24 has established a strong presence world wide, with over 90 implementations in 36 countries, including ACCION International and Opportunity International.

Environmental activities

Temenos is a technology company. The production of our software consumes minimal amounts of energy and raw materials. In fact, our award-winning products create efficiencies, which by automating processes and consolidating systems, reduce hardware and energy requirements at our clients' premises and so help to reduce environmental damage.

Nonetheless, Temenos recognises that it still has a role to play in environmental issues. The running of 44 offices, as well as the movement of people, creates emissions which we are keen to minimise. During the year, we have aided the reduction of Temenos' carbon footprint by cutting the number of flights per employee by 15%.

Temenos is also working with Co2balance Ltd and investing funds into one of its projects in East Africa. This project will replace the use of open fires for cooking with solar powered sun ovens and energy-efficient cooking stoves. Further to the saving in greenhouse gas emissions, the reduced need for firewood and burning of rubbish leads to a corresponding reduction in the amount of time spent collecting the materials. The users of the new technologies gain considerable benefits such as reduced costs and a considerably improved environment from a health and safety perspective. Temenos has so far been able to offset 150 tonnes of CO_2, and will be looking to at least double this amount by the end of 2008.

Charitable activities

Temenos also gives to charitable projects which are concurrent to the ideals of the company: that is to say, international and predicated on technology. Temenos, in association with The Global Fund for Children, donates money to be awarded to community-based projects around the world which aim to give vulnerable children and young people the best possible start in life. All of the projects being funded by Temenos are using IT to support the development of the participants in some of the poorest communities in the world. With increased knowledge, the young people involved are better able to move forward and make more of the opportunities which they are given.

Employees

As a demonstration of diversity, Temenos now employs more than 2,300 people of 60 different nationalities, speaking over 60 different languages. With such a wide ranging employee base, to ensure we get the best out of each individual, Temenos runs two programmes which are intended to motivate staff to achieve the best results possible within an ethical framework. Both the Employee Stock Options Plan (ESOP) and the Equity Based STAR Program recognise the efforts of employees and reward them in a way which will benefit the individual, the company and, through alignment of interests, the shareholders too.

Equal opportunities

Temenos is actively committed to a policy of Equal Opportunities for all staff, regardless of race, colour, nationality, ethnic or national origin, sex, marital status, disability, age or religious beliefs. All job applicants are solely considered on the basis of their skills and experience for the position.

Further to this policy, Temenos also recognises that whilst at work, employees have the right to be treated in a fair and considerate manner. To ensure this is the case, the company has implemented Equal Opportunities training and policies to raise awareness of equality, enabling us to continue to develop an inclusive culture.

Health and safety

Temenos has the utmost regard for the Health and Safety of all of its employees. Worldwide legislation provides Temenos with an obligation towards all those concerned with health, safety and welfare at work for both employees as well as employers. Accordingly, all Temenos offices across the world have their own Health and Safety policy which must be adhered to. These policies help to ensure that Temenos has the best possible record in this area.

Temenos' community-based projects use IT to support the development of participants in some of the poorest communities in the world.

1. **Lewis Polk Rutherfurd**
   Non-Executive and Independent Director
2. **Mark Austen**
   Non-Executive and Independent Director
3. **Chris Pavlou**
   Non-Executive and Independent Director
4. **Paul Selway-Swift**
   Vice-Chairman, Non-Executive and Independent Director
5. **Andreas Andreades**
   Chief Executive Officer, Executive Director
6. **George Koukis**
   Chairman, Executive Director

1 2 3 4 5 6

Board of Directors

George Koukis

Chairman, Executive Director
Greek & Australian, born in 1946

Mr George Koukis has been active in the software industry for more than 25 years, having begun at Qantas where he was heavily involved with the computerisation of the company's management accounting department. He then spent six years with Management Science America (MSA) in Australia where he held various management positions, including that of the managing director. Mr Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered CPA. As Chairman and founder of Temenos, Mr Koukis participates actively in the strategy of the Group. He continues to hold positions on the Board of Directors of a small number of operating companies within the Group.

Paul Selway-Swift

Vice-Chairman, Non-Executive and Independent Director
British, born in 1944

Mr Paul Selway-Swift has many years of experience in the financial services industry with The HSBC Group where he held senior management positions in both Hong Kong and London. He is a director of several companies including Novae Group plc (Chairman), Pure Circle Ltd (Chairman) and Alba PLC all of which are quoted on the London Stock Exchange. He is also Chairman of Atlantis Investment Management (Ireland) Ltd and a director of Li & Fung Ltd which is quoted on the Hong Kong Stock Exchange. Mr Selway-Swift was educated in England and subsequently attended Massachusetts Institute of Technology Program for Senior Executives.

Andreas Andreades

Chief Executive Officer, Executive Director
Cypriot, born in 1965

Mr Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role in July 2003. In the nine years since joining Temenos, the company grew in size from less than 150 employees to more than 2,300 in the last fiscal year. Mr Andreades started his career with KPMG in London in 1988. After spending five years in the accounting profession, he joined PepsiCo, where he held a number of strategy, sales and general management positions. Mr Andreades holds a Masters engineering degree from the University of Cambridge and is a UK chartered accountant. Mr Andreades is member of the Board of Directors of a number of operating companies of the Group.

Mark Austen

Non-Executive and Independent Director
British, born in 1949

Mr Mark Austen, a qualified accountant, has had considerable experience at an executive level in international financial markets and financial services consulting. Up to early 2005, he served as an executive in IBM's Business Consulting Services, following a 20-year career with PricewaterhouseCoopers (PwC). There, he was Managing Partner of the Global Financial Services consulting practice, and from 2000 to 2002 was an elected member of PwC's Global Board. He was also a member of the transaction group that oversaw the sale of the consulting business to IBM. Mr Austen is also a non-executive director of Standard Bank PLC, Liverpool Victoria Friendly Society Ltd, IFB International AG and The Philharmonia Trust Ltd.

Chris Pavlou

Non-Executive and Independent Director
British, born in 1945

Mr Chris Pavlou has formerly served as the Treasurer of Barclays Bank in London and New York, of the Hong Kong & Shanghai Banking Corporation in Hong Kong and of HSBC Midland in Tokyo. He was the Asia Pacific Regional Delegate of the International Forex Association. He retired from HSBC in 1998. In 1999, Mr Pavlou joined Laiki Bank of Cyprus as a consultant and served on the Board from 2001 to 2004. Mr Pavlou is currently CEO of TFI, a Cyprus based financial company.

Lewis Polk Rutherfurd

Non-Executive and Independent Director
American, born in 1944

Mr Lewis Polk Rutherfurd holds a bachelor's degree in East Asia Studies from Princeton University and an MBA with distinction from Harvard Business School. Mr Rutherfurd is co-founder and managing director of Inter-Asia Management, Inter-Asia Venture Management II Partnership, Inter-Asia Capital III (the Founder investor in Temenos) and of Inter-Asia Capital IV. He is a former Governor and Vice President of the American Chamber of Commerce in Hong Kong. He is a co-founder and past chairman of the HK Venture Capital Association.

1. **Andreas Andreades**
   Chief Executive Officer
2. **David Arnott**
   Chief Financial Officer
3. **Mark Cullinane**
   Chief Operating Officer
4. **Alex Groenendyk**
   Chief Operating Officer TCB
5. **Andre Loustau**
   Chief Technology Officer

Executive Committee

Andreas Andreades
Chief Executive Officer
Cypriot, born in 1965

Mr Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role in July 2003. In the nine years since joining Temenos, the company grew in size from less than 150 employees to more than 2,300 in the last fiscal year. Mr Andreades started his career with KPMG in London in 1988. After spending five years in the accounting profession, he joined PepsiCo, where he held a number of strategy, sales and general management positions. Mr Andreades holds a Masters engineering degree from the University of Cambridge and is a UK chartered accountant. Mr Andreades is member of the Board of Directors of a number of operating companies of the Group.

David Arnott
Chief Financial Officer
British, born in 1969

Mr David Arnott has been serving as the Chief Financial Officer of Temenos since April 2001. Prior to joining the Group, he worked as Chief Financial Officer of Société Européenne de Communication in Luxembourg. Mr Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Mr Arnott was a Management Consultant with Deloitte where he also qualified as a Chartered Accountant. Mr Arnott holds a Bachelor of Sciences from the University of Southampton and a Masters Degree from the University of Freiburg.

Mark Cullinane
Chief Operating Officer
British, born in 1964

Mr Mark Cullinane has over 20 years of experience in the provision of banking solutions internationally, including more than 15 years living and working in the Asia Pacific region. He began his career in London as a management trainee with BIS Banking Systems in 1986, conducting a variety of roles including software development, implementation consultancy and client support before focusing his early career in sales and sales management. Following acquisition by ACT in 1994, Mr Cullinane was promoted to General Manager for North Asia and subsequently following acquisition by Misys in 1995, he was promoted to Regional Director for Misys business operations in the Asia Pacific region. He joined Temenos in February 2004 as Regional Director for Asia Pacific before assuming the role of the Chief Operating Officer for the Group in January 2006. Mr Cullinane holds a degree in Business Studies (BA Hons.) from Greenwich University, London.

Alex Groenendyk
Chief Operating Officer – TCB
Dutch, born in 1956

Mr Alex Groenendyk joined Temenos in May 2005 as President for Americas; since December 2007, he also assumes the responsibility of Chief Operating Officer for TCB. Mr Groenendyk has over 20 years experience in providing banking solutions in Europe, Asia and the Americas. Prior to joining Temenos, Mr Groenendyk served as President of Fiserv CBS Worldwide, a supplier of financial solutions to mid and large tier banking organisations. Mr Groenendyk was also responsible for both the delivery of these solutions on a license and outsourcing basis. Mr Groenendyk holds an Economics degree and a MBA.

Andre Loustau
Chief Technology Officer
British, born in 1958

Mr Andre Loustau has been with Temenos and its predecessor companies since 1984. Mr Loustau was an Application Developer at Grindlays Bank after which he joined Temenos' predecessor company EBS to begin with the development of what was to become TEMENOS T24. Mr Loustau has had roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer in 2001.

Corporate Governance

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (hereafter"DCG") and its Commentary issued by the SWX Swiss Exchange, applicable for fiscal year 2007.

In the present Annual Report, the corporate governance information has been summarised in a separate section, whereas references to other parts of the Annual Report have been included in certain instances in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the DCG's annex.

Unless otherwise indicated, the information provided in this report reflects the situation as at 31 December 2007.

TEMENOS Group AG is hereinafter referred to as "the Company" or "Temenos".

TEMENOS Group AG and its affiliated companies are hereinafter referred to as "Temenos Group" or "the Group".

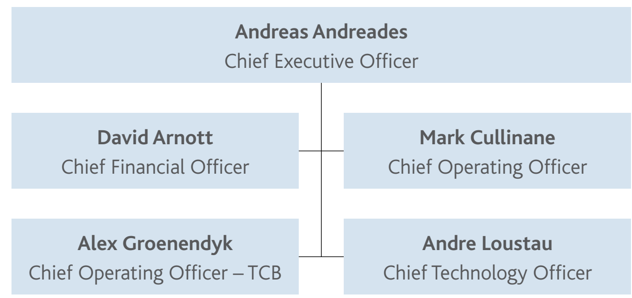
1. Group structure and shareholders

1.1 Group structure

The ultimate holding company, TEMENOS Group AG, is registered in Geneva, where the Group is also headquartered.

1.1.1 Operational Group structure
The Temenos Group is organised and managed by the CEO who is the head of the Executive Committee of the Management Board (Executive Committee). The Executive Committee is in place since 1 December 2007.

This Committee is composed of the following members:



The Group is managed using a matrix of global business functions supported by regional and sub-regional sales and service operations, incorporating activities of product development, product management, services management, marketing, key customer relationship management and product support functions.

The Group's product sales and services operations are divided into three main geographic regions:

- Europe, Middle East and Africa
- Asia Pacific
- Americas – including North and South Americas

The Group Development and Product Support centres are based in India (Chennai), Spain (Madrid) and United Kingdom (Hemel Hempstead). Temenos Development Centres and Help Desk departments operate from these locations.

1.1.2 TEMENOS Group AG is the sole listed company of the Group.

Name	TEMENOS Group AG
Domicile	18 Place des Philosophes 1205 Geneva, Switzerland
Listed at	SWX Swiss Exchange
First listing date	26 June 2001
Market capitalization	CHF 1,630,642,717
Security Number	1245391
ISIN number:	CH0012453913
Symbol:	TEMN
Reuters:	TEMN.S
Bloomberg:	TEMN SW

Please refer to the Information for Investors section for statistics on Temenos shares.

1.1.3 Please find below the main non listed companies belonging to the Temenos Group:
(All companies are wholly owned subsidiaries unless otherwise indicated)

Name	Domicile	Country of incorporation	Share capital
TEMENOS Headquarters SA	Geneva	Switzerland	100,000 CHF
TEMENOS Suisse SA	Geneva	Switzerland	7,500,000 CHF
T-TCB SA	Geneva	Switzerland	100,000 CHF
T-TFR SA	Geneva	Switzerland	100,000 CHF
T-jBASE SA	Geneva	Switzerland	100,000 CHF
TEMENOS Luxembourg SA	Capellen	Luxembourg	1,181,250 EUR
TEMENOS (NL) BV	Amsterdam	Netherlands	18,152 EUR
TEMENOS Holland BV	Amsterdam	Netherlands	19,000 EUR
TEMENOS France SAS	Paris	France	500,000 EUR
Quetzal Informatique SA	Paris	France	235,280 EUR
TEMENOS Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
TEMENOS Hispania SA	Madrid	Spain	60,102 EUR
TEMENOS UK Limited	London	United Kingdom	2,198,843. 60 GBP
TEMENOS Systems Ireland Limited	Dublin	Ireland	4 EUR
TEMENOS Hellas SA	Chalandri	Greece	60,000 EUR
TEMENOS Eastern Europe Limited	Nicosia	Cyprus	500,000 CYP
TEMENOS Polska Sp. Zo.o	Warszawa	Poland	50,000 PLN
TEMENOS Middle East Limited	Nicosia	Cyprus	10,000 CYP
TEMENOS Africa Pty Limited	Sunninghill	South Africa	100 ZAR
DBS Global Solutions (Pty) Limited	Cape Town	South Africa	100 ZAR
TEMENOS USA, Inc.	Wilmington	USA	10 USD
TEMENOS Mexico SA de CV	Mexico City	Mexico	10,760,900 USD
Fomento Empresarial de Servicios Informaticos SA de CV (ownership interest : 51%)	Mexico City	Mexico	45,713,473 USD
TEMENOS Costa Rica SA	San Jose	Costa Rica	500,000 CRC
TEMENOS Ecuador SA	Quito	Ecuador	2,000 USD
TEMENOS Software Canada Limited	Vancouver	Canada	48,000 CAD
TEMENOS Holdings NV	Curacao	Netherlands Antilles	40,105 USD
TEMENOS Singapore Pte Limited	Singapore	Singapore	10,000 SGD
TEMENOS Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
TEMENOS Software Shanghai Co. Limited	Shanghai	China	140,000 USD
TEMENOS India Pte Limited	Chennai	India	2,962,000 INR
TEMENOS (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
TEMENOS (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysia	2 MYR
TEMENOS Philippines, Inc	Makati City	Philippines	10,000,000 PHP
TEMENOS Japan KK	Tokyo	Japan	10,000,000 JPY
TEMENOS Korea Limited	Seoul	Korea	50,000,000 KRW
TEMENOS Australia Pty Limited	Sydney	Australia	2 AUD
ACTIS BSP Germany GmbH	Grosswallstadt	Germany	500,000 DEM
BSP Partners GmbH & Co. KG	Grosswallstadt	Germany	42,900 DEM
ACTIS in Frankfurt GmbH	Frankfurt am Main	Germany	100,000 DEM
ACTIS BSP IT Services GmbH	Frankfurt am Main	Germany	50,000 DEM
TEMENOS East Africa Limited	Nairobi	Kenya	100,000 KES
TEMENOS SRL	Buenos Aires	Argentina	20,000 ARS

Corporate Governance continued

1.2 Significant shareholders

To the best of our knowledge, please find below the list of shareholders who hold more than 3 percent of the voting rights of all issued shares, as at 31 December 2007.

