

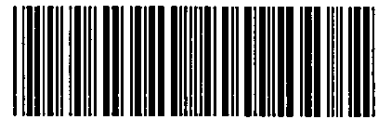
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Daon (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2007

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Anthony Murphy
Kevin Sharp

Solicitors

William Fry
Fitzwilliam House
Wilton Place
Dublin 2

Secretary and Registered Office

Jordan Company Secretaries Limited
20-22 Bedford Row
London
WC1R 4JC

Bankers

Bank of Ireland
2 College Green
Dublin 2

Registered Number. 04435065

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

DIRECTOR'S REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is the provision of business development services for selected partners for commercial gain

Fair review of development and performance of the business and of its position

Given the early stage of the marketplace, the directors are satisfied with the progress of the company for the financial period. The first work was performed for a UK external customer just before the end of the year and this will grow in 2008. Further revenue growth is also anticipated for the company in the EMEA and Rest of World sales regions. The directors are confident that the company has positioned itself well strategically.

Principal risks and uncertainties facing the company

The company operates in markets that are emerging and highly competitive. The directors continue to be of the opinion that the UK government agencies and private entities will react to heightened security concerns, amongst other factors, and this will drive demand for the company's business development service. The directors anticipate that these factors will increase overall demand, however, the timing of the shift in demand still cannot be predicted with absolute certainty.

Results and dividends

The profit for the year after providing for taxation amounted to €33,534 (2006: €33,123).

The directors do not recommend payment of a dividend.

Directors

The names of the persons who were directors at any time during the year ended 31 December 2007 are set out below. Except where indicated, they served as directors for the entire year.

Anthony Murphy
Richard Gooding (resigned 1 November 2007)
Kevin Sharp (appointed 1 November 2007)

The beneficial interest, including the interests of spouse and minor children, of the directors in office at 31 December 2007 in the share capital of the company's ultimate parent Daon Holdings Limited at 1 January 2007 (or date of appointment if later) and 31 December 2007 were:

	31 December 2007	1 January 2007 (or date of appointment if later)
Anthony Murphy	37,500	37,500
Kevin Sharp	1,250	1,250

The directors and their families had no other interest in the shares of the company or any other group companies at 31 December 2007.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

UK company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books and accounting records

The directors are responsible for ensuring that proper books and accounting records are kept by the company. To achieve this, the directors have appointed appropriate accounting personnel in order to ensure that the requirements are complied with.

Political and charitable donations

The company made no political or charitable donations during the year.

Subsequent events

No subsequent events affecting the company have occurred since the balance sheet date.

Provision of information to auditors

The directors confirm that in so far as each director is aware, that there is no relevant audit information of which the company's auditors are unaware. The directors have taken all appropriate steps to ensure that the auditors are aware of all necessary information.


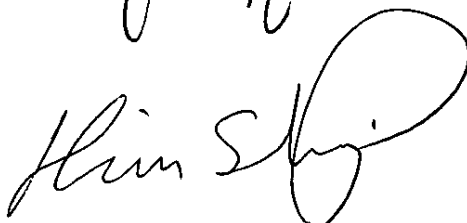
Policy and practice of payment

The company endeavours to agree terms of payments with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the company's policy to pay to agreed terms.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

x T.M. 
x K.S. 

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

We have audited the financial statements of Daon (UK) Limited for the year ended 31 December 2007 on pages 7 to 13, which comprises the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out on the statement of accounting policies on pages 9 and 10

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act, 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

30 October 2008

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2007

	Notes	2007 €	2006 €
Turnover	2	595,042	573,464
Cost of sales		-	(45,897)
Gross profit		<u>595,042</u>	<u>527,567</u>
Administrative expenses		<u>(553,089)</u>	<u>(486,262)</u>
Profit on ordinary activities before taxation	3	41,953	41,305
Tax on profit on ordinary activities	5	<u>(8,419)</u>	<u>(8,182)</u>
Profit for the financial year		33,534	33,123
Balance at beginning of the year		<u>93,198</u>	<u>60,075</u>
Balance at end of the year		<u>126,732</u>	<u>93,198</u>

Profit on ordinary activities arose solely from continuing operations. There are no differences between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical equivalents. The company had no recognised gains or losses other than those dealt with in the profit and loss account.

