

Daon (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2011

REGISTERED NUMBER 04435065

TUESDAY



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DIRECTORS AND OTHER INFORMATION

Board of Directors

Anthony Murphy
Martin Patefield-Smith (appointed 28 August 2012)

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

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the company is to sell software and services to selected partners for commercial gain

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

The directors have reviewed the development and performance of the company for the financial year. Turnover has declined as there were no new contract signings in the year. Licence fees, professional services and other revenue from previous projects was fully recognised in 2010. The support and maintenance revenue is derived from existing support arrangements. However, there are still active opportunities in the region's pipeline that the company could service.

Principal risks and uncertainties facing the company

The company operates in markets that are still emerging and also very competitive. The directors continue to be of the opinion that UK government agencies and private entities will react to heightened security concerns, thus driving the demand for the company's business. However, with the current global economic uncertainty and the effect this has on future government spending, the increase in demand and pace of growth will be difficult to predict.

Results and dividends

The profit for the year after providing for taxation amounted to £6,668 (2010: £29,285).

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 2011 are set out below. Except where indicated, they served as directors for the entire year.

Anthony Murphy

Kevin Sharp (resigned 28 August 2012)

The beneficial interest, including the interests of spouse and minor children, of the directors in office at 31 December 2011 in the share capital of the company's ultimate parent Daon Holdings Limited at 1 January 2011 and 31 December 2011 were:

	31 December 2011	1 January 2011
Anthony Murphy		
(C ordinary shares)	48,562	48,562
(options over C ordinary shares)	3,688	3,688
Kevin Sharp (C ordinary shares)	-	7,500

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

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

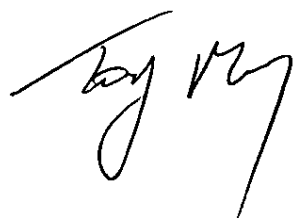
The company endeavours to agree terms of payments with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the company's policy to pay to agreed terms

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

Anthony Murphy





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 2011 which comprises the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Damian Byrne'.

**Damian Byrne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin**

4 October 2012

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	420,944	2,516,952
Cost of sales		<u>(90,792)</u>	<u>(2,063,893)</u>
Gross profit		330,152	453,059
Administrative expenses		<u>(321,619)</u>	<u>(415,847)</u>
Profit on ordinary activities before taxation	3	8,533	37,212
Tax on profit on ordinary activities	5	<u>(1,865)</u>	<u>(7,927)</u>
Profit for the financial year	10	<u>6,668</u>	<u>29,285</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

Anthony Murphy



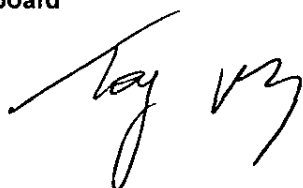
BALANCE SHEET
31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	6	<u>2,185</u>	<u>2,030</u>
Current assets			
Debtors	7	231,017	26,012
Cash at bank and in hand		<u>3,420</u>	<u>567,395</u>
		234,437	593,407
Creditors - amounts falling due within one year	8	<u>(38,610)</u>	<u>(395,979)</u>
Net current assets		<u>195,827</u>	<u>197,428</u>
Total assets less current liabilities		<u>198,012</u>	<u>199,458</u>
Capital and reserves			
Called up share capital	9	2	2
Equity contribution from ultimate parent	9	-	8,114
Profit and loss account	10	<u>198,010</u>	<u>191,342</u>
Equity shareholders' funds	11	<u>198,012</u>	<u>199,458</u>

The financial statements on pages 7 to 14 were approved by the board of directors on 4/1/12 and were signed on its behalf by

On behalf of the board

Anthony Murphy



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 2006 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 Pounds Sterling, 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 customisation 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 2011, the incremental cumulative charge or credit to cover any options vested in that accounting period was included in the profit and loss account. The amount 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.

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

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation on tangible fixed assets is calculated to write off their cost over their useful lives by equal annual instalments. The estimated useful lives of tangible fixed assets by reference to which depreciation had been calculated is as follows:

Computer equipment	36 months
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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 fees for services to third parties and the parent company.

3 Profit on ordinary activities before taxation	2011 £	2010 £
Profit on ordinary activities before taxation is stated after charging		
Depreciation	1,085	88
Staff costs		
- wages and salaries	304,995	476,855
- social welfare costs	45,521	57,937
- other pension costs	15,635	21,660
	<u>366,151</u>	<u>556,452</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 (2010: 6).