Name	Number of shares	Percentage of the share capital[2]
Schroders plc.[1]	3,642,771	6.24 %
George Koukis	2,252,064	3,86 %

[1] Deposited shares (art. 689d CO)
[2] On the basis of TEMENOS Group AG capital of 58,341,421 shares

Please also refer to note 3 of the unconsolidated financial statements of TEMENOS Group AG.

In 2007, the following publications were made in the Swiss Commercial Gazette (SHAB):

Publication of 3 April 2007
- Fidelity International Limited, principal address located at Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, and its direct and indirect subsidiaries holds less than 5% of the voting rights in TEMENOS Group AG.

Publication of 5 April 2007
- Mr George Koukis (1234 Vessy-Switzerland) holds less than 5% of the voting rights in TEMENOS Group AG.

Publication of 20 September 2007
- Schroders plc (31 Gresham Street, London EC2V 7QA, United Kingdom) holds less than 5% of the voting rights in TEMENOS Group AG.

Publication of 24 September 2007
- Schroders plc (31 Gresham Street, London EC2V 7QA, United Kingdom) holds 5,05% of the voting rights in TEMENOS Group AG by holding 2,918,427 registered shares.

Publication of 19 December 2007
- Due to the revised provisions of the Federal Stock Exchange and Securities Trading Act (SESTA), please note that Mr George Koukis (1234 Vessy-Switzerland) holds 3.89% of the voting rights in TEMENOS Group AG by holding 2,252,064 registered shares.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2007 the ordinary share capital amounted to CHF 291,707,105, consisting of 58,341,421 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 132,551,215 and a conditional capital totalling CHF 48,796,460 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 69,653,400 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorised and conditional capital

Authorised capital
Pursuant to the Articles of Association (article 3ter), the Board of Directors is authorised to increase the share capital to a maximum aggregate amount of CHF 132,551,215 through the issuance of a maximum of 26,510,243 fully paid-in registered shares with a par value of CHF 5 per share. An increase in partial amounts is permitted. This power expires on 23 May 2008.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by the means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights as well as shares, the pre-emptive rights for which have not been exercised, at market conditions.

The Board of Directors is authorised to restrict or withdraw the pre-emptive and subscription rights of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation
Pursuant to the Articles of Association (article 3quater (1)), the company's share capital shall be increased by a maximum aggregate amount of CHF 48,796,460, through the issuance of a maximum of 9,759,292 registered shares, which shall be fully paid-in, with a par value of CHF 5 each, through TEMENOS Holdings N.V., a subsidiary of the Company (the" Subsidiary") or through the Company itself, to officers, directors and employees at all levels of the Company and group companies. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiary or through the Company, to officers, directors and employees of the Company and group companies, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiary or to the Company for purposes of distribution to directors, officers or employees of the Company and group companies; (ii) new shares to be issued through the Subsidiary or through the Company, to employees of the Company or group companies shall be issued against payment of the par value of CHF 5 per share in cash.

Conditional capital for financial instruments
Pursuant to the Articles of Association (article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 69,653,400, by issuing up to 13,930,680 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 45,000,000, that is 9,000,000 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies, and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties, in particular a US distributorship. In the case of the issue of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive right of shareholders is excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing of the acquisition of an enterprise, parts of an enterprise, or participations or new investments, or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such case, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

Regarding the issuance of warrants in connection with a US distributorship, the advance subscription rights of existing shareholders are excluded. The terms of such warrants shall be as set forth in the relevant warrant agreement.

2.3 Changes in capital

Statutory accounts

In thousands of CHF	31.12.2007	31.12.2006	31.12.2005
Ordinary share capital	291,707	289,207	276,751
Conditional share capital	118,450	120,950	131,201
Authorised share capital	132,551	132,551	134,757
Share premium and reserve for treasury shares	182,599	181,240	175,534
Profit (loss) carried forward	532	(988)	(168)
Total equity	474,838	469,459	452,117

2.4 Shares and participation certificates

All equity securities of Temenos are in the form of registered shares, each with a par value of CHF 5. Each share confers the right to one vote at the Annual General Meeting of Shareholders and all shares are fully entitled to receive dividends. The Company did not pay any dividend in 2007. The Articles of Association do not provide for privileged voting rights shares.

Temenos does not currently anticipate paying any dividends, as it intends to retain future earnings to finance the development and growth of its business.

The Company does not issue participation certificates.

2.5 Profit sharing certificates

The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

There are no restrictions on the transfer of shares.

Only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Company shall recognise only one representative for each share. Nominee registrations are permitted.

2.7 Convertible bonds and warrants/options

Regarding stock options and warrants please refer to note 21 of the consolidated financial statements. With respect to the convertible bond issued on 20 March 2006, please refer to note 14 of the consolidated financial statements.

Corporate Governance continued

3. Board of Directors

The Board of Directors is elected by the shareholders and holds the ultimate decision-making authority of the Company for all matters except those reserved by law to the shareholders. The Board of Directors shall manage the business of the Company insofar as it has not been delegated to the CEO, who chairs the Executive Committee of the Company.

The Board of Directors exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter.

3.1 Members of the Board of Directors

As at 31 December 2007 the Board of Directors comprises six members, four of whom are non-executive.

George Koukis
Chairman, Executive Director

Paul Selway-Swift
Vice-Chairman, Non-Executive and Independent Director

Andreas Andreades
Chief Executive Officer, Executive Director

Mark Austen
Non-Executive and Independent Director

Chris Pavlou
Non-Executive and Independent Director

Lewis Polk Rutherfurd
Non-Executive and Independent Director

Please refer to page 17 for their biographies.

None of the non-executive members of the Board of Directors has or has had any senior management position within the Group. None of them has any significant business connections with the Group.

3.2 Other activities and vested interests

No member of the Board of Directors has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

3.3 Cross-involvement

(repealed)

3.4 Elections and term of office

3.4.1 Principles of the election procedure and term limits
The members of the Board of Directors are elected by the General Meeting of Shareholders for a term of office of three years, whereby one year shall be understood to be the period from one ordinary General Meeting of Shareholders to the next one. Upon the expiration of their terms of office the members may be re-elected immediately and without limitations. Moreover, the Board of Directors shall organise the election of its members in such a way as to ensure that at each ordinary General Meeting of Shareholders approximately one-third of the members shall complete their term of office. Members newly appointed during a term of office shall complete the term of office of their predecessor. At the Annual General Meeting of Shareholders, the Board members are individually (re)-elected.

3.4.2 First election and remaining term of office of each director

Name	First elected	Elected until
George Koukis	2001	2008
Paul Selway-Swift	2001	2009
Andreas Andreades	2001	2010
Mark Austen	2006	2009
Chris Pavlou	2001	2008
Lewis Polk Rutherfurd	2001	2009

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors
At its first session after the ordinary General Meeting of Shareholders, the Board elects its Chairman, Vice-Chairman and Secretary who does not need to be a member of the Board of Directors.

The Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Chairman supervises the preparation of the General Meeting of Shareholders.

Name	Position within the Board of Directors
George Koukis	Chairman
Paul Selway-Swift	Vice-Chairman
Andreas Andreades	Member
Mark Austen	Member
Chris Pavlou	Member
Lewis Polk Rutherfurd	Member

3.5.2 Composition, tasks and areas of responsibility for each Committee
The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions. These Committees comprise mainly non-executive and independent directors. These committees report regularly and make recommendations to the Board of Directors which is empowered to take decisions.

Name	Audit Committee	Compensation Committee	Nomination Committee
George Koukis			
Paul Selway-Swift	●	● C	●
Andreas Andreades			●
Mark Austen	● C		
Chris Pavlou	●	●	● C
Lewis Polk Rutherfurd	●		●

● Member **C** Chairman

Audit Committee
The Audit Committee considers the Group's public reports, to liaise with the external and internal auditors, and to review the Group's internal controls, compliance with corporate governance rules and any other matter that may be brought to its attention by the internal and/or external auditors. The external and internal auditors are systematically invited to the Audit Committee meetings.

Compensation Committee
The Group reviews on an ongoing basis, the compensation of its employees worldwide, by reference to the prevailing market norms, at each of the locations in which it operates.

The Compensation Committee reviews, approves and makes recommendations on compensation practices and policies designed to develop a competitive, equitable and performance based package allowing Temenos to attract and retain top talent within the Group. The Compensation Committee also reviews, approves and makes recommendations on compensation packages concerning the executive members of the Board of Directors and members of the Executive Committee and seeks to confirm that such compensation is in line with market norms.

Nomination Committee
A Nomination Committee of three members has been set up by the Board of Directors. The main duties of this Committee are (i) to annually review the structure, size and composition required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes, (ii) to establish qualification criteria for Board of Directors' membership and (iii) to give full consideration to succession planning for both members of the Board of Directors and members of the Executive Committee.

3.5.3 Work methods of the Board of Directors and its Committees
The Board of Directors meets as often as business requires, but at least four times a year, the Audit and Compensation Committees at least twice a year and the Nomination Committee at least once a year.

During 2007, the following numbers of meetings were held:

Board of Directors	5
Audit Committee	4
Compensation Committee	3
Nomination Committee	2

The attendance at the meetings of the Board of Directors and its Committees was 100%.

Moreover, both the external and internal auditors have attended all Audit Committee meetings in 2007.

The average duration of the meetings is as follows (in hours):

Board of Directors	3.5h
Audit Committee	3h
Compensation Committee	1.5h
Nomination Committee	1h

All directors may take independent professional advice, at the Company's expense, if they deem such a course of action necessary or appropriate for discharging their duties adequately. An external legal counsel was present at each of the Board of Directors meetings.

At the meetings of the Board of Directors and of its Committees, those members of the Executive Committee who have the relevant information and expertise required for the respective body to perform its duties are normally present. Such persons do not take part in any resolutions.

Furthermore, and during each Board of Directors meeting, a business report is systematically presented by the Chief Executive Officer. Together with the Financial Report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company's business activities on a current basis.

3.6 Definition of areas of responsibility

The Board of Directors, together with its Audit, Compensation and Nomination Committees, exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter. The Board of Directors of Temenos decides in particular on significant acquisition, disposal, strategic alliances, share repurchase program and change in the Group's structure and organisation, though is not limited to this.

Once a year, the Board of Directors reviews its conformity to corporate governance rules and evaluates its own performance. Moreover, the non-executive members of the Board of Directors assess the performance of each of the executive directors and vice versa.

Corporate Governance continued

Based on Article 17 of the Articles of Association of TEMENOS Group AG, and on Article 3.5 of the Organisation By-Laws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer, except where the law, the Articles of Association or the Organisation By-laws provide differently.

Under the direction and presidency of the Chief Executive Officer, the Executive Committee is composed of the directors of the Group's software products and the principal corporate functions.

In compliance with the Board of Directors decisions, the Executive Committee is responsible for setting Group strategy and monitoring performance against it. The Executive Committee is also setting targets for Group organic and acquisitions growth on a three years basis. Finally, the Executive Committee approves all products CAPEX investments as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments

The Board of Directors is responsible for the Group's system of internal control, which covers objectives to ensure effective and efficient operation, accurate financial reporting, compliance with laws and regulations and safeguarding of assets.

The Head of Internal Audit reports directly to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit operates according to The International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

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 Temenos, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. Temenos integrates the risk management into its ongoing business planning process. Potential negative developments are evaluated, so that we can take 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.

Financial results are monitored by the Board of Directors on a quarterly basis. The executive directors monitor financial results on the basis of a formal monthly financial reporting system and on an ad hoc basis, whenever circumstances demand.

Towards the end of each financial year, detailed budgets for each area of business are prepared for the following year and then reviewed and approved by the Board of Directors. Responsibilities for financial performance against plans and for capital expenditure are delegated, with limits, to line management. A significant part of the Group's financial and management information is processed by, and stored on, computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. The Board ensures that measures continue to be taken to reinforce internal controls and to deal with necessary improvements that come to the management's and Board's attention. This is a goal which is pursued on an on-going basis while ensuring that equilibrium is maintained between the minimisation of risk and of the costs associated with controls.

4. Executive Committee

4.1 Members of the Executive Committee

Andreas Andreades
Chief Executive Officer

David Arnott
Chief Financial Officer

Mark Cullinane
Chief Operating Officer

Alex Groenendyk
Chief Operating Officer-TCB

Andre Loustau
Chief Technology Officer

Please refer to page 19 for their biographies.

4.2 Other activities and vested interests

No member of the Executive Committee has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

4.3 Management contracts

No management tasks have been delegated to third parties.

5. Compensations, shareholdings and loans

5.1 Content and method of determining the compensation and the share-ownership programmes

For disclosure of participations and compensation as well as details on options and Stock Appreciation Rights (SARs), please refer to note 8 of the unconsolidated financial statements.

This section summarises the compensation programs for the executive members of the Board of Directors and for Temenos Senior Management[1] ("Executives") in 2007.

[1] In this section, Temenos Senior Management refers to the members of the Executive Committee as well as to the members of the Executive Board, as follows: the Executive Committee has been in place since 1 December 2007 and is composed of the five following managers: Andreas Andreades, David Arnott, Mark Cullinane, Alex Groenendyk and Andre Loustau. This committee has replaced the Executive Board which formed Temenos Senior Management until 30 November 2007. The Executive Board was composed of the five members of the current Executive Committee plus the following people: Max Chuard, Malou Ducomble, Guylaine Gaudreau, Greg Green, Mark Gunning, Jean-Michel Hilsenkopf, Costa Christodoulou, Armin Holst, Philip Barnett, Peter McKenna and Tony Mahony who replaced Malou Ducomble from 1 August 2007.

The Compensation Committee reviews, approves and makes recommendations on compensation packages concerning the executive members of the Board of Directors and members of the Executive Committee and seeks to confirm that such compensation is fair in relation to the person's skills and their position and consistent with best market practice. For more information on the Compensation Committee, please refer to section 3.5.2.

The objectives of Temenos Compensation programs are to:

1. Attract, motivate and retain highly talented and performance-driven executives who have the potential to make the greatest impact on Temenos' success.
2. Reinforce a-pay-for performance culture by having significant portion of compensation package linked to achievement of results and growth significantly higher than the peer group of global software companies.
3. Align interests of Executives with shareholders' interests by having a substantial amount of compensation linked to Temenos' stock performance.

Accordingly, the overall executive compensation is set at the top quartile when compared to that of other global software companies; however, the largest part of variable compensation is only paid on achievement of profit and revenue growth targets which are higher than that achieved on average by our peer group.

The components of compensation for executive members of the Board of Directors and for Senior Management comprise base salary, benefits, annual bonus and long term incentive (Equity Based Stock Appreciation Rights (SARs), stock options and profit sharing for one member of the Executive Committee).

The on-target annual bonus applicable to the Executives represents an average of 65% of their base salary. Annual bonus is conditional upon either achievement of key financial performance targets (EPS growth, Regional/Group Profits targets, Regional/Group operating cash flow) or strategic individual business objectives depending on their functions within the Group and continuous employment. At least 50% of the annual bonus relates to Group performance targets. Executives with direct Profit and Loss responsibility are rewarded 100% on achievement of financial performance targets. In case the achievement is below predefined threshold which is 10% below the set target in the case of profit, there is no bonus payout; in case of overachievement, there is an accelerator up to a maximum of 200% of on-target bonus.

