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Daon (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2008

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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 2008.

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

The directors are satisfied with the development and performance of the company for the financial period. Turnover grew as there were commercial engagements around scoping and analysis projects. This allowed a delivery team to be established and get up to speed prior to work on full-scale production projects in 2009. As the company reports in the Euro currency, the performance of sterling for the year has meant that the profit levels are only comparable to the prior year even though performance has improved. Further revenue growth is anticipated and the directors are confident that the company is well positioned strategically.

Principal risks and uncertainties facing the company

The company operates in markets that are still emerging and also very competitive. The directors are now seeing demand for the company's services from UK government agencies as the adoption of biometric technologies is required. However, with the current global economic uncertainty and the effect this has on future government spending the increase in demand and pace of growth are difficult to predict.

Results and dividends

The profit for the year after providing for taxation amounted to €31,446 (2007: €33,534).

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 2008 are set out below. Except where indicated, they served as directors for the entire year:

Anthony Murphy
Kevin Sharp

The beneficial interest, including the interests of spouse and minor children, of the directors in office at 31 December 2008 in the share capital of the company's ultimate parent Daon Holdings Limited at 1 January 2008 (or date of appointment if later) and 31 December 2008 were:

	31 December 2008	1 January 2008
Anthony Murphy (C ordinary shares)	41,187	37,500
Kevin Sharp (C ordinary shares)	<u>2,500</u>	<u>1,250</u>

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

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 2008 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 personal 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.

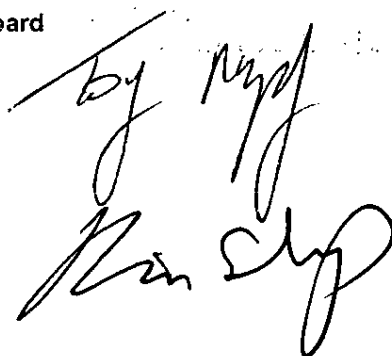
Policy and practice of payment

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

Two handwritten signatures in black ink. The first signature is written above the second. Both appear to be in cursive script.

30 November 2009

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 1, 1862. It is a very important document, as it contains the President's annual message to Congress.

2. The second part of the document is a report from the Secretary of the Interior, dated January 1, 1862. It contains information about the land and resources of the United States.

3. The third part of the document is a report from the Secretary of the Treasury, dated January 1, 1862. It contains information about the financial state of the United States.

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 2008 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 2008 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

**PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin**

7 December 2009

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2008

	Notes	2008 €	2007 €
Turnover	2	802,620	595,042
Cost of sales		<u>(255,008)</u>	<u>-</u>
Gross profit		547,612	595,042
Administrative expenses		<u>(507,749)</u>	<u>(553,089)</u>
Profit on ordinary activities before taxation	3	39,863	41,953
Tax on profit on ordinary activities	5	<u>(8,417)</u>	<u>(8,419)</u>
Profit for the financial year		31,446	33,534
Balance at beginning of the year		<u>126,732</u>	<u>93,198</u>
Balance at end of the year		<u>158,178</u>	<u>126,732</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

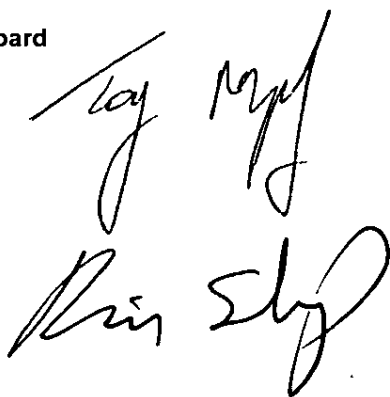
Ray Muel
Kim Slop

BALANCE SHEET
31 December 2008

	Notes	2008 €	2007 €
Current assets			
Debtors	6	267,720	125,334
Cash at bank and in hand		<u>43,916</u>	<u>92,232</u>
		311,636	217,566
Creditors - amounts falling due within one year	7	<u>(144,426)</u>	<u>(90,798)</u>
Net current assets		<u>161,210</u>	<u>126,768</u>
Total assets less current liabilities		<u>167,210</u>	<u>126,768</u>
Capital and reserves			
Called up share capital	8	2	2
Equity contribution from ultimate parent	8	9,030	34
Profit and loss account		<u>158,178</u>	<u>126,732</u>
Equity shareholders' funds	9	<u>167,210</u>	<u>126,768</u>