5 Tax on profit on ordinary activities	2011 £	2010 £
Current tax		
- Corporation tax on profit for the year	1,048	7,927
- Adjustment in respect of prior years	817	-
Total charge for year	<u>1,865</u>	<u>7,927</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Tax on profit on ordinary activities – continued

The current tax charge for the year is higher 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

	2011 £	2010 £
Profit on ordinary activities before tax	<u>8,533</u>	<u>37,212</u>
Profit on ordinary activities multiplied by the average rate of corporation tax for the year of 20 25% (2010 21%)	1,728	7,815
<i>Effect of</i>		
Disallowable expenses	(901)	1,370
Capital allowances in excess of depreciation	(31)	(445)
Other	252	(813)
Adjustment in respect of prior years	<u>817</u>	<u>-</u>
Tax charge for year	<u>1,865</u>	<u>7,927</u>

6 Tangible assets

Computer
Equipment
£

Cost

At 1 January 2011	2,118
Additions	<u>1,240</u>
At 31 December 2011	<u>3,358</u>

Accumulated depreciation

At 1 January 2011	88
Charge for the year	<u>1,085</u>
At 31 December 2011	<u>1,173</u>

Net book amount

At 31 December 2011	<u>2,185</u>
At 1 January 2011	<u>2,030</u>

7 Debtors

	2011 £	2010 £
Trade debtors	-	23,464
Prepaid expenses and other debtors	345	2,548
Amounts due from other group companies	<u>230,672</u>	<u>-</u>
	<u>231,017</u>	<u>26,012</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Creditors - amounts falling due within one year	2011 £	2010 £
Trade creditors	2,505	5,466
Deferred revenue	17,750	17,750
Amounts due to other group companies	-	309,414
Amounts due to related party	-	16,738
Accruals and other creditors	8,429	37,736
VAT	8,061	3,294
Corporation tax	1,865	5,581
	<u>38,610</u>	<u>395,979</u>

9 Share capital	2011 £	2010 £
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 is US\$1.01 (2010 US\$1.38). 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.

The company has adopted FRS 20 "Share Based Payments". The ESOP charge is split 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, as this was felt to provide a more realistic position of where the actual cost of the service was incurred. For the current year this has resulted in a charge of £2,426 (2010 credit of £349).

During the year, the equity contribution from ultimate parent reserve balance was combined with the profit and loss account reserve balance.

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

Grant date by	2011	2010
Exercise price	US\$4.11	US\$4.11
Total shares granted to date	570,900	526,650
Forfeitures to date	(63,102)	(53,127)
Shares repurchased	(351,390)	(53,248)
Net option grants to date (i.e. shares under option)	156,408	420,275
Vesting period for remaining options	<u>4 years</u>	<u>4 years</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Share capital - continued

Employee Stock Option Plan

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

	2011	2010
Outstanding at beginning of year	133,584	78,528
Granted	44,250	73,250
Forfeited	(9,975)	(5,875)
Exercised	(11,451)	(12,319)
Outstanding at end of year	156,408	133,584
Exercisable at the end of the year	65,153	37,755

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

- Black-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
- Risk-free interest rate based on the average of the 3 year and the 5 year U S Treasury Note
- 7 years to expiration
- 0% dividend yield

10 Profit and loss account

	2011 £	2010 £
At beginning of year	191,342	162,057
Profit for year	6,668	29,285
At end of year	198,010	191,342

11 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the year	6,668	29,285
Equity contribution (to)/from ultimate parent	(8,114)	(349)
Net movement to equity shareholders' funds	(1,446)	28,936
Equity shareholders' funds at beginning of year	199,458	170,522
Equity shareholders' funds at end of year	198,012	199,458

12 Directors' remuneration

	2011 £	2010 £
Emoluments		
- for services as directors	-	-
- for other services	152,936	193,613
	152,936	193,613

NOTES TO THE FINANCIAL STATEMENTS - continued

13 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

14 Related party transactions

There were transactions during the year with other members of the Daon Group

With Daon, there were sales of £403,810 (2010 purchases of £1,672,142), operating expenses of £6,216 (2010 £77,254) and working capital loans of £130,000 (2010 £1,278,319) to give a year-end balance owing from Daon of £230,672 (2010 balance owing to Daon of £309,414)

15 Subsequent events

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