The SARs are conditional to cumulative EPS targets over 3 years. In case the achievement is below predefined threshold of 80% there is no SARs grant; in case of overachievement, there is an accelerator up to a maximum of 200% of initial bonus or SARs grant. The maximum face value (number of SAR x grant price) of SARs grant is in the range of 150% to 400% of base salary depending on the position of the Executive. There is no look back or reset of targets and the targets are only tested once.

Stock options are not granted automatically on an annual basis, but are granted on an exceptional basis; the main objectives being to attract and retain key talent.

The emoluments of the non-executive members of the Board of Directors are quantified by reference to the time spent on the Board and on its Committees meetings and related matters.

Insider trading
According to the insider trading section of the Temenos Business Code of Conduct, the black out periods are defined as follows:

No director or employee should make any purchase or sale of Temenos securities (e.g. shares, options, SARs):

- during the period beginning ten trading days prior to publication of quarterly financial results and ending on the day of such public announcement;
- during the period beginning at the time of any public earnings-related announcement or public announcement of a significant corporate transaction or event and ending upon the completion of the second full trading day after such announcement;
- during such other periods as may be established from time to time by management in light of particular events or developments affecting Temenos; and
- during any other period when he or she has knowledge of any material non-public information concerning Temenos.

5.2 Transparency of compensation for shareholdings of and loans to issuers domiciled abroad

Not applicable to Temenos.

Corporate Governance continued

6. Shareholders' participation

6.1 Voting-rights and representation restrictions

6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights.

According to Article 6 of the Company's Articles of Association, "Every entry of an acquirer of shares is subject to the Board of Directors' consent. The Board of Directors may refuse its consent if, at its request, the acquirer does not explicitly declare to acquire and to hold the shares in his own name and for his own account or if the form filed by the acquirer to request registration contains untrue information or statements."

6.1.2 No such refusal has ever occurred.

6.1.3 This statutory restriction may be abolished by an amendment of the Articles of Association which requires a decision taken by the simple majority at the General Meeting of Shareholders (Articles 9 ch.1 and 15 of the Articles of Association).

6.1.4 Shareholders may represent their shares in person or appoint a representative by written proxy. They may alternatively appoint their custodian bank, the Company or the independent proxy holder.

6.2 Statutory quorums

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority of the votes validly cast, subject to the compulsory exceptions provided by law.

6.3 Convocation of the General Meeting of Shareholders

In compliance with the Swiss Code of Obligations, the General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting.

6.4 Agenda

One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Inscriptions into the share register

Pursuant to Article 13 §1 of the Company's Articles of Association, shareholders entered in the share register as shareholders on a specific qualifying date designated by the Board of Directors shall be entitled to attend and vote at the General Meeting.

In order to attend and vote at the Annual General Meeting of Shareholders, proxy holders of deposited shares (according to Article 689d CO) are requested to inform the Company of the number of shares represented by them as early as possible, but not later than 4 business days before the Annual General Meeting of Shareholders.

Only persons registered in the share register are considered as shareholders by Temenos.

The Seventh Annual General Meeting of Shareholders of the Company will be held in Geneva on 20 June 2008. The agenda of the Annual General Meeting of Shareholders is published and sent to each shareholder in German, French and English. Shareholders recorded in the share register on 16 May 2008 are entitled to vote.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no "opting out" or "opting up" clause in the Articles of Association of TEMENOS Group AG.

7.2 Clauses on changes of control

In the event of a change of control of the majority of Temenos stock, all non vested stock options and SARs become immediately vested and exercisable provided that their respective vesting period has started. Typically, the vesting period starts one year following the grant date.

The contractual notice periods of the executive members of the Board of Directors and members of the Executive Committee do not exceed six months; there are no severance payment clauses.

In case of resignation, dismissal or redundancy, all unvested options and SARs are immediately forfeited. Options and SARs that are vested but unexercised as of the 60th calendar day following termination of the contract of employment are cancelled.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

8.1.1 PricewaterhouseCoopers SA were re-elected as statutory and group auditors at the Annual General Meeting of Shareholders held on 1 June 2007, for a period of one year (first time elected in 2003).

8.1.2 The lead auditor for the Group audit is Mike Foley, who was elected for the first time at the General Meeting of Shareholders of Temenos Group AG held on 27 June 2003.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 835,000 representing audit fees charged to the Temenos Group by PricewaterhouseCoopers (these fees are inclusive of the statutory audit fees).

8.3 Additional fees

In addition, other fees of approximately USD 348,000 have been incurred through the provision of tax advisory and other professional services by PricewaterhouseCoopers.

8.4 Information tools pertaining to the external audit

The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual work plan and fees, and reviewing their findings on quality control procedures as well as steps taken by the auditors to respond to changes in regulatory and other requirements. At the end of almost all Audit Committee meetings, the Audit Committee members spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have direct access to its Chairman when necessary. The Chairman of the Audit Committee reports then systematically at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.

At the beginning of the year, the Audit Committee pre-approves an amount of permitted services that may be performed by the external auditors and such services are then reviewed on a regular basis at Audit Committee meetings. Concerning any other audit or non-audit related services beyond the above-mentioned limit, authorisation is required from the Chairman of the Audit Committee upon recommendation from the CFO.

9. Information policy

Temenos is committed to open and transparent communication with its shareholders and wider stakeholders.

Updates
Temenos publishes an annual report for the year to 31 December and an interim report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional company-specific information is available at http://www.temenos.com/Investor-Relations/. In addition, those interested can sign up on the Temenos website to receive updates on new initiatives as well as financial news and the latest customer signings.

Contacting Temenos
To contact the Company, please either write to the Investor Relations team at **TemenosIR@temenos.com** or Ariel Boussiba, Company Secretary at **aboussiba@temenos.com.**

Meeting Temenos
On 20 June 2008, Temenos will hold its Annual General Meeting at its head office, in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the board and learn more about the group's strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos' investor relations programme. Furthermore, all directors are available to meet shareholders if requested.

A list of roadshows and conferences Temenos will attend in 2008 is published on the Company's website and updated regularly **http://www.temenos.com/Investor-Relations/Financial-Calendar/.**

Temenos Business Code of Conduct
It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct has been drawn up in this respect and is reviewed annually by the Board of Directors.

This Code of Conduct describes the policies and procedures governing the relationship between the employee and Temenos, and is considered as part of the employment relationship.

This Code of Conduct is distributed to all new employees with signed acknowledgement and is available on the Temenos website and intranet (central repository database).

TEMENOS Group AG

Consolidated Financial Statements
31 December 2007
and Report of the Group Auditors thereon

PRICEWATERHOUSECOOPERS

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Report of the group auditors
to the general meeting of
TEMENOS Group AG
Geneva

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes) on pages 33 to 75 of TEMENOS Group AG for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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.

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

PricewaterhouseCoopers SA

Michael Foley
Auditor in charge

Guillaume Nayet

Geneva, 26 February 2008

Consolidated Income Statement

The amounts are expressed in thousands of US dollars

	for the year ended 31 December	
Revenues	**2007**	2006
Software licensing	**148,777**	97,897
Maintenance	**76,337**	54,961
Services	**104,746**	63,409
Total revenues (note 22)	**329,860**	216,267
Operating expenses		
Sales and marketing	**71,777**	48,287
Services	**97,001**	64,931
Software development and maintenance	**57,061**	33,767
General and administrative	**41,518**	35,967
Total operating expenses (note 25)	**267,357**	182,952
Operating profit	**62,503**	33,315
Other income (expenses) (note 26)		
Fair value gain from financial instruments, net (note 26)	**181**	5,354
Financial instrument related expenses (note 26)	**(393)**	(305)
Foreign exchange gain, net (note 26)	**4,840**	254
Total other income (expenses)	**4,628**	5,303
Finance income (expenses) (note 27)		
Interest expense (note 27)	**(5,205)**	(4,142)
Interest income (note 27)	**2,484**	4,141
Total finance expenses	**(2,721)**	(1)
Profit before taxation	**64,410**	38,617
Taxation (note 12)	**273**	(4,236)
Profit for the year	**64,683**	34,381
Attributable to:		
Equity holders of the Company	**64,674**	34,445
Minority interest	**9**	(64)
	64,683	34,381
Earnings per share (in US$) (note 28):		
basic	**1.11**	0.60
diluted	**1.00**	0.57

Consolidated Balance Sheet

The amounts are expressed in thousands of US dollars

As at 31 December

Assets	2007	2006
Current assets		
Cash and cash equivalents (note 7)	**93,062**	111,368
Trade and other receivables (note 8)	**192,824**	138,740
Prepayments and other assets	**8,550**	12,606
Total current assets	**294,436**	262,714
Non–current assets		
Property, plant and equipment (note 10)	**16,446**	10,873
Intangible assets (note 11)	**93,535**	53,722
Trade and other receivables (note 8)	**27,389**	19,323
Deferred tax assets (note 12)	**25,771**	5,534
Total non-current assets	**163,141**	89,452
Total assets	**457,577**	352,166
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	**79,408**	55,019
Deferred revenues	**57,535**	44,973
Income tax liabilities	**19,964**	5,727
Borrowings (note 14)	**1,842**	1,384
Provisions for other liabilities and charges (note 15)	**104**	320
Total current liabilities	**158,853**	107,423
Non–current liabilities		
Borrowings (note 14)	**116,332**	104,074
Deferred tax liabilities (note 12)	**4,469**	1,258
Trade and other payables (note 13)	**487**	3,268
Total liabilities	**280,141**	216,023
Capital and reserves attributable to the Company's equity holders		
Share capital (note 18)	**170,867**	168,828
Treasury shares (note 18)	**(696)**	(2,974)
Share premium and capital reserves (note 19)	**(92,589)**	(66,521)
Fair value and other reserves (note 20)	**(6,354)**	(4,719)
Retained earnings	**105,872**	41,198
	177,100	135,812
Minority interest	**336**	331
Total equity	**177,436**	136,143
Total liabilities and equity	**457,577**	352,166

Consolidated Cash Flow Statement

The amounts are expressed in thousands of US dollars

For the year ended 31 December

Cash flows from operating activities	2007	2006
Profit before taxation	**64,410**	38,617
Adjustments:		
Depreciation and amortisation (note 25)	**15,973**	9,767
Loss on disposal of assets (note 10)	**95**	261
Goodwill impairment charge (note 11)	**121**	-
Cost of share options (note 21)	**13,964**	5,132
Interest expense - net (note 27)	**2,721**	1
Fair value gain from financial instruments (note 26)	**(181)**	(5,354)
Financial instrument related expenses (note 26)	**393**	305
Changes in net working capital		
Trade and other receivables and prepayments	**(58,877)**	(51,616)
Trade and other payables	**19,532**	19,134
Deferred revenues	**6,638**	11,268
Cash generated from operations	**64,789**	27,515
Income taxes paid	**(3,759)**	(1,271)
Net cash generated from operating activities	**61,030**	26,244
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,750)**	(3,855)
Disposal of property, plant and equipment	**70**	262
Purchase of intangible assets	**(3,169)**	(2,128)
Disposal of intangible assets	**35**	-
Capitalised development costs (note 11)	**(16,946)**	(15,594)
Disposal of available-for-sale investment	**-**	300
Acquisitions, net of cash acquired (note 6)	**(23,733)**	(3,813)
Settlement of financial instruments	**3,722**	745
Interest received	**2,249**	4,125
Net cash used in investing activities	**(44,522)**	(19,958)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	**209**	4,172
Proceeds from issuance of convertible bond, net of related expenses	**-**	99,089
Acquisition of treasury shares	**(34,815)**	(13,592)
Interest payments	**(2,020)**	(311)
Payment of financial instrument related expenses	**(297)**	(146)
Payment of finance lease liabilities	**(379)**	(375)
Net cash generated from (used in) financing activities	**(37,302)**	88,837
Effect of exchange rate changes	**2,488**	661
Increase (decrease) in cash and cash equivalents in the year	**(18,306)**	95,784
Cash and cash equivalents at the beginning of the year	**111,368**	15,584
Cash and cash equivalents at the end of the year	**93,062**	111,368

Consolidated Statement of Changes in Equity

The amounts are expressed in thousands of US dollars

For the year ended 31 December

	Share capital (note 18)	Treasury shares (note 18)	Share premium and capital reserves (note 19)	Fair value and other reserves (note 20)	Retained earnings	Minority interest	Total
Balance at 1 January 2006	**159,009**	**(196)**	**(63,973)**	**(963)**	**6,753**	**397**	**101,027**
Cumulative translation adjustment	-	-	-	(6,115)	-	(2)	(6,117)
Cash flow hedges, net of tax (note 20)	-	-	-	2,359	-	-	2,359
Net expense recognised directly in equity	-	-	-	(3,756)	-	(2)	(3,758)
Profit for the year	-	-	-	-	34,445	(64)	34,381
Total recognised income	-	-	-	(3,756)	34,445	(66)	30,623
Cost of share options (note 21)	-	-	5,132	-	-	-	5,132
Exercise of share options	8,090	10,856	(14,755)	-	-	-	4,191
Shares issued in relation to acquisitions	1,729	16	3,044	-	-	-	4,789
Share issuance costs	-	-	(158)	-	-	-	(158)
Convertible bond - equity component (note 14)	-	-	4,189	-	-	-	4,189
Acquisition of treasury shares	-	(13,650)	-	-	-	-	(13,650)
	9,819	(2,778)	(2,548)	(3,756)	34,445	(66)	35,116
Balance at 31 December 2006	**168,828**	**(2,974)**	**(66,521)**	**(4,719)**	**41,198**	**331**	**136,143**
Cumulative translation adjustment	-	-	-	(1,570)	-	(4)	(1,574)
Cash flow hedges, net of tax (note 20)	-	-	-	(65)	-	-	(65)
Net expense recognised directly in equity	-	-	-	(1,635)	-	(4)	(1,639)
Profit for the year	-	-	-	-	64,674	9	64,683
Total recognised income	-	-	-	(1,635)	64,674	5	63,044
Cost of share options (note 21)	-	-	13,964	-	-	-	13,964
Exercise of share options	2,039	37,094	(39,312)	-	-	-	(179)
Settlement of employee share options	-	-	(613)	-	-	-	(613)
Share issuance costs	-	-	(107)	-	-	-	(107)
Acquisition of treasury shares	-	(34,816)	-	-	-	-	(34,816)
	2,039	2,278	(26,068)	(1,635)	64,674	5	41,293
Balance at 31 December 2007	**170,867**	**(696)**	**(92,589)**	**(6,354)**	**105,872**	**336**	**177,436**

Notes to the Consolidated Financial Statements

The amounts are expressed in thousands of US dollars

31 December 2007

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 SWX Swiss Exchange. On incorporation, TEMENOS Group AG succeeded TEMENOS Holdings NV in the role of the ultimate holding company of the Group. From 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 18 Place des Philosophes, 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 22 February 2008.

2. Accounting policies

The principal accounting policies adopted 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). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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 in 2007

- IFRS 7, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The application of IFRS 7 has no impact on the classification and valuation of the Group's financial instruments. It only expands the disclosures provided in these financial statements regarding the Group's financial risks.
- IAS 1, Presentation of Financial Statements – Capital Disclosures (complimentary amendment). The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The application of the amendment to IAS 1 simply expands the disclosures provided in these financial statements regarding the Group's management of capital.
- IFRIC 8, "Scope of IFRS2". IFRIC 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS2. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 9, "Re-assessment of embedded derivatives". IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation does not have any impact on the Group's operations.
- IFRIC 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operations
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, "Insurance contracts";
- IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies".

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 to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 , but the Group has not early adopted them:

- IAS 1 (Revision), Presentation of Financial statements (effective from 1 January 2009). This revision is aimed at improving user's ability to analyse and compare the information given in the financial statement. The Group will apply this revision from 1 January 2009.
- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the Group since there are no qualifying assets.
- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS8 from 1 January 2009 but it is not expected to have any impact on the Group's financial statements.
- IFRIC 11, "IFRS2 - Group and treasury share transactions' (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.
- IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008 but it is not expected to have any impact on the Group's Financial Statements.