On behalf of the board

x
L.M. 

x
K.S. 

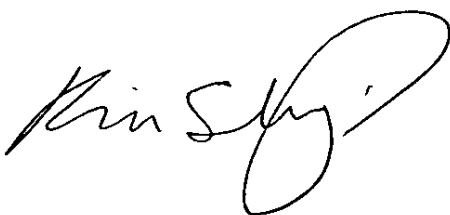
BALANCE SHEET
31 December 2007

	Notes	2007 €	2006 €
Current assets			
Debtors	6	125,334	116,649
Cash at bank and in hand		<u>92,232</u>	<u>22,171</u>
		217,566	138,820
Creditors - amounts falling due within one year	7	<u>(90,798)</u>	<u>(45,601)</u>
Net current assets		<u>126,768</u>	<u>93,219</u>
Total assets less current liabilities		<u>126,768</u>	<u>93,219</u>
Capital and reserves			
Called up share capital	8	2	2
Equity contribution from ultimate parent	8	34	19
Profit and loss account		<u>126,732</u>	<u>93,198</u>
Equity shareholders' funds	9	<u>126,768</u>	<u>93,219</u>

The financial statements on pages 7 to 13 were approved by the board of directors on 23 OCTOBER 2008 and were signed on its behalf by

On behalf of the board

x
T.M. 

x
KS 

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Cash flow statement

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cash flow statement as it is a small company.

Currency

The financial statements are presented in Euro, denoted by the symbol €.

Revenue recognition

The company generates revenue from software licence fees, professional services and support and maintenance.

When an arrangement to deliver software does not require significant production, modification or customisation, the company recognises revenue when a sales contract is in force, the product has been delivered, the license fee is fixed and determinable, and collection is probable.

When software license contracts contain support and maintenance as part of a multiple element arrangement, revenue is recognised based upon the vendor-specific objective evidence of the fair value of each element. Vendor specific objective evidence for each element of an arrangement is based upon the normal pricing and discounting practices for each element when sold separately.

License fees revenue is recognised rateably over the period of the term for a term licence and over a period of one year for a perpetual licence.

Support and maintenance revenue is recognised rateably over the term of the support service contract.

Revenue from professional services, including implementation and training is recognised as the services are performed. Revenue from other professional services requiring significant modification or customization of software is recognised under the percentage-of-completion method.

Share based payments

The Group operates an Employee Share Option Plan (ESOP) in the ultimate parent company Daon Holdings Limited. The company has adopted FRS 20 "Share Based Payments".

For the year ending 31 December 2007, the expense charge to cover the options vested in that accounting period was included in the profit and loss account. This charge is proportioned amongst the eligible operating subsidiaries based on a reasonable estimate of where the Group's senior management team have spent most of their time working for the period. For the current year this has resulted in a charge of €15 (2006 €5).

Deferred taxation

The charge for taxation is based on the profit of the year.

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

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

Deferred tax is measured at the tax rates that are expected to apply on the years in which the timing difference is expected to reverse based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Profits and losses arising from foreign currency translation and on settlement of accounts receivable and payable in foreign currency are dealt with through the profit and loss account. Monetary assets are money held and amounts received in money, all other assets are non-monetary assets.

2 Turnover

Turnover represents both fees for services to Daon as well as third parties.

3 Profit on ordinary activities before taxation	2007	2006
	€	€

Profit on ordinary activities before taxation is stated after charging

Staff costs

- wages and salaries	357,176	369,768
- social welfare costs	67,773	48,164
- share based payment charge	15	5
	<u>424,964</u>	<u>417,937</u>

Auditors' remuneration for audit and non-audit services is borne by its parent Daon.

4 Employees

The average number of employees employed by the company during the year was 3 (2006: 3).

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Tax on profit on ordinary activities	2007 €	2006 €
Current tax		
- Corporation tax on profit for the year	8,367	8,182
- Adjustment in respect of prior year	52	-
	<u>8,419</u>	<u>8,182</u>

The current tax charge for the year is equal to the current charge that would result from applying the standard rate of corporation tax to profit on ordinary activities. The current tax reconciliation is set out below.