The financial statements on pages 7 to 13 were approved by the board of directors on 30th NOVEMBER '09 and were signed on its behalf by:

On behalf of the board



1947-1948

1949-1950

1951-1952

1953-1954

1955-1956

1957-1958

1959-1960

1961

1962

1963-1964

1965-1966

1967-1968

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.

Licence 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 2008, 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 €8,996 (2007: €15).

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 on 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 profits 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 are 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	2008 €	2007 €
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Profit on ordinary activities before taxation is stated after charging:

Staff costs:

- wages and salaries	299,544	357,176
- social welfare costs	54,207	67,773
- other pension costs	1,572	-
- share based payment charge	8,996	15
	<u>364,319</u>	<u>424,964</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 5 (2007: 3).

5 Tax on profit on ordinary activities	2008 €	2007 €
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Current tax:

- Corporation tax on profit for the year	8,417	8,367
- Adjustment in respect of prior year	-	52
	<u>8,417</u>	<u>8,419</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Tax on profit on ordinary activities - continued

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:

	2008 €	2007 €
Profit on ordinary activities before tax	<u>39,863</u>	<u>41,953</u>
Profit on ordinary activities multiplied by the average rate of corporation tax for the year of 21% (2007: 19%)	8,371	7,971
Effect of:		
Disallowable expenses	147	78
Tax at marginal rates	(101)	318
Adjustment in respect of prior year	<u>-</u>	<u>52</u>
Tax charge for year	<u>8,417</u>	<u>8,419</u>

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

6 Debtors	2008 €	2007 €
Trade debtors	-	39,354
Prepaid expenses	7,819	6,712
VAT	8,612	-
Amounts due from other group companies	<u>251,289</u>	<u>79,268</u>
	<u>267,720</u>	<u>125,334</u>

7 Creditors - amounts falling due within one year	2008 €	2007 €
Trade creditors	2,958	2,867
Deferred revenue	58,268	-
Accruals and other creditors	74,783	79,564
Corporation tax	<u>8,417</u>	<u>8,367</u>
	<u>144,426</u>	<u>90,798</u>

8 Share capital	2008 €	2007 €
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>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Share capital - continued

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\$2.23 (2007: 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.

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 €8,996 (2007: €15).

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	2008	2007
Exercise price	US\$4.00	US\$ 0.01
Total shares granted to date	424,000	397,750
Forfeitures to date	(24,814)	(22,313)
Shares repurchased	(19,812)	(18,937)
Net option grants to date (i.e. shares under option)	379,374	356,500
Vesting period for remaining options	4 years	4 years

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

	2008	2007
Outstanding at beginning of year	123,688	50,625
Granted	26,250	90,750
Forfeited	(2,501)	(2,750)
Exercised	(42,061)	(14,937)
Outstanding at end of year	105,376	123,688
Exercisable at the end of the year	8,250	8,062

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

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Reconciliation of movements in shareholders' funds	2008	2007
	€	€
Profit for the year	31,446	33,534
Equity contribution from ultimate parent	<u>8,996</u>	<u>15</u>
Net additions to equity shareholders' funds	40,442	33,549
Equity shareholders' funds at beginning of year	<u>126,768</u>	<u>93,219</u>
Equity shareholders' funds at end of year	<u>167,210</u>	<u>126,768</u>

10 Directors' remuneration	2008	2007
	€	€
Emoluments:		
- for services as directors	-	-
- for other services	<u>198,514</u>	<u>397,855</u>
	<u>168,514</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	Working capital loans	103,152	
Daon	Operating expenses	37,245	
Daon	Sales	237,928	251,289
SBCN	Recharge	21,481	21,481

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 30 November 2009.