Interpretations to existing standards that are not yet effective and are not relevant to the Group's operations
The following interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- IFRIC 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operation because none of the Group's companies provide for public sector services.
- IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFIRC 13 is not relevant to the Group's operations because non of the Group's companies operate any loyalty programmes.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of TEMENOS Group AG as well as its 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. All assets and liabilities as well as expenses and earnings of the Group companies are included effective from the date of acquisition. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement as other operating income.

Associates are entities over which the Group generally has between 20% and 50% of the voting rights or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

(c) Foreign currency

Items included in the financial statements of each of the Group's entities 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 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 (excluding intragroup balances which are denominated in US dollars and are eliminated on consolidation) are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement (excluding intragroup transactions which are denominated in US dollars and are eliminated on consolidation) are translated, on a monthly basis, at the average exchange rates of each monthly period where this represents a reasonable approximation of the exchange rate applicable on the date of the transaction.
- the 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.

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.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision made for impairment. A provision for impairment of trade receivables is established 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 nature of the Group's business an extensive analysis of the environment that revealed one of these indicators needs to be undertaken before the trade receivable is deemed to be impaired. The amount of the provision 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 reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement against revenue when it relates to a dispute about the services rendered or the license sold and in "sales and marketing" expenses when it relates to a collection risk. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the same income statement accounts.

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

(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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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
Computer equipment	4-5
Vehicles	4

Leasehold improvements are depreciated over the shorter of the 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 during the financial period in which they are incurred.

(g) Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For goodwill arising on acquisitions prior to the adoption of IFRS 3, Business Combinations, amortisation was calculated and recorded using the straight-line method, over a period of five years in the case of business-related purchased goodwill and over a period of three years in the case of personnel-related purchased goodwill. Following the introduction of IFRS 3, goodwill amortisation ceased at 31 December 2004 and separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Computer software
Acquired computer software licences 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 a period of three, four or five years to allocate the cost over their estimated useful lives.

(h) Capitalisation of development costs

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 two primary product platforms, TEMENOS T24 and TEMENOS CoreBanking.

The costs associated with the development of new or substantially improved products or modules are capitalised when a project has achieved the stage of technical feasibility, the likelihood of success is probable, costs can be reliably measured and a future revenue stream can be justified. In contrast, the cost of the enhancements effected to TEMENOS T24 or TEMENOS CoreBanking on an on-going basis, as well as the cost of developing products specifically commissioned by clients, is charged to operations in the year in which such costs are incurred. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

The capitalised development costs are amortised, using the straight-line method, commencing one quarter 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.

(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 level 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

Current taxation is provided based on the taxable income reported for fiscal purposes in the various tax jurisdictions in which the Group operates. The nominal and effective tax rates applicable vary substantially between jurisdictions.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantially enacted tax rates are used in the determination of deferred income tax.

Deferred 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.

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.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of the convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity.

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 inception of the lease at the lower of the fair value of the leased property 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 profit and loss account 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. Fixed assets held under finance leases are depreciated over the shorter of the useful life of the asset (note 2 f and 2 g) or the lease term. 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 options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted 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.

(o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, except for the short-term payables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

(p) Employee share options

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

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

(q) Pensions

Group companies operate 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 employee service in the current and prior period. 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 in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method, however salary increase rates are not applicable to these defined benefit plans. 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 arising from experience adjustments, changes in actuarial assumptions in excess of 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 income over the expected average remaining service lives of the related employees.

Under defined contribution plans the relevant contributions are expensed as they accrue. Once the contributions have been paid, the Group has no further payment obligations.

(r) Revenue recognition

The Group derives revenues from the following sources: (1) software licences and the provision of software development services specifically commissioned by clients; (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 judgement 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 judgement, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18.

The Group begins to recognise revenue from arrangements when all of the following conditions are met: (1) the Group has entered into a legally binding agreement with a customer; (2) the software or services have been delivered; (3) the licence fee is fixed and the agreement is free of uncertainties that may alter the agreement such that it may not be complete and final; and (4) collection is probable.

Software licensing
Software licence revenues represent all fees earned from granting customers licences to use our banking applications software, 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 base criteria have been met.

If the software licence arrangement requires significant modification or customisation of the underlying software, the initial software licence revenue is generally recognised together with the services based on percentage-of-completion as defined in IAS 18 and IAS 11, "Construction Contracts", and as explained in the description of services below.

Software development services revenue represents fees charged to clients for developing requested additional functionality and is recognised on a percentage-of-completion basis.

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. Service contracts 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, "Construction Contracts", whereby revenue and profit recognised during the year is based on project hours incurred as a proportion of total projected hours to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period in which the change in estimates occurs. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. Hosting contracts are recognised on an accruals basis as services are rendered.

Multiple element arrangements
In many cases, the Group enters into transactions with customers that include software licence, maintenance 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), availability of services from other vendors, timing of payments and acceptance criteria on the realisability of the software licence fee.

For arrangements with multiple elements, revenue is allocated to each element of a transaction based upon its fair value determined by the normal pricing and discounting practices for those products and services. Revenue is deferred for any undelivered elements, and recognised when the product is delivered or over the period in which the service is performed. To the extent that the initial licensing fee incorporates the provision of unspecified upgrades and help desk support services for an agreed period, the value of these services is recognised ratably over the period.

If fair value cannot be objectively determined for any undelivered element included in bundled software and service arrangements, revenue is deferred until all elements are delivered and services have been performed.

Payment terms
Payment terms vary according to the individual contracts. Management reviews the nature of all payment terms to assess whether collection of the payments are considered probable.

Licensing and service fees that have been invoiced but have not been recognised as revenue are reported on the balance sheet under "deferred revenues" while fees which have been earned but have not been invoiced are reported under "trade and other receivables".

(s) Cost of sales

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

Cost of sales were previously disclosed under a separate heading in the profit and loss account and the comparative amounts have been adjusted accordingly. The total Cost of sales included within sales and marketing expenses is US$ 14 691 thousand (2006 : US$ 10 050 thousand).

(t) Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the period. The weighted average shares used to compute diluted earnings per share include the incremental shares of common stock relating to outstanding options to the extent such incremental shares are dilutive.

(u) Segment reporting

A business segment is a group of assets and operations engaged in providing licences or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing licences or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(v) Financial assets

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

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

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 "Other income (expenses)" in the period in which they arise.

Financial assets at fair value through profit or loss are reported in current assets, except for derivatives with maturities greater than 12 months which are not expected to be realised or settled within 12 months.

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 in the balance sheet (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 short-term receivables when the recognition of interest would be immaterial.

Discounted interest income is recognised in the income statement within " Finance income (expenses)"

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 asset 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.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating interest income 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 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 amortized 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 reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account (note 2 e)

(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 "Other income (expenses)" in the period in which they arise.

Financial liabilities at fair value through profit or loss are reported in the current liabilities, except for derivatives with maturities greater than 12 months which are not expected to be recognised or settled within 12 months.

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 short-term payables where the recognition of interest would be immaterial. The resulting discounted interest charge is recognised in the income statement within "Finance income (expenses)".

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

The Group enters into a variety of derivative financial instruments to mitigate its exposure to foreign exchange rate risk.

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 gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivates as hedges of a foreign exchange risk associated with a recognised asset or with a highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. 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 current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or liability if the remaining maturity is less than 12 months and as a non-current asset of liability if the remaining maturity is greater than 12 months and it is not expected to be realised or settled within 12 months.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "Other income (expenses)".

Amounts deferred in equity are recycled in the income statement in the period in which the hedged item is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets), the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

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 forecast transaction 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 equity is recognised immediately in profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify as hedges under IAS 39 "Financial Instruments: Recognition and Measurement". They are classified as held for trading and the changes in the fair value of these derivatives are recognised immediately in the income statement within "Other income (expenses)".

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group'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 CFO and its team identify, evaluate and hedge financial risks.

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The amounts are expressed in thousands of US dollars

Market risk

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound, EURO and Swiss Francs. Foreign exchange risk arises from:

- forecasted revenue and costs denominated in a currency other than the entity's functional currency;
- recognised assets and liabilities; 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. When hedge accounting is applicable, the Group documents at inception the hedging relationship and tests the effectiveness at each reporting date. Documentation and method of effectiveness testing are prepared in accordance with IAS 39 "Financial instruments: Recognition and Measurement. The Group's policy is to manage the next 12 months' foreign exchange exposure in material currencies by entering into forward foreign exchange contracts. The net foreign exchange exposure arises from substantial USD and EUR revenues which cover a multi-currency basket of operating costs.

In respect of the recognised assets and liabilities, not designated as hedged items, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

The carrying amounts of the main Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Foreign currency	
Derivative financial instruments	**2007**	2006
Buy Swiss Francs	**41,903**	58,011
Buy UK Pounds	**26,000**	20,950
Buy Indian Rupees	**587,000**	-
Buy Singapore Dollars	**19,500**	18,580
Buy South African Rand	**24,000**	-
Sell Euro	**(44,402)**	-

	Assets		Liabilities	
Other financial assets and liabilities denominated as monetary items	**2007**	2006	**2007**	2006
EURO	**55,862**	40,159	**1,892**	1,639
UK pounds	**1,115**	1,717	**-**	121
Swiss Francs	**5,251**	1,082	**779**	4,337

Sensitivity analysis

The following table details the Group's sensitivity to a 10% shift in the major currencies against the dollar with all the other variables held constant. 10% increase/decrease is the management assessment for the reasonable change in the foreign exchange rates. An increase would have a positive impact and a decrease would have an equal negative impact.

Profit or loss	**2007**	2006
Derivatives held for trading	**4,142**	7,824
Other denominated monetary assets and liabilities	**7,489**	4,598
Equity		
Derivatives designated as hedging instrument (cash flow hedge) in respect of future forecast transaction	**1,241**	2,245

In management's opinion, the risk is unrepresentative of the Group's inherent foreign exchange risk since the reported balances represent a short term exposure at a given point that may be decreased or increased within a short period from balance sheet date at a spot rate that is materially equivalent to the spot rate used at 31 December. Furthermore, exposures do not reflect the exposure during the year.

(ii) Price risk
The Group is not exposed to any price risks other than those related to derivatives foreign exchange contract as described above.

(iii) Cash flow and fair value interest risk
Since the Group has no significant variable interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates

The Group's interest rate risk arises from the cash and cash equivalents balances and from long-term borrowings issued at fixed rates. The objective of the Group is to maximise interest return with minimal risk on the capital value.

Since the Group does not account for the long-term borrowings at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model, a change in interest rates at the reporting date would not affect profit or loss.

Consequently, the Group's primary exposure to change in market interest rates is in respect of its cash and cash equivalent balances.

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

At the initial phase of the negotiation, the Group analyses the creditworthiness of the customer by ensuring that:

(i) the customer is highly rated by credit rating institutions or by other publicly available information, and it is not negatively flagged in the software industry; or

(ii) the customer has a strong past experience without delinquency of payments; or

(iii) if (i) and (ii) are not applicable, the Group may minimise the risk by requesting financial security such as prepayments, delivery against payments or collateral security.

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

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

Country risk is mitigated by the Group's broad geographic customer base and is minimised by a prudent approach of recognizing the revenue. In rare cases where the country risk is predominant, the Group may recognize the revenue only upon cash collection.

The carrying amount of the financial assets represents the maximum credit exposure and it is reported as follows:

	2007	2006
Trade and other trade receivables	**220,213**	158,063
Derivatives used for hedging purpose	**-**	134
Derivatives held for trading	**1,338**	4,753
Cash and cash equivalents	**93,062**	111,368
Trade finance guarantees	**12,337**	7,669
Total	**326,950**	281,987

The credit risk on liquid funds and derivative financial instrument is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

- 90% of cash is deposited in "Tier 1" banks;
- Derivatives are concluded with "Tier 1" banks;

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The Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due as they present a high credit quality for the following reasons

- no historic default rates;
- the majority of the customers are bank institutions with a solid financial creditworthiness;
- good track record with the Group;
- balance includes a large number of "Tier 1" banks and state-owned banks.

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), by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity of the Groups' financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

Financial liabilities excluding derivatives	**Less than 6 months**	**Between 6 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2007 in US$					
Trade and other payables	76,388	3,020	-	-	-
Borrowings	2,065	238	2,210	5,964	137,471
Other long term payables	-	-	452	35	-
Total non-derivatives financial liabilities	**78,543**	**3,258**	**2,662**	**5,999**	**137,471**

Financial liabilities excluding derivatives					
At 31 December 2006 in US$					
Trade and other payables	51,999	3,020	-	-	-
Borrowings	1,765	140	1,796	4,987	128,551
Other long term payables	-	-	3,020	487	-
Total non-derivatives financial liabilities	**53,764**	**3,160**	**4,816**	**5,474**	**128,551**

Derivative financial instruments					
At 31 December 2007 in US$					
Outflow foreign exchange derivatives	55,918	50,284	-	-	-
Inflow foreign exchange derivatives	(55,984)	(50,438)	-	-	-
Net settled foreign exchange derivatives	(248)	(236)	-	-	-
Total Derivative	**(314)**	**(390)**	**-**	**-**	**-**

Derivative financial instruments					
At 31 December 2006 in US$					
Outflow foreign exchange derivatives	38,306	30,410	28,748	-	-
Inflow foreign exchange derivatives	(40,370)	(32,058)	(29,391)	-	-
Net settled foreign exchange derivatives	-	-	-	-	-
Total Derivative	**(2,064)**	**(1,648)**	**(643)**	**-**	**-**

(b) Capital risk management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- to maintain an optimal capital structure to reduce the cost of capital, and
- to ensure that the capital complies with the requirements of the working capital facility arrangement entered into on 11 September 2007 (note 14) The capital structure of the Group consists of debt, which includes the convertible bond disclosed in note 14 , cash and cash equivalents (note 7) and equity attributable to equity holders of the parent.

(c) Fair value estimation

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

(a) the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the Group uses discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(b) the fair value of financial assets and liabilities measured at amortized cost is based on the discounted cash flow method using the current interest rate that is available to the Group for similar financial instruments with similar maturity.

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

Income taxes
The Group recognizes deferred tax assets on temporary differences where it is probable that future profits will be available against which the deferred tax asset can be utilised. Where the future results differ from expectations such differences will impact on deferred tax assets recognised in the period in which such determination is made. Were the actual final outcome (on the judgment areas) to differ by 10% from management's estimates, the Group would need to:

- increase the deferred tax asset by US$ 1,743 thousand, if favourable; or
- decrease the deferred tax asset by US$ 2,259 thousand, if unfavourable

Fair value of derivatives and other financial instruments
The Group uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation technique commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

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 the software licence revenue is recognised based on percentage-of-completion. This assessment is made at the outset of the contract.