	2007 €	2006 €
Profit on ordinary activities before tax	<u>41,953</u>	<u>41,305</u>
Profit on ordinary activities multiplied by the average rate of corporation tax for the year of 19% (2006: 19%)	7,971	7,848
Effect of		
Disallowable expenses	78	334
Tax at marginal rates	318	-
Adjustment in respect of prior year	52	-
Tax charge for year	<u>8,419</u>	<u>8,182</u>

There are no timing differences that would result in a deferred tax asset or liability.

6 Debtors	2007 €	2006 €
Trade debtors	39,354	-
Prepaid expenses	6,712	1,573
Amounts due from other group companies	<u>79,268</u>	<u>115,076</u>
	<u>125,334</u>	<u>116,649</u>

7 Creditors - amounts falling due within one year	2007 €	2006 €
Trade creditors	2,867	5,689
Accruals and other creditors	79,564	31,730
Corporation tax	<u>8,367</u>	<u>8,182</u>
	<u>90,798</u>	<u>45,601</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Share capital	2007 €	2006 €
Authorised		
1,000 ordinary shares of €1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
2 ordinary shares of €1 each	<u>2</u>	<u>2</u>

Employee Stock Option Plan

The Group operates an Employee Share Option Plan (ESOP) in the ultimate parent company Daon Holdings Limited. Specific classes of Ordinary Shares were created for the ESOP. The shares issued under the plan are "C" ordinary shares. These do not have voting rights nor the right to attend shareholders meetings but will convert to normal Ordinary Shares in the event of a liquidity event. The operation of the ESOP is at the discretion of the Board of Directors. The fair value of the options granted at 31 December 2007 is equal to the nominal value of the shares US\$0.01. At the Board's discretion, all permanent employees of the company are entitled to participate in the scheme - this includes the employees of Daon (UK) Limited. Exercise of an option is subject to a vesting period.

For the whole of the ESOP, the fair value per option granted and the assumptions used in the calculation are as follows:

	2007	2006
Grant date by		
Exercise price	US\$ 0.01	US\$ 0.01
Total shares granted to date	397,750	307,000
Forfeitures to date	(22,313)	(19,563)
Shares repurchased	(18,937)	-
Net option grants to date (i.e. shares under option)	356,500	287,437
Vesting period for remaining options	4 years	4 years

A reconciliation of the options movement for the group over the period is as follows:

	2007	2006
Outstanding at beginning of year	50,625	58,000
Granted	90,750	17,500
Forfeited	(2,750)	(8,563)
Exercised	(14,937)	(16,312)
Outstanding at end of year	123,688	50,625
Exercisable at the end of the year	8,062	1,000

The fair value of the share options granted during the period was determined using the following additional principals and information:

- Block-Scholes option pricing model
- Expected volatility factor was calculated using the historical volatility of the Dow Jones U.S. Software Index for the 4 year period prior to 31 December 2006
- Risk-free interest rate based on the average of the 3 year and the 5 year U.S. Treasury Note as of 29 December 2007
- 4 years to expiration
- 0% dividend yield

The charge for the year was €15 (2006: €5)

• NOTES TO THE FINANCIAL STATEMENTS - continued

9 Reconciliation of movements in shareholders' funds	2007 €	2006 €
Profit for the year	33,534	33,123
Equity contribution from ultimate parent	<u>15</u>	<u>19</u>
Net additions to equity shareholders' funds	33,549	33,142
Equity shareholders' funds at beginning of year	<u>93,219</u>	<u>60,077</u>
Equity shareholders' funds at end of year	<u>126,768</u>	<u>93,219</u>

10 Directors' remuneration	2007 €	2006 €
Emoluments		
- for services as directors	-	-
- for other services	<u>397,855</u>	-
	<u>397,855</u>	-

11 Parent undertaking

The ultimate parent undertaking is Daon Holdings Limited, a company registered in the Cayman Islands

The immediate parent undertaking is Daon, an unlimited company registered in Dublin, Ireland, which holds 100% of the issued share capital of the company

12 Related party transactions

The following transactions took place during the year with other members of the Daon group

Company	Transactions	€	Balance outstanding at end of year €
Daon	Operating Expenses	181,132	
Daon	Sales	563,714	79,268

13 Subsequent events

No significant events affecting the company have occurred since the balance sheet date

14 Approval of financial statements

The directors approved the statements on 23 OCTOBER 2008