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5. Group companies

The consolidated financial statements include the accounts of TEMENOS Group AG and the following entities as of 31 December 2007:

	Country of incorporation	Ownership interest
TEMENOS Headquarters SA	Switzerland	100%
TEMENOS Suisse SA	Switzerland	100%
T-TCB SA	Switzerland	100%
T-TFR SA	Switzerland	100%
T-JBASE SA	Switzerland	100%
VOL- DE- NUIT SA	Switzerland	100%
TEMENOS Luxembourg SA	Luxembourg	100%
TEMENOS (NL) BV	Netherlands	100%
TEMENOS Holland BV	Netherlands	100%
TEMENOS France SAS	France	100%
QUETZAL INFORMATIQUE SA	France	100%
TEMENOS Deutschland GmbH	Germany	100%
TEMENOS OSTERREICH GmbH	Austria	100%
TEMENOS Hispania SA	Spain	100%
TEMENOS UK Limited	United Kingdom	100%
TEMENOS Systems Ireland Limited	Ireland	100%
TEMENOS Hellas SA	Greece	100%
TEMENOS Eastern Europe Limited	Cyprus	100%
IT SERVICES LIMITED, Cyprus	Cyprus	100%
TEMENOS (Russia) Limited	Cyprus	100%
TEMENOS Middle East Limited	Cyprus	100%
TEMENOS Polska Sp. Zoo	Poland	100%
TEMENOS Africa Pty Limited	South Africa	100%
DBS Global Solutions (Pty) Limited	South Africa	100%
TEMENOS USA, Inc.	U.S.A.	100%
TEMENOS Mexico SA de CV	Mexico	100%
Fomento Empresarial de Servicios Informaticos S.A. de C.V.	Mexico	51%
TEMENOS Ecuador SA	Ecuador	100%
TEMENOS Software Canada Limited	Canada	100%
TEMENOS Holdings NV	Netherlands Antilles	100%
TEMENOS Singapore Pte Limited	Singapore	100%
TEMENOS Hong Kong Limited	Hong Kong	100%
TEMENOS Software Shanghai Co. Limited	China	100%
TEMENOS India Pte Limited	India	100%
TEMENOS Application Services Pte Limited	India	100%
TEMENOS (Thailand) Co. Limited	Thailand	100%
TEMENOS (Malaysia) Sdn Bhd	Malaysia	100%
TEMENOS Philippines, Inc.	Philippines	100%
TEMENOS Japan KK	Japan	100%
TEMENOS Korea Limited	Korea	100%
TEMENOS Australia Pty Limited	Australia	100%
TEMENOS Vietnam Co. Limited	Vietnam	100%
ACTIS BSP Germany GmbH	Germany	100%
BSP Partners GmbH & Co.KG	Germany	100%
ACTIS in Frankfurt GmbH	Germany	100%
ACTIS BSP IT Services GmbH	Germany	100%
TEMENOS S.R.L.	Argentina	100%
TEMENOS Costa Rica SA	Costa Rica	100%
TEMENOS East Africa Limited	Kenya	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); Almaty (Kazakhstan); Kiev (Ukraine); Taipei (Taiwan); Saigon (Vietnam); and Jakarta (Indonesia).

6. Business combinations

ACTIS.BSP Germany GmbH

On 12 March 2007 the Group acquired 100% of the business and assets of ACTIS.BSP Germany GmbH, a leading Germany-based provider of corebanking and securities solutions for a total net cash outflow of EUR 15.16 million (USD 19.726 million).

As part of the assets of ACTIS.BSP Germany Gmbh, TEMENOS acquired the intellectual property rights to the products of ACTIS.BSP Germany GmbH: -PABA/ Q, BSP Trade and PRO- DB.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	US$
-Cash paid	24,451
-Cash and cash equivalent in subsidiary acquired	(4,972)
- Direct costs relating to the acquisition	404
Net cash outflow arising on acquisition	19,883
- Cash and cash equivalent in subsidiary acquired	4,972
- Liability assumed	10,958
Total purchase consideration	35,813
Fair value of net assets acquired	(14,261)
Goodwill	**21,552**

The goodwill is attributable to the significant opportunities that exist within the German market and to the benefit of the expected synergies to arise after the acquisition.

The assets and liabilities arising from the transaction are as follows:

Net assets acquired:	Acquiree's carrying amount before combination US$	Fair value adjustment US$	Fair value US$
Property, plant and equipment	386	-	386
Fair value of the acquired software	-	3,652	3,652
Fair value of the outsourcing business	-	2,346	2,346
Deferred tax asset	-	8,779	8,779
Trade receivables	4,510	-	4,510
Prepayments	808	-	808
Accrued revenues	518	-	518
Cash and cash equivalents	4,972	-	4,972
Trade and other payables	-5,326	-	-5,326
Deferred income	-6,006	-	-6,006
Tax payable and contingent tax liability	190	-9,247	-9,057
Deferred tax liability	-	-2,279	-2,279
FMS (previous shareholder) loan	10,958	-	10,958
Net assets acquired	**11,010**	**3,251**	**14,261**
Goodwill arising on acquisition			21,552
Total consideration			**35,813**

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The result contributed by the acquiree in the period between the date of acquisition and the balance sheet date is US$ 1.1 million.

If the acquisition had occurred on 1 January 2007, the contribution by the acquiree to the Group's revenues would have been US$ 21.6 million and US$ 1.3 million to the Group's profit or loss.

These amounts have been calculated using the group's policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, with the consequential tax effects.

7. Cash and cash equivalents

The balance in respect of cash and cash equivalents consists of:	2007	2006
Cash at bank	30,953	16,838
Short term deposits with banks	62,109	94,530
	93,062	111,368

The effective interest rate on short-term bank deposits was 4.06% (2006: 4.94%); these deposits have a weighted average maturity of 10 days (2006: 5 days).

8. Trade and other receivables

	2007	2006
Trade receivables	86,740	84,757
Accrued revenues	134,710	77,397
VAT and other taxation recoverable	4,299	3,021
Other receivables	4,123	2,608
Allowance for doubtful debts	(9,659)	(9,720)
	220,213	158,063
Less non-current portion	(27,389)	(19,323)
Total current portion of trade and other receivables	192,824	138,740

The carrying amounts of the current portion of the trade and other receivables recorded in the financial statements approximates their fair values at 31 December.

The 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.

Contractual maturity and fair value of the non-current portion of the trade and trade receivables	Carrying amount		Fair value	
	2007	2006	2007	2006
Between 1 and 2 years	27,389	18,567	25,736	17,797
Between 2 and 3 years	-	756	-	690
	27,389	19,323	25,736	18,487

The fair value is calculated using the discounted cash flow method based on observable market rate matching the maturity of the non-current items. Market rates used in the determination of the fair value are based on the 1-Year and 2-Year USD LIBOR curves.

Aging of the trade and other receivables at the reporting date	Gross 2007	Impairment 2007	Gross 2006	Impairment 2006
Not yet due	166,023	-	116,747	-
Current (less than 30 days)	17,542	-	12,323	-
Past due 31-90 days	19,860	13	8,742	432
Past due 91-180 days	6,930	32	5,916	172
Past due 181-360 days	5,065	2,099	6,792	847
More than 360 days	14,452	7,515	17,263	8,269
	229,872	9,659	167,783	9,720

Due to the nature of the operations, the Group believes that the past due and not impaired receivables are still recoverable as there has been no change in the credit risk and no history of defaults for each individual customer.

Movements in the allowance for doubtful debts

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

	2007	2006
At 1 January	9,720	1,554
Provision for receivables impairment	5,300	8,468
Receivable written off	(4,735)	(211)
Unused amounts reversed	(927)	(21)
Exchange gain or loss	301	(70)
At 31 December	9,659	9,720

9. Derivative financial instruments

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

	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Forward foreign exchange contracts- cash flow hedges	-	(52)	134	-
Forward foreign exchange contracts- held for trading	1,338	-	4,753	-
Total	1,338	(52)	4,887	-

Derivatives are all current and are presented on a net basis in "Prepayments and other assets".

There has been no ineffectiveness recognised in the income statement arising from cash-flow hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur each month during the next 12 months. Gains or losses recognised in the hedging reserve equity (note 20) on forward foreign exchange contracts as of 31 December 2007 are recognised in the income statement in the periods during which the hedged forecast transaction affects 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.

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10. Property, plant and equipment

Tangible fixed assets consist of:

	Leasehold improvements	Vehicles	Fixtures fittings & equipment	Land and buildings	Total
Cost					
At 1 January 2007	9,634	3,197	14,257	-	27,088
Foreign currency exchange differences [1]	522	37	913	-	1,472
Acquisition of subsidiary (note 6)	-	-	386	-	386
Additions [2]	1,437	115	4,423	3,373	9,348
Disposals [2] [3]	(760)	(227)	(320)	-	(1,307)
31 December 2007	10,833	3,122	19,659	3,373	36,987
Depreciation					
At 1 January 2007	6,639	677	8,899	-	16,215
Foreign currency exchange differences [1]	452	26	611	-	1,089
Charge for the year [2] [4]	1,126	591	2,565	24	4,306
Disposals [2] [3]	(612)	(162)	(295)	-	(1,069)
31 December 2007	7,605	1,132	11,780	24	20,541
Net book value					
31 December 2007	**3,228**	**1,990**	**7,879**	**3,349**	**16,446**
Year ended 31 December 2006					
Cost					
At 1 January 2006	8,689	1,820	12,285	-	22,794
Foreign currency exchange differences [1]	799	39	1,023	-	1,861
Acquisition of subsidiary	-	-	13	-	13
Additions [2]	367	1,585	2,487	-	4,439
Disposals [2] [3]	(221)	(247)	(1,551)	-	(2,019)
31 December 2006	9,634	3,197	14,257	-	27,088
Depreciation					
At 1 January 2006	5,132	536	7,724	-	13,392
Foreign currency exchange differences [1]	543	29	706	-	1,278
Charge for the year [2] [4]	1,130	312	1,689	-	3,131
Disposals [2] [3]	(166)	(200)	(1,220)	-	(1,586)
31 December 2005	6,639	677	8,899	-	16,215
Net book value					
31 December 2006	**2,995**	**2,520**	**5,358**	**-**	**10,873**

During the year the Group completed the construction of a building in India which is an owner-occupied property to be mainly used for the administrative and development purposes for a total cost of US$ 3,373 thousand.

[1] The amounts have been restated to reflect the changes in the parity of the functional currencies of the operating entities owning the assets with the US dollar.

[2] Leased assets included in the table above, where the Group is a lessee, comprise mainly of motor vehicles, IT hardware and some office equipment.

	Cost	Depreciation	Net book value
At 1 January 2007	988	(410)	578
Foreign currency exchange differences [1]	57	(16)	41
Additions	1,075	(310)	765
Disposals	(70)	22	(48)
31 December 2007	**2,050**	**(714)**	**1,336**

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

[3] The loss on the disposals charged to the income statement in 2007 amounted to US$ 95 thousand (2006: US$ 261 thousand).

[4] The depreciation charge reported above has been quantified as follows:

Year ended:	Charge for the year	Currency translation adjustments	Total
31 December 2007	**4,206**	**100**	**4,306**
31 December 2006	**3,091**	**40**	**3,131**

11. Intangible assets

	Capitalised development costs	Business related goodwill	Personnel related goodwill	Copyrights	Computer software	Maintenance agreements	Total
Cost							
At 1 January 2007	53,251	22,068	1,108	22,767	5,088	2,498	106,780
Foreign currency exchange differences [1]	-	2,621	-	268	522	-	3,411
Acquisition of subsidiary (note 6)	-	21,552	-	2,346	3,651	-	27,549
Additions	16,946	433	-	-	3,565	-	20,944
Impairment charge [4]	-	-	(376)	-	-	-	(376)
Disposals [2]	-	-		-	(341)	-	(341)
31 December 2007	70,197	46,674	732	25,381	12,485	2,498	157,967
Amortisation							
At 1 January 2007	22,484	4,443	863	20,900	2,935	1,433	53,058
Foreign currency exchange differences [1]	-	-	-	23	114	-	137
Charge for year [3]	8,334	-	-	1,030	2,002	360	11,726
Impairment charge [4]	-	-	(255)	-	-	-	(255)
Disposals [2]	-	-	-	-	(233)	-	(233)
31 December 2007	30,818	4,443	608	21,953	4,818	1,793	64,433
Net book value							
31 December 2007	**39,379**	**42,231**	**124**	**3,428**	**7,667**	**705**	**93,535**

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

11. Intangible assets continued

Year ended 31 December 2006

Cost	Capitalised development costs	Business related goodwill	Personnel related goodwill	Copyrights	Computer software	Maintenance agreements	Total
At 1 January 2006	37,657	16,747	1,108	21,567	3,814	2,498	83,391
Foreign currency exchange differences (1)	-	-	-	-	67	-	67
Acquisition of subsidiary	-	-	-	-	-	-	-
Additions	15,594	5,321	-	1,200	1,328	-	23,443
Impairment charge (4)	-	-	-	-	-	-	-
Disposals (2)	-	-	-	-	(121)	-	(121)
31 December 2006	53,251	22,068	1,108	22,767	5,088	2,498	106,780
Amortisation							
At 1 January 2006	18,173	4,443	863	19,879	2,207	889	46,454
Foreign currency exchange differences (1)	-	-	-	-	95	-	95
Charge for year (3)	4,311	-	-	1,021	751	544	6,627
Impairment charge (4)	-	-	-	-	-	-	-
Disposals (2)	-	-	-	-	(118)	-	(118)
31 December 2006	22,484	4,443	863	20,900	2,935	1,433	53,058
Net book value							
31 December 2006	**30,767**	**17,625**	**245**	**1,867**	**2,153**	**1,065**	**53,722**

(1) The amounts have been restated to reflect the changes in the parity of the functional currencies of the operating entities owning the assets with the US dollar.

(2) The loss on disposals charged to the income statement in 2007 was US$ nil (2006: US$ nil).

(3) The amortisation charge reported above has been quantified as follows:

	Charge for the year	Currency translation adjustments	Total
Year ended:			
31 December 2007	**11,767**	**(41)**	**11,726**
31 December 2006	6,676	(49)	6,627

(4) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to the region of operation or business segment.

A segment-level summary of the goodwill allocation is presented below:

	2007			2006		
	Software licensing	Services	Total	Software licensing	Services	Total
Europe, Middle East and Africa	**36,830**	**-**	**36,830**	12,504	84	12,588
Asia	**1,293**	**122**	**1,415**	1,293	122	1,415
Americas	**-**	**-**	**-**	-	39	39
Corporate	**4,110**	**-**	**4,110**	3,828	-	3,828
	42,233	**122**	**42,355**	17,625	245	17,870

The recoverable amount of a cash-generating unit (CGU) is determined based on value-in-use calculations. These calculations use pre-tax cash flows projections based on the most recent financial budget approved by the management covering a one-year period and then inflated over a perpetual period using the estimated growth rate assigned to the countries of the cash-generating unit. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU operates. The growth rate used in the calculation is between 2% and 3% and the base discount rate is 10% to which a country risk premium is added.

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 aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating units.

During the financial year, the Group recognised an impairment charge of US$ 121 thousand in regard to Goodwill attributed to certain specific areas of America and Europe. The impairment loss has been recognised within "General and Administrative" on the face of the income statement.

12. Taxation

Tax (income) expense:	2007	2006
Domestic current income taxes	**996**	507
Overseas current income taxes, including non-recoverable withholding tax	**8,528**	5,361
Total current tax	**9,524**	5,868
Deferred tax	**(9,797)**	(1,632)
Total tax (income) expense	**(273)**	4,236

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

12. Taxation continued

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:

	2007	2006
Profit before tax	64,410	38,617
Tax at the domestic rate of 25%	16,103	9,654
Non-taxable income and expenses	412	(176)
Utilisation of previously unrecognised losses	(3,627)	(1,884)
Tax losses for which no deferred income tax asset was recognised	5,160	5,964
Tax adjustments related to prior periods	676	(18)
Recognition of deferred tax assets on intellectual property	(13,327)	(3,774)
Non-taxable consolidation adjustment on intellectual property amortisation	(17,455)	(17,937)
Other movement on deferred tax assets and liabilities, including rate changes	3,814	4,802
Effects of different tax rates	2,610	3,594
Overseas withholding tax	5,211	3,143
Other tax and credits	150	868
Total tax (credit) expense	**(273)**	4,236

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:

	2007	2006
Deferred tax assets	25,771	5,534
Deferred tax liabilities	(4,469)	(1,258)
Net deferred tax assets	**21,302**	4,276

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 US$ 41,210 thousand (2006: US$ 34,490 thousand) in respect of losses amounting to US$ 197,797 thousand (2006: US$ 136,819 thousand) that can be carried forward against future taxable income. Losses amounting to US$ 5,917 thousand (2006: US$ 6,225 thousand) will expire within the next 5 years, US$ 65,839 thousand (2006: US$ 26,611 thousand) will expire within 5 to 10 years and US$ 31,851 thousand (2006: US$ 28,851 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of US$ 17,101 thousand (2006: US$ 3,774 thousand) in respect of temporary differences arising on an intra-group transfer of intellectual property. Deferred tax assets of US$ 22,163 thousand (US$ 43,021 thousand) have not been recognised on the remaining temporary difference of US$ 201,486 thousand (2006: US$ 391,100 thousand).

As part of the acquisition of the Actis group Temenos acquired deferred tax assets of US$ 8,779 thousand and deferred tax liabilities of US$ 2,279 thousand.

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

	2007	2006
At 1 January	4,276	2,500
Income statement credit	9,797	1,632
Foreign exchange movement on deferred tax assets and liabilities held in local currencies	729	144
Acquisition of subsidiary	6,500	-
At 31 December	**21,302**	4,276

The movement in deferred tax assets is as follows:

	Tax losses	Taxable intellectual property	Taxable goodwill	Other	Total
At 1 January 2006	2,372	-	-	128	2,500
Charged to the income statement	(978)	3,774	-	94	2,890
Exchange differences	142	-	-	2	144
At 31 December 2006	1,536	3,774	-	224	5,534
Charged (credited) to the income statement	(1,157)	13,327	(1,993)	330	10,507
Acquisition of subsidiary	4,345	-	4,434	-	8,779
Exchange differences	574	-	388	(11)	951
At 31 December 2007	**5,298**	**17,101**	**2,829**	**543**	**25,771**

The movement in deferred tax liabilities is as follows:

	Acquisition fair value adjustment	Investments in subsidiaries	Other	Total
At 1 January 2006	-	-	-	-
Charged to the income statement	-	(1,258)	-	(1,258)
At 31 December 2006	-	(1,258)	-	(1,258)
Charged (credited) to the income statement	829	(1,436)	(103)	(710)
Acquisition of subsidiary	(2,279)	-	-	(2,279)
Exchange differences	(222)	-	-	(222)
At 31 December 2007	**(1,672)**	**(2,694)**	**(103)**	**(4,469)**

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

13. Trade and other payables

	2007	2006
Trade payables	25,547	16,740
Accrued expenses	44,465	28,992
Other payables	9,396	9,287
Current trade and other payables	79,408	55,019
Non-current other payables	487	3,268
Total trade and other payables	79,895	58,287

The carrying amount of the current trade and other payables recorded in the financial statements approximates their fair values at 31 December.

The current trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount of the above items 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 of the trade and other payables equals to the contractual amount or the fair value initially recognised.

The non-current other payables are initially recorded at fair value and subsequently measured at amoritsed cost. The resulting interest expense is recognised in the income statement within "Finance expenses".

The carrying amounts and fair value of the non-current trade and other payables are presented as follows:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Between 1 -2 years	452	2781	416	2,735
Between 2-3 years	35	451	33	389
Between 3-5 years	-	36	-	30
	487	3,268	449	3,154

The fair value is calculated using the discounted cash flow method based on the USD LIBOR curve matching the maturity reported in the above table.

14. Borrowings

	2007	2006
Current		
Obligations under finance leases (note 16)	442	131
Other loans	30	33
Convertible bond	1,370	1,220
	1,842	1,384
Non-current		
Obligations under finance leases (note 16)	775	400
Other loans	35	-
Convertible bond	115,522	103,674
	116,332	104,074
Total borrowings	118,174	105,458

The fair value of current borrowings equals 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	
	2007	2006	2007	2006
Obligations under finance leases (note 16)	775	400	767	391
Other loans	35	-	29	-
Convertible bond	115,522	103,674	113,541	105,480
	116,332	104,074	114,337	105,871

The fair value represented above is calculated using the discounted cash flows method based on the current market interest rate for a similar financial instrument as at 31 December.

Convertible bond

On 21 March 2006 the Group issued a convertible bond with a nominal value of CHF 132.25 million and a coupon rate of 1.50%. The bonds mature seven years from the issue date at a redemption value of CHF 152.83 million or can be converted into shares at the holder's option at a conversion price of CHF 18.06 per share.

The fair values of the liability component and the equity conversion component were determined at the issuance of the bond.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.

The convertible bond recognised in the balance sheet is calculated as follows:

Nominal value of convertible bond issued on 21 March 2006, net of transaction costs	98,948
Equity component	(4,189)
Liability component on initial recognition at 21 March 2006	94,759
Interest expense (note 27)	3,569
Foreign exchange movement	6,566
Liability component at 31 December 2006	104,894
Interest expense (note 27)	4,806
Interest paid	(1,641)
Foreign exchange movement	8,833
Liability component at 31 December 2007	116,892

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 4.56% to the liability component.

The fair value of the liability component of the convertible bond at 31 December 2007, based on discounted cash flows method using a market interest rate for non-convertible loan, is US$ 115,281 thousand (2006: US$ 106,700 thousand).

The carrying amount of the convertible bond is denominated in Swiss Francs.

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

14. Borrowings continued

Bank facilities

On 11 September 2007 the Group concluded a combined working capital and trade financing facility with a large financial institution, replacing existing financing facilities. The pertinent details of the facility available to the group are as follows:

Facility available for general working capital needs:
US$ 50 million bearing interest at LIBOR/EURIBOR (depending on drawing currency) + 1.1%. The facility is repayable in full on 11 September 2010.

Commitment fees are due at 0.55% from the undrawn balance of the above facility.

Facility available for issuing trade financing instruments (e.g. performance bonds, rent deposits):
US$ 10 million repayable in full on 11 September 2010. No commitment fees are due on this facility. Industry standard guarantee setup fees applied to any usage of this facility

The facilities granted are subject to various financial covenants, which are based on conservative projections of the Group's results.

As at 31 December 2007 the general working capital facilities were not drawn upon. As at 31 December 2007 guarantees totalling US$ 9,912 thousand were in issue. In addition, there remained guarantees totalling US$ 2,425 thousand (2006:US$7,669 thousand) in issue under the previous facility.

15. Provisions for other liabilities and charges

	Legal claims	Onerous lease	Total
At 1 January 2007	159	161	320
Foreign currency exchange differences	6	4	10
Charged to income statement	98	-	98
Used during the year	(159)	(165)	(324)
31 December 2007	**104**	**-**	**104**

Legal claims

The amounts represent provisions for certain legal claims brought against the Group. The outcome of the legal disputes, and the timing of any payments, is uncertain. In the directors' opinion the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2007.

Onerous lease

During 2004 one of the Group's subsidiaries sublet a property to a third party. The difference between the amount that will be received from the tenant, and the amount that will be paid to the landlord, has been fully provided.

16. Obligations under finance leases

Finance leases liabilities	Minimum lease payments		Present value of minimum lease payments	
Obligations under finance leases:	**2007**	2006	**2007**	2006
repayable within one year	**476**	279	**442**	278
repayable between two and five years	**866**	284	**775**	292
	1,342	563	**1,217**	570
Finance charges allocated to future accounting periods	**-**	-	**-**	(39)
	1,342	563	**1,217**	531

Included in the financial statement as:		
Current borrowings (note 14)	442	131
Non-current borrowings (note 14)	775	400
	1,217	531

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

17. Financial instrument by category

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

Financial assets

Fair value through profit or loss (FVTPL)	**2007**	2006
Held for trading	**1,338**	4,753
Designated as at FVTPL	**-**	-
Derivatives instruments used for hedging	**(52)**	134
Loans and receivables (including cash and cash equivalent)	**313,275**	269,431
Total	**314,561**	274,318

Financial liabilities

Fair value through profit or loss (FVTPL)		
Held for trading	**-**	-
Designated as at FVTPL	**-**	-
Derivatives instruments used for hedging	**-**	-
Financial liabilities measured at amortised cost	**198,069**	163,745
Total	**198,069**	163,745

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

18. Share capital

As at 31 December 2007, the issued shares of TEMENOS Group AG comprised 58,341,421 common 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 2007 are summarised below:

		Nominal value	
	number	in CHF	in US$
Issued, as at 1 January 2006	55,350,192	276,751	159,009
Shares issued on acquisition of TLC	441,084	2,205	1,729
Shares issued on exercise of employee share options	2,050,145	10,251	8,090
Total number of shares issued, as at 31 December 2006	57,841,421	289,207	168,828
Shares issued on exercise of employee share options	500,000	2,500	2,039
Total number of shares issued, as at 31 December 2007	58,341,421	291,707	170,867
Treasury shares	(30,164)	(837)	(696)
Total number of shares outstanding, as at 31 December 2007	58,311,257	290,870	170,171

As at 31 December 2007 the number of treasury shares held by the Group amounted to 30,164 (2006: 185,973). Treasury shares include shares held for resale and other shares allotted to members of the Temenos Employee Share Option Scheme or other option holders at the time that they exercise their options.

TEMENOS Group AG also has authorised and conditional capital, comprising:

authorised shares that may be issued in the context of acquisitions (available to the Board until 23 May 2008)	26,510,243
conditional shares that may be issued on the exercise of employee share options	9,759,292
conditional shares that may be issued in conjunction with financial instruments (of which 9,000,000 are reserved for the Convertible bond)	13,930,680

The share capital of all subsidiaries has been eliminated on consolidation.

19. Share premium and capital reserves

	Convertible bond	Share premium	Warranted share subscription reserve	Employee share options reserve	Discount on shares issued to employees	Negative premium arising on creation of Temenos Group AG	Total
Balance at 1 January 2006	-	4,243	14	8,894	(8,668)	(68,456)	(63,973)
Cost of employee share option scheme (note 21)	-	-	-	5,132	-	-	5,132
Exercise of share options (note 21)	-	1,626	-	-	(16,381)	-	(14,755)
Shares issued in relation to acquisitions	-	3,058	(14)	-	-	-	3,044
Share issuance costs	-	(158)	-	-	-	-	(158)
Convertible bond - equity component (note 14)	4,189	-	-	-	-	-	4,189
Balance at 31 December 2006	4,189	8,769	-	14,026	(25,049)	(68,456)	(66,521)
Cost of share options (note 21)	-		-	13,964	-	-	13,964
Exercise of share options (note 21)	-	1,222	-	-	(40,534)	-	(39,312)
Settlement of employee share options	-		-	(613)	-	-	(613)
Shares issued in relation to acquisitions	-		-	-	-	-	-
Share issuance costs	-	(107)	-	-	-	-	(107)
Balance at 31 December 2007	**4,189**	**9,884**	**-**	**27,377**	**(65,583)**	**(68,456)**	**(92,589)**

Convertible bond

On 21 March 2006, the Group issued a convertible bond. The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

Share premium

The share premium account reflects the premium on issuance of new shares at a price above their par value or negative premium when issued at a discount.

Reserve for treasury shares

Under Swiss law, a legal reserve must be established for an amount equal to the cost of treasury shares held by the Group. This reserve is included within share premium. As at 31 December 2007 the cost of treasury shares held by the Group was US$ 696 thousand (2006: US$ 2,974 thousand).

Warranted share subscription reserve

The balance under this reserve represents the estimated fair market value, at the time of the transaction, of the share options granted in the context of an acquisition of a subsidiary which had not been exercised by the aforesaid dates. The warranted share subscription reserve was credited with the approximate fair value of the options on issuance.

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

19. Share premium and capital reserves continued

Share options reserve

As detailed in note 21, the Group has issued share options to employees and third parties. The fair value of the shares issued 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 share options to employees and third parties. When the share options are exercised, the Group fulfills its obligations by issuing newly created shares out of conditional capital or by issuing treasury shares purchased by the group. To the extent that the shares issued out of conditional capital are issued at a value that is lower than the nominal value of CHF 5 per share, or the proceeds received by the group in respect of these treasury shares issued 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 US$ 0.001 per share, totalling US$ 39 thousand. The new shares in TEMENOS Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of US$ 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 US$ 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

Included within fair value and other reserves are the following:

Cumulative translation adjustment

The cumulative translation adjustment represents the foreign exchange gains and losses resulting from the translation of the subsidiaries' assets, liabilities and results of operations from their functional currency into the Group's reporting currency (US$).

Fair value gains on cash flow hedges

The fair value reserve on cash flow hedges represents the fair value gain on forward foreign currency exchange contracts that were outstanding at the end of the reporting period that qualify as cash flow hedges.

	Cumulative translation adjustment	Fair value gains (losses) on qualifying cash flow hedges	Total
Balance at 1 January 2006	383	(1,346)	(963)
Currency translation differences	(6,115)	-	(6,115)
Transfers to income statement within "Personnel costs"	-	905	905
Net fair value gain on cash flow hedge, net of tax	-	1,454	1,454
Balance at 31 December 2006	(5,732)	1,013	(4,719)
Currency translation differences	(1,570)	-	(1,570)
Transfers to income statement within "Personnel costs"	-	(740)	(740)
Net fair value gain on cash flow hedge, net of tax	-	675	675
Balance at 31 December 2007	**(7,302)**	**948**	**(6,354)**

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:

	2007		2006	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	8,482,081	$ 7.56	11,628,353	$ 6.21
Granted during the year	859,700	$ 19.87	833,582	$ 8.64
Forfeited during the year	(72,664)	$ 8.56	(155,968)	$ 7.29
Cancelled during the year	(50,000)	$ 10.45	-	$ 0.00
Exercised during the year	(3,589,800)	$ 7.09	(3,823,886)	$ 3.95
Outstanding at the end of the year	5,629,317	$ 9.83	8,482,081	$ 7.56

1,751,064 of the outstanding options (2006: 3,037,859) were exercisable at the balance sheet date with a weighted average exercise price of US$ 7.14 (2006: US$ 6.17). The options exercised during the year had a weighted average share price at the time of exercise of US$ 19.45 (2006: US$ 9.50).

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 profitability targets. In case of overachievement of profitability targets, certain share appreciation rights grants may be increased by a maximum of 100% of the original grant subject also to individual performance criteria. The vesting period ranges from one to three 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:

	2007		2006	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	1,126,075	$ 9.78	-	$ 0.00
Granted during the year	4,120,858	$ 17.96	1,136,231	$ 9.78
Forfeited during the year	(48,276)	$ 11.64	(10,156)	$ 9.78
Exercised during the year	(65,655)	$ 9.78	-	$ 0.00
Outstanding at the end of the year	5,133,002	$ 16.33	1,126,075	$ 9.78

261,351 of the outstanding share appreciation rights (2006: nil) were exercisable at the balance sheet date with a weighted average exercise price of US$ 9.78. The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of US$ 22.86 (2006: n/a).

As described above, in case of overachievement of profitability targets, certain share appreciation right grants may be increased by a maximum of 100% of the original grant, subject also to individual performance criteria. As at 31 December 2007 there were 3,048,687 share appreciation rights (2006: 1,126,075) that may be subject to this overachievement provision with a weighted average exercise price of US$ 16.15 (2006: US$ 9.78).

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The amounts are expressed in thousands of US dollars

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:

2007

Exercise price	Number	Remaining contractual life (years)
$0.01-$0.35	35,705	3.86
$1.00-$1.60	258,414	4.77
$2.50-$2.66	14,000	1.82
$4.10-$6.09	455,476	2.76
$6.80-$7.96	874,829	7.15
$8.08-$9.78	3,926,466	8.17
$10.00-$15.00	630,095	6.39
$15.56-$16.82	2,914,162	10.16
$18.95-$23.51	595,226	9.97
$24.34-$27.79	1,057,946	10.74
	10,762,319	

2006

Exercise price	Number	Remaining contractual life (years)
$0.01-$0.35	107,205	0.82
$1.00-$1.48	560,200	6.03
$2.46-$2.50	17,700	2.81
$4.10-$6.09	868,370	4.90
$6.80-$7.96	2,171,832	7.97
$8.11-$9.84	5,264,109	8.90
$10.00-$15.00	618,740	5.81
	9,608,156	

Fair value of stock options

The weighted average fair value of options and share appreciation rights granted during the period determined using the Black-Scholes valuation model was US$ 5.99 (2006: US$ 2.79). The significant inputs into the model were weighted average share price at grant date of US$ 18.32 (2006: US$ 9.55), weighted average exercise price of US$ 18.24 (2006: US$ 9.30), standard deviation of expected share price returns of 37.1% (2006: 36%-37%), weighted average option lives of 3.4 years (2006: 3.22 years) and weighted average annual risk-free interest rate of 4.11% (2006: 1.50%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period. Where there is no relevant historical period the standard deviation of expected share price returns is based on calculations derived from a relevant peer group.

The total expense recorded in the income statement in respect of employee share options and share appreciation rights is US$ 11,453 (2006: US$ 5,132).

Other share based payments

2.5 million share options with an exercise price of CHF 19.9 were issued to Metavante Corporation as part of the joint development and distribution agreement signed in February 2007. Two million of these options will only vest if incremental revenue targets are achieved in addition to the minimum contracted revenues and the options cannot be exercised until 2013. The fair value of these options determined using the Black-Scholes valuation model was US$ 11.71 per option. The significant inputs into the model were share price at grant date of US$ 22.77, exercise price of US$ 16.18, standard deviation of expected share price returns of 37.9%, option lives of 5.75 years and annual risk-free interest rate of 2.63%. 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.

The total expense recorded in the income statement in respect of these share options is US$ 818 thousand (2006: US$ nil).

In connection with the joint development and distribution agreement signed with Metavante Corporation in February 2007, an exceptional award of 100,000 shares was made to an executive member of the Board of Directors. The shares vested immediately. The fair value of the shares awarded was US$ 1,693 thousand and was determined using observable market prices.

22. Segmental reporting

Segment information of the TEMENOS GROUP is based on two segment formats. The primary reporting segment format consists of the two distinct business activities: software licensing and services. The secondary reporting segment format consists of the major geographical regions in which the Group operates. The company's internal organisational structure and internal financial reporting address both segments.

(a) Primary reporting format - business segments

The Group is organised into two main business segments:

Software licensing - comprising of licensing, development and maintenance of the Group's software

Services - comprising of consultancy services related to implementation of the Group's software

	2007			2006		
	Software licensing	Services	Total	Software licensing	Services	Total
Segment revenues	225,114	104,746	329,860	152,858	63,409	216,267
Segment operating result	168,053	7,745	175,798	119,091	(1,522)	117,569
Unallocated operating costs			(113,295)			(84,254)
Operating profit			62,503			33,315
Other income (expenses)						
Fair value gain (loss) from financial instruments, net (note 26)			181			5,354
Financial instrument related expenses (note 26)			(393)			(305)
Foreign exchange gains (losses), net			4,840			254
Total other income (expenses)			4,628			**5,303**
Finance income (expenses)						
Interest expense			(5,205)			(4,142)
Interest income			2,484			4,141
Total finance income (expenses)			(2,721)			**(1)**
Profit before taxation			64,410			38,617
Taxation			273			(4,236)
Profit for the year			64,683			**34,381**
Attributable to:						
Equity holders of the Company			64,674			34,445
Minority interest			9			(64)
			64,683			**34,381**

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

22. Segmental reporting continued

Other segment items (not including unallocated items)

	2007			2006		
Assets	Software licensing	Services	Total	Software licensing	Services	Total
Segment assets	241,911	57,482	299,393	170,962	33,161	204,123
Unallocated assets			158,184			148,043
Total assets			457,577			352,166
Liabilities						
Segment liabilities	(48,181)	(9,354)	(57,535)	(39,822)	(4,782)	(44,604)
Unallocated liabilities			(222,606)			(171,419)
Total liabilities			(280,141)			(216,023)
Capital expenditure	19,292	-	19,292	16,789	-	16,789
Amortisation	9,724	-	9,724	5,876	-	5,876

There are no transactions between the segments. However, revenues for software licensing and services from multi-element contracts are reallocated between the segments based on the fair value of the contract elements as a result of the application of the Group's revenue recognition policy.

Unallocated operating costs represent sales and marketing expenses and administrative expenses as these are not separately identifiable to either business segment.

Segment assets consist primarily of receivables, accrued revenue and intangible assets. Management do not consider it appropriate to allocate cash, prepayments and tangible fixed assets to business segments.

Segment liabilities comprise of deferred revenues. Management do not consider it appropriate to allocate accounts payable, accrued expenses and borrowings to business segments.

(b) Secondary reporting format - geographical segments

Revenue by region of destination of product or service	Asia	Americas	Europe, Middle East and Africa	Total
Year ended 31 December 2007	56,003	56,338	217,519	329,860
Year ended 31 December 2006	51,156	34,604	130,507	216,267
Assets by region				
Year ended 31 December 2007				
Segment assets	44,028	32,715	175,388	252,131
Unallocated assets				205,446
Total assets				457,577
Year ended 31 December 2006				
Segment assets	41,559	19,669	106,027	167,255
Unallocated assets				184,911
Total assets				352,166

Segment assets consist primarily of receivables and accrued revenues. The majority of intellectual property is considered a corporate asset. Management do not consider it appropriate to allocate cash, deferred expenses and tangible fixed assets by geographical segment.

Capital expenditure, depreciation and amortisation are not allocated to geographical segments.

23. Personnel costs

	2007	2006
Salary, bonuses and commissions	123,960	87,619
Termination payments	879	505
Social charges	14,714	9,339
Defined contribution and defined benefit pension costs (note 24)	3,166	3,047
Cost of employee share option scheme	11,453	5,132
Other personnel costs	7,820	5,317
	161,992	110,959

Included in the personnel costs shown above, are the following amounts in respect of remuneration for key management personnel:

Key management personnel of Temenos Group AG	2007	2006
- short-term cash compensation and benefits	10,830	9,747
- post-employment benefits	380	301
- share-based payment	9,345	4,016
	20,555	14,064
Non-executive directors		
- short-term employee benefits	280	240

Disclosure of Board and Senior Management remuneration in accordance with articles 663bbis and 663c of the Swiss Code of Obligations can be found in note 8 of the unconsolidated Financial Statements of TEMENOS GROUP AG

24. Pensions

Throughout the world the Group maintains defined contribution plans for its employees under which the relevant contributions are expensed as they accrue. The aggregate cost of these plans - many of which are state-sponsored - in the year 31 December 2007, amounted to US$ 2.5 million (2006: US$ 2.3 million). Generally, the Group does not maintain, nor is it committed to support, any defined benefit plans for its current or former employees.

TEMENOS Headquarters SA and TEMENOS Suisse SA each have a funded contributory defined benefit pension plan covering their employees. The pertinent details relating to these pension plans are set out below:

The amounts recognised in the balance sheet at 31 December are as follows:	2007	2006
Fair value of plan assets	9,523	8,678
Present value of funded obligations	(8,117)	(7,271)
	1,406	1,407
less:		
Unrecognised actuarial gains	(926)	(1,049)
Assets not recognised	(14)	-
Net asset in the balance sheet	466	358
Represented by:		
prepaid asset	466	358
Net asset in the balance sheet	466	358

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

24. Pensions continued

The movement in the defined benefit obligation over the year is as follows:	2007	2006
As at 1 January	7,271	6,822
Current service cost	702	709
Interest cost	221	209
Contributions by plan participants	622	563
Actuarial losses (gains)	(76)	(116)
Exchange differences	613	537
Benefits paid	(1,236)	(1,453)
As at 31 December	8,117	7,271

The movement in the fair value of plan assets over the year is as follows:	2007	2006
As at 1 January	8,678	7,737
Expected return on plan assets	289	262
Exchange differences	724	619
Employer contributions	697	744
Employee contributions	622	563
Benefits paid	(1,236)	(1,453)
Actuarial gains/(losses)	(251)	206
As at 31 December	9,523	8,678

The amounts recognised in the income statement are as follows:	2007	2006
Current service cost	702	709
Interest cost	221	209
Expected return on plan assets	(289)	(262)
Amortisation of net gain	(23)	(4)
Assets not recognised	14	(32)
Total costs included in personnel costs and external consultants	625	620

Principal weighted average actuarial assumptions at the balance sheet date:	2007	2006
Discount rate at 31 December	3.50%	3.25%
Expected return on plan assets at 31 December	3.50%	3.25%

The plan assets are invested in the following categories of investment:	2007	2006
Liquidities	7%	3%
Fixed income securities	49%	50%
Equity securities	27%	28%
Real Estate	17%	19%
	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 2008 are US$ 833 thousand.

25. Expenses by nature

	2007	2006
Third party licences and commissions	14,691	10,050
Personnel costs and external consultants	198,043	132,517
Depreciation and amortisation	15,973	9,767
Travel expenses	22,137	18,747
Rent and other occupancy costs	12,451	10,481
Marketing and other professional costs	9,524	7,374
Other costs	11,484	9,610
Capitalised expenditure	(16,946)	(15,594)
	267,357	182,952

The depreciation and amortisation charge is analysed as follows:

	Depreciation of tangible fixed assets (note 10)	Amortisation of other intangible assets (note 11)	Amortisation of capitalised development costs (note 11)	Aggregate amount charged to operations
Year ended:				
31 December 2007	4,206	3,437	8,330	15,973
31 December 2006	3,091	2,360	4,316	9,767

The amortisation charge for copyrights and capitalised development costs is included in the profit and loss statement in the line "software development". The depreciation charge for tangible fixed assets and the amortisation charge for computer software is allocated to the respective operating costs in the profit and loss statement based on square meter of office space allocated to the user of the asset.

26. Other income (expenses)

Financial assets at fair value through profit or loss:	2007	2006
-Designated as such upon initial recognition	-	-
-Held for trading	181	5,354
Foreign exchange gains (losses), net	4,840	254
Bank facilities related expenses (note 14)	(393)	(305)
Total other income (expenses)	4,628	5,303

Notes to the Consolidated Financial Statements continued

The amounts are expressed in thousands of US dollars

27. Finance income and costs

Interest expenses:	2007	2006
-Interest on Convertible bond (note 14)	4,806	3,569
-Interest on obligations under finance leases	43	26
-Interest on non-current trade and other payables	157	236
-Other interest expense	199	311
Total finance costs	5,205	4,142
Interest income:		
-Interest income on short-term bank deposits	403	238
-Interest income on short-term investments	1,857	3,903
-Interest non-current trade and other trade receivables	224	-
Total finance income	2,484	4,141

28. Earnings per share calculations

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 18).

	2007	2006
Profit attributable to equity holders of the Company	64,674	34,445
Weighted average of common shares outstanding during the year (in thousands)	58,109	56,980
Basic earnings per share (US$ per share)	1.11	0.60

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. The Group has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For 2006 the assumed conversion of the convertible debt was anti-dilutive and therefore excluded from the calculation. For the share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the rights attached to outstanding share options.

	2007	2006
Profit attributable to equity holders of the Company	64,674	34,445
Interest expense on convertible debt (net of tax)	4,806	-
Profit used to determine diluted earnings per share	69,480	34,445
Weighted average of common shares outstanding during the year (in thousands)	58,109	56,980
Adjustments for:		
- Assumed conversion of convertible debt (in thousands)	7,323	-
- Share options (in thousands)	3,920	3,316
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	69,352	60,296
Diluted earnings per share (US$ per share)	1.00	0.57

29. 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. Operating lease expenses relating to office premises for the year ended 31 December 2007 amounted to US$ 9.3 million (2006: US$ 8.1 million) and operating lease expenses relating to leased equipment were US$ 1.4 million (2006: US$ 1.5 million).

As at 31 December 2007 the future minimum lease payments to which the Group was committed under non-cancellable operating leases were as follows:

	2007	2006
No later than 1 year	10,709	8,716
Later than 1 year and no later than 5 years	19,144	18,626
Later than 5 years	6,849	9,307
Total	36,702	36,649

The Group has contingent liabilities in respect of bank and other guarantees and 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. Management believes that these contingencies will not have a material adverse effect other than those reported in note 15 on the business, financial condition or results of the Group.

30. 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 stock options is described in note 21.

In December 2003 an office building that is leased by TEMENOS Headquarters SA was acquired by one of the directors of TEMENOS Group AG. The annual rent payable in respect of this lease is CHF 481 thousand, and the terms and conditions of the lease agreement conform to standard market practices.

Since December 1999 TEMENOS Suisse SA has leased an office building that is owned by a company which is managed and controlled by one of the directors of TEMENOS Group AG. The annual rent payable in respect of this lease is CHF 360 thousand, and the terms and conditions of the lease agreement conform to standard market practices.

As at 31 December 2007 no loans to key management personnel were outstanding (2006: US$ 259 thousand).

There were no other large or significant transactions with related parties during the year ended 31 December 2007.

31. Post balance sheet events

There are no reportable post balance sheet events.

TEMENOS Group AG

Unconsolidated Financial Statements
31 December 2007
and Report of the Statutory Auditors thereon

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Report of the statutory auditors
to the general meeting of
TEMENOS Group AG
Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) on pages 79 to 85 of TEMENOS Group AG for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers SA

Michael Foley
Auditor in charge

Guillaume Nayet

Geneva, 26 February 2008

Balance Sheet

The amounts are expressed in thousands of Swiss Francs

as at 31 December

Assets

Current assets	2007	2006
Other receivables	-	23
Prepayments and other assets	125	-
Treasury shares	837	3,627
Liquid funds	4	1,603
Total current assets	**966**	**5,253**
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	458,709	458,548
Receivable from other Group entities	19,025	10,149
Total non-current assets	**477,734**	**468,697**
Total assets	**478,700**	**473,950**

Liabilities and shareholders' equity

Current liabilities	2007	2006
Trade payables	359	105
Other liabilities	2,224	-
Accrued expenses	350	26
Tax payable	659	293
Total current liabilities	**3,592**	**424**
Non-current liabilities		
Payable to other Group entities	270	4,067
Total non-current liabilities	**270**	**4,067**
Shareholders' equity		
Share capital (note 3)	291,707	289,207
Share premium (note 4)	181,762	177,613
Reserve for treasury shares (note 4)	837	3,627
Retained earnings (deficit)	532	(988)
Total shareholders' equity	**474,838**	**469,459**
Total shareholders' equity and liabilities	**478,700**	**473,950**

Income Statement

The amounts are expressed in thousands of Swiss Francs

For the year ended 31 December

	2007	2006
Income from investments in subsidiaries	2817	-
Expenses associated with the maintenance of the Register of Shareholders and other expenses.	(923)	(520)
Net profit (loss) before taxation	1,894	(520)
Taxation	(374)	(300)
Net profit (loss) after taxation	1,520	(820)
Retained deficit at beginning of year	(988)	(168)
Retained earnings (deficit) at end of year	532	(988)

Notes to the Unconsolidated Financial Statements

The amounts are expressed in thousands of Swiss Francs

31 December 2007

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 SWX Swiss Exchange.

TEMENOS Group AG succeeded TEMENOS Holdings NV in the role of the ultimate holding company of the Group but is not otherwise engaged in trading, financing, investing activities, except as the holder of all the issued and outstanding shares of TEMENOS Holdings NV, TEMENOS Headquarters SA, TEMENOS Suisse SA, T-TCB SA, T-TFR SA, T-JBASE SA, IT Services Limited and Temenos Luxembourg SA.

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).

	2007	2006
TEMENOS Holdings NV, Netherlands Antilles (holding and licensing company)		
40,105 shares of a nominal value of US$ 1 each, at cost	200,522	200,522
Advances for the acquisition of new shares	249,052	249,052
TEMENOS Headquarters SA, Switzerland (management company)		
1,000 shares of a nominal value of CHF 100 each, at cost	5,625	5,625
TEMENOS Suisse SA, Switzerland (services company)		
15,000 shares of a nominal value of CHF 500 each, at cost	2,948	2,948
T-TCB SA (licensing company)		
1,000 shares of a nominal value of CHF 100 each, at cost	100	100
T-TFR SA (licensing company)		
1,000 shares of a nominal value of CHF 100 each, at cost	100	100
T-jBASE SA (licensing company)		
1,000 shares of a nominal value of CHF 100 each, at cost	100	100
I.T. Services Limited, Cyprus (dormant)		
100 shares of a nominal value of CY£1 each, at cost	101	101
Temenos Luxembourg SA (services company)		
47,249 shares of a nominal value of EUR 25 each, at cost	161	-
	458,709	458,548

Notes to the Unconsolidated Financial Statements continued

The amounts are expressed in thousands of Swiss Francs

3. Share capital

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

	2007 number	2006 number
Total number of TEMENOS Group AG shares issued, as at 1 January	57,841,421	55,350,192
Shares issued and alloted in relation to acquisitions	-	441,084
Shares issued and alloted on exercising of employee share options	500,000	2,050,145
Total number of TEMENOS Group AG shares issued, as at 31 December	58,341,421	57,841,421

As at 31 December 2007 the number of treasury shares held by TEMENOS Group AG amounted to 30,164 (2005: 185,973). A reserve has been created for these Treasury shares. These treasury shares are held for resale or for alloting to members of the Temenos Employee Share Option Scheme at the time that they exercise their options. During the year the company acquired 1,764,622 shares at market value and disposed of 1,920,431 shares to option holders at market value.

TEMENOS Group AG also has authorised and conditional capital, comprising:

authorised shares that may be issued in the context of acquisitions (available to the Board until 23 May 2008)	26,510,243
conditional shares that may be issued on the exercise of employee share options	9,759,292
conditional shares that may be issued in conjunction with financial instruments (of which 9,000,000 are reserved for the Convertible bond)	13,930,680

The holdings of more than 3 % of the voting rights of all issued shares, as at 31 December 2007 are as follows:

Schroders plc	6.24%
George Koukis	3.86%

4. Share premium

The share premium is reported after:

- deduction of expenses, amounting to CHF 121 thousand (2006: CHF 201 thousand), which were incurred in conjunction with the issuance of new shares
- deduction for reserve for treasury shares of CHF 837 thousand (2006: CHF 3,627 thousand).

5. Treasury shares

TEMENOS Group AG holds 30,164 shares at 31 December 2007 intended for resale or for alloting to members of the Temenos Employee Share Option Scheme at the time that they exercise their options (2006: 185,973).

6. Contingent liabilities

TEMENOS Group AG has provided certain guarantees to third parties, primarily in favour of TEMENOS Holdings NV, in the context of credit facilities placed at the disposal of the latter for a total of US$ 60 million. Management believes that these guarantees are unlikely to be activated.

7. Proposal for the appropriation of available earnings

	2007	2006
Profit for the year	1,520	(820)
Balance brought forward from previous year	(988)	(168)
Total available earnings	532	(988)
Proposal of the board of directors:		
Appropriation to general reserves	27	-
To be carried forward	505	(988)
	532	(988)

8. Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations

I. Compensation for acting members of governing bodies
(Exchange rates: USD/GBP: 0.5009; USD/CHF: 1.1267; USD/EUR: 0.6794)

This section summarises Temenos compensation programs for the executive members of the Board of Directors and for Temenos Senior Management ("Executives") in respect of the 2007 fiscal year.

As detailed in the Corporate Governance Report, the Executive Committee has been in place since 1 December 2007 and is composed of the five following managers: Andreas Andreades, David Arnott, Mark Cullinane, Alex Groenendyk and Andre Loustau. This committee has replaced the Executive Board which formed Temenos Senior Management until 30 November 2007.

The Executive Board was composed by the five members of the current Executive Committee plus the following people: Max Chuard, Malou Ducomble, Guylaine Gaudreau, Greg Green, Mark Gunning, Jean-Michel Hilsenkopf, Costa Christodoulou, Armin Holst, Philip Barnett, Peter McKenna and Tony Mahony who replaced Malou Ducomble from 1 August 2007.

For disclosure of compensation under this section,the compensation earned until 30 November 2007 by the nine former members of the Executive Board has also been taken into account.

The Compensation Committee reviews, approves and makes recommendations on compensation packages concerning the Executives and seeks to confirm that such compensation is fair in relation to the person's skills and their position and consistent with best market practice.

The objectives of Temenos Compensation programs are to:

1. Attract, motivate and retain highly talented and performance-driven Executives who have the potential to make the greatest impact
2. Reinforce a pay-for-performance culture by having significant portion of compensation package linked to achievement of results and growth significantly higher than our peer group of global software companies.
3. Align interests of Executives with shareholders' interests by having a substantial amount of compensation linked to Temenos stock performance.

The components of compensation for executive members of the Board of Directors and for Senior Management comprise base salary, benefits, annual bonus and long term incentive (Equity Based Stock Appreciation Rights (SARs), share options and profit sharing for one of the Executive Committee member).

The total executive compensation package is set in the top quartile when compared to that of other global software companies however the largest part of total compensation is variable compensation which is only paid on achievement of profit and revenue growth targets which are higher than that achieved on average by our peer group.

a. Board of Directors (chart 1)
The total of all compensation earned in 2007 by the members of the Board of Directors **in US dollars** and the distribution per member of the Board is as follows:

		Cash					
Name	Function	Base Salary	Annual Bonus	All other compensation[1]	Total Cash Compensation	Number of SARS[2]	Number of Shares
G. Koukis	Chairman	791,667	464,783	86,594	1,343,044	87,720	-
P. Selway-Swift	Vice-Chairman	70,000	-	-	70,000	-	-
A. Andreades	Member	687,682	927,872	105,221	1,720,775	760,080[3]	100,000[4]
M. Austen	Member	70,000	-	-	70,000	-	-
C. Pavlou	Member	70,000	-	-	70,000	-	-
L. P. Rutherfurd	Member	70,000	-	-	70,000	-	-
Total		**1,759,349**	**1,392,655**	**191,815**	**3,343,819**	**847,800**	**100,000**

[1] This includes life, medical, dental, disability and accident insurances as well as pension, housing, schooling, travel and car allowance.
[2] Conditions and grant details are detailed in the next section.
[3] This includes an exceptional grant for delivering the strategic plan 2007 to 2009 EPS targets; more details are provided in note 5 of Chart 4 below. Mr. Andreades does not participate in the Annual SAR plan for the years 2008 and 2009. The corresponding charge in the 2007 accounts with respect to the grant is $2,609,567. The valuation method that has been used is explained in note 21 to the consolidated financial statements.
[4] These shares have been issued by the Board of Directors on 28th February 2007 as an exceptional award linked to the successful completion of the strategic alliance with Metavante Corporation Inc: details for which are set out in Note 21 to the consolidated financial statements. These shares cannot be disposed before 28th February 2008. The value of those shares on the date of the grant was $1,693,000.

No remuneration was paid to persons related to the members of the Board of Directors.

Notes to the Unconsolidated Financial Statements continued

b. Senior Management (chart 2)

The total of all compensation earned in 2007 by the members of Temenos Senior Management in **US dollars** is as follows:

Name	Base Salary	Annual Bonus (Cash)	All other compensation[1]	Total Cash Compensation	Number of Options/Equity based SARs[5]	Number of Shares
A. Andreades, TEMENOS CEO[2]	687,682	927,872	105,221	1,720,775	760,080	100,000
Others members of the Executive Committee[3]	1,334,103	1,970,472	339,905	3,644,480	848,830	-
Other members of the Executive Board[4]	2,757,085	1,213,670	531,283	4,502,038	920,830	-
Total	**4,778,870**	**4,112,014**	**976,409**	**9,867,293**	**2,529,740**	**100,000**

[1] This includes medical, life, dental, disability and accident insurances as well as pension, housing, schooling, travel and car allowance for some of the Executive members.

[2] Highest amount earned by a member of the Executive Committee.

[3] This includes compensation earned by: David Arnott, Mark Cullinane, Alex Groenendyk and Andre Loustau.

[4] This includes compensation earned until 30.11.2007 by: Malou Ducomble (from 01.01.2007 to 31.07.07), Tony Mahony (from 01.08.07 to 30.11.2007), Guylaine Gaudreau, Max Chuard, Greg Green, Mark Gunning, Jean-Michel Hilsenkopf, Costa Christodoulou, Armin Holst, Philip Barnett and Peter McKenna.

[5] Grant details are provided in section II below. The total accounting charge related to the Options and SARs granted in 2007 is USD 15,578,440 for on-target achievement. This number could reduce if EPS targets are not met or could increase in case of overachievement; this is set out in the notes to Chart 4 in section II below. The expense will be amortized over the vesting period (2007 to March 2011); the vesting period is described in the note to Chart 4 in section II below.

No remuneration was earned by any persons related to Senior Management.

The contractual notice periods of the Executives do not exceed six months. No severance payments were made to persons whose duties on the governing bodies had come to an end during the financial year 2007.

II. Status of shares and Options / SARs ownership as of 31 December 2007

a. Board of Directors (chart 3)

Name	Position	Shares	Options/SARs
George Koukis	Chairman	2,252,064	248,658
Paul Selway-Swift	Vice –Chairman	11,400	-
Andreas Andreades	Member	177,851	1,320,704
Mark Austen	Member	17,900	-
Chris Pavlou	Member	50	-
Lewis Polk Rutherfurd	Member	1	-

No options and/or shares were held on 31 December 2007 by persons related to members of the Board of Directors.

b. Executive Committee and Executive Members of the Board of Directors (chart 4)

Name	Position	Shares	Options / SARS Grant Year	Options / SARS Grant price	Number of Options and SARS Outstanding[2]	Number of Options and SARS Unvested
George Koukis	Chairman	2,252,064	2001 to 2007	\$6.80 to \$27.79	248,658	130,307
Andreas Andreades	Chief Executive Officer	177,851	2002 to 2007	\$8.52 to \$15.56	1,320,704	1,221,117
David Arnott	Chief Financial Officer	29,000	2005 to 2007	\$8.52 to \$27.79	389,323	389,323
Mark Cullinane	Chief Operating Officer	-	2005 to 2007	\$8.52 to \$27.79	524,002	324,002
Alex Groenendyk	Chief Operating Officer – TCB	-	2005 to 2007	\$6.90 to \$6.90	128,527	128,527
Andre Loustau	Chief Technology Officer	4,000 7,898[1]	2001 to 2007	\$8.52 to \$27.79	721,418	702,388

[1] Shares held on 31 December 2007 by related persons.

[2] Options and SARs included in the table above include the following:

1) 1,674,060 options granted between 2001 and 2007, with grant price between \$6.9 and \$27.79. The options are subject to continuous employment between the grant date and the vesting date. Upon exercise, only the number of shares corresponding to the value of the gain, i.e. appreciation/gain above the Exercise Price, will be created and issued. Options granted prior to 2004 have vesting periods of 3 to 5 years and exercise periods from 5 to 7 years. Options granted in 2004 have vesting periods of 1 to 3 years and exercise periods from 7 to 9 years. Options granted after 2005 have vesting periods of 0 to 3 years and exercise periods from 7 to 10 years.

2) 495,942 "2006 SARs". The 2006 SARs have a grant price of USD 9.78 and are conditional on active employment from 1 January 2007 to the end of the vesting period and achievement of 2006-2008 diluted EPS targets as follows: 30% vest on 1st May 2007 if 2006 diluted EPS is USD 0.41, 30% vest on 1st May 2008 if cumulative 2006-2007 is USD 0.91 and 40% on 1st May 2009 if cumulative 2006 to 2008 diluted EPS is USD 1.49. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved.

3) 487,104 "2007 SARs". 2007 SARs have a grant price of USD 15.56 and are conditional on active employment from 1 January 2008 to the end of the vesting period and achievement of 2006-2008 diluted EPS targets as follows: 30% vest on 1st March 2008 if 2007 diluted EPS is USD 0.69, 30% vest on 1st March 2009 if cumulative 2007-2008 is USD 1.52 and 40% on 1st March 2010 if cumulative 2007 to 2009 diluted EPS is USD 2.51. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved.

4) 175,526 "2008 SARs". 2008 SARs have a grant price of USD 27.79 and are conditional on active employment from 1 January 2009 to the end of the vesting period and achievement of 2008-2010 diluted EPS targets as follows: 30% vest on 1st March 2009 if 2008 diluted EPS is USD 1.16, 30% vest on 1st March 2010 if cumulative 2008-2009 is USD 2.55 and 40% on 1st March 2011 if cumulative 2008 to 2010 diluted EPS is USD 4.22. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved.

5) 500,000 SARs to Mr. Andreades. Those will vest on 31 December 2009 if Mr. Andreades is employed with TEMENOS on that date and if cumulative 2007-2009 EPS is between USD 2.20 to USD 2.6199. The grant price is USD 15.56. The grant in case of under and overachievement is described in the table below:

2007 to 2009 Cumulative EPS	SARs Grant
below USD 2.20	0
USD 2.20 to USD 2.6199	500,000
USD 2.6199 to 3.0999	750,000
USD 3.10 or more	1,750,000

There is no retesting or look back on this grant. Mr. Andreades does not participate in the Annual SAR plan for the years 2008 and 2009.

III. Loans granted to members of governing bodies

As of 31 December 2007, 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.

IV. Major Shareholders

Please refer to Note 3 in the Unconsolidated Financial Statements

Financial Highlights

in millions of US dollars except earnings per share

	2007	2006	2005	2004	2003
Revenues	329.8	216.3	168.7	153.6	146.2
Operating costs	267.3	183.0	145.9	141.8	135.5
Other operating income	-	-	-	1.0	-
Operating profit	62.5	33.3	22.8	12.8	10.7
Profit before taxation	64.4	38.6	20.2	15.1	12.7
Net profit after tax	64.7	34.4	17.9	12.1	10.9
EBITDA	78.5	43.1	33.9	28.8	25.2
Diluted earnings per share (in US$)	1.00	0.57	0.32	0.22	0.19
Cash generated from operations	64.8	27.5	5.1	16.7	17.8
Current assets	294.4	262.7	127.8	114.5	108.2
Non-current assets	163.1	89.4	53.6	49.6	43.6
Total assets	457.6	352.1	181.4	164.1	151.8
Current liabilities (excluding deferred revenues)	101.3	62.4	40.9	36.8	49.5
Deferred revenues	57.5	45.0	33.6	34.6	35.9
Total current liabilities	158.8	107.4	74.5	71.4	85.4
Non-current liabilities	121.3	108.6	5.8	8.5	0.2
Total liabilities	280.1	216.0	80.3	79.9	85.6
Total equity	177.4	136.1	101.1	84.2	66.2
Total equity and liabilities	457.6	352.1	181.4	164.1	151.8

Information for Investors

Capital structure

The share capital is divided into 58.3 million registered shares of a par value of CHF 5.

Appropriation of profits

Temenos does not expect to pay dividends in the foreseeable future.

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Annual general meeting

20th June 2008

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2007
Sector	Technology/Software
Market Segment	SWX Main Market
Index Member	SPI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of shares	58,341,421
Market price high/low (CHF)	36.75/18.6
Market price 31.12.2006	20.65
Market price 31.12.2007	27.95
Market capitalisation high/low (CHF m)	2,082/1,078
Share capital nominal value at 31.12.2007 (CHF m)	292

Key Figures per Share	2007
Basic earnings per share (US$)	1.11
Diluted earnings per share (US$)	1.00
Consolidated shareholders' equity (US$ m)	177.1
Consolidated shareholders' equity per share (US$)	3.04

Major shareholders (>3%) of Temenos Group AG	2007
Schroders plc*	6.24%
George Koukis	3.86%

** deposited shares (art 689d CO)*

Development of the Temenos share price

01-Jan-07 to 31-Dec-07	Period High	Period Low	Change (%)
TEMN	36.75	18.6	7.30 (35.35%)

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