

**Daon (UK) Limited**

**Directors' Report and Financial Statements**

**Year Ended 31 December 2009**

WEDNESDAY



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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 2009

### 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 considerably as there were commercial engagements around scoping and analysis projects. Work was therefore undertaken on full-scale production and pre-production projects in 2009. The company reports in the Euro currency and so reported results are subject to exchange rate fluctuations. 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 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 €24,297 (2008: €31,446)

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 2009 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 2009 in the share capital of the company's ultimate parent Daon Holdings Limited at 1 January 2009 (or date of appointment if later) and 31 December 2009 were

	31 December 2009	1 January 2009
Anthony Murphy (C ordinary shares)	44,874	41,187
Kevin Sharp (C ordinary shares)	<u>7,500</u>	<u>2,500</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 2009 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 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, 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**

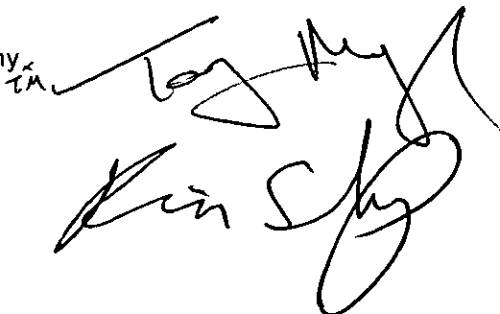
The company endeavours to agree terms of payments with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the company's policy to pay to agreed terms.

### **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

Handwritten signatures of Anthony Murphy and Kevin Sharp. Anthony Murphy's signature is written over his name and includes the initials 'TA'. Kevin Sharp's signature is written below it.

Kevin Sharp

## **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 2009 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 2009 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**

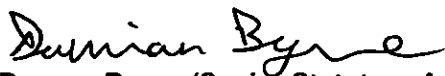
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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



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

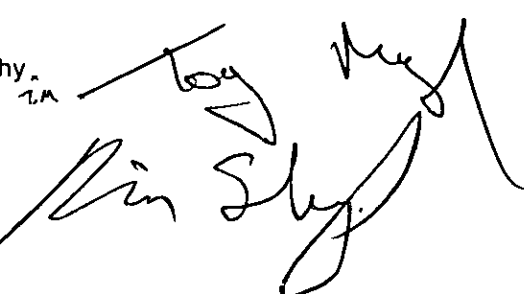
**18 October 2010**

**PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2009**

	Notes	2009 €	2008 €
Turnover	2	1,983,250	802,620
Cost of sales		<u>(1,562,981)</u>	<u>(255,008)</u>
<b>Gross profit</b>		420,269	547,612
Administrative expenses		<u>(389,364)</u>	<u>(507,749)</u>
<b>Profit on ordinary activities before taxation</b>	3	30,905	39,863
Tax on profit on ordinary activities	5	<u>(6,608)</u>	<u>(8,417)</u>
<b>Profit for the financial year</b>	9	<u>24,297</u>	<u>31,446</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 

 Kevin Sharp 



**BALANCE SHEET**  
31 December 2009

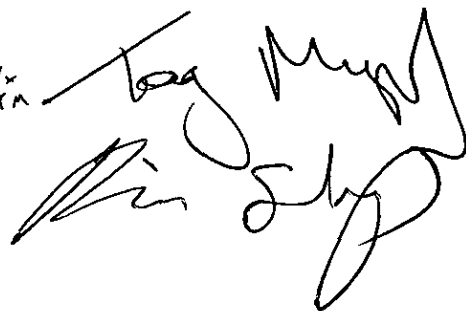
	Notes	2009 €	2008 €
<b>Current assets</b>			
Debtors	6	1,951,499	267,720
Cash at bank and in hand		<u>114,912</u>	<u>43,916</u>
		2,066,411	311,636
<b>Creditors - amounts falling due within one year</b>	7	<u>(1,874,402)</u>	<u>(144,426)</u>
<b>Net current assets</b>		<u>192,009</u>	<u>167,210</u>
<b>Total assets less current liabilities</b>		<u>192,009</u>	<u>167,210</u>
<b>Capital and reserves</b>			
Called up share capital	8	2	2
Equity contribution from ultimate parent	8	9,532	9,030
Profit and loss account	9	<u>182,475</u>	<u>158,178</u>
<b>Equity shareholders' funds</b>	10	<u>192,009</u>	<u>167,210</u>

The financial statements on pages 7 to 14 were approved by the board of directors on 5<sup>th</sup> OCTOBER '10 and were signed on its behalf by

On behalf of the board

Anthony Murphy

Kevin Sharp



## 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 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 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 2009, 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 €502 (2007: €8,996).

#### 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 fees for services to third parties.

<b>3 Profit on ordinary activities before taxation</b>	2009	2008
	€	€

Profit on ordinary activities before taxation is stated after charging

## Staff costs

- wages and salaries	672,856	427,810
- social welfare costs	95,224	68,985
- other pension costs	27,398	4,254
- share based payment charge	502	8,996
	<u>795,980</u>	<u>510,045</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 7 (2008: 5).

<b>5 Tax on profit on ordinary activities</b>	2009	2008
	€	€

## Current tax

- Corporation tax on profit for the year	<u>6,608</u>	<u>8,417</u>
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## 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.

	2009 €	2008 €
Profit on ordinary activities before tax	<u>30,905</u>	<u>39,863</u>
Profit on ordinary activities multiplied by the average rate of corporation tax for the year of 21% (2008: 21%)	6,490	8,371
<i>Effect of</i>		
Disallowable expenses	118	147
Tax at marginal rates	<u>-</u>	<u>(101)</u>
Tax charge for year	<u>6,608</u>	<u>8,417</u>

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

## 6 Debtors

	2009 €	2008 €
Trade debtors	1,929,705	-
Prepaid expenses	13,738	7,819
VAT	-	8,612
Amounts due from other group companies	<u>8,056</u>	<u>251,289</u>
	<u>1,951,499</u>	<u>267,720</u>

## 7 Creditors - amounts falling due within one year

	2009 €	2008 €
Trade creditors	16,502	2,958
Deferred revenue	1,555,431	58,268
Amounts due to related party	21,481	21,481
Accruals and other creditors	42,450	53,302
VAT	231,930	-
Corporation tax	<u>6,608</u>	<u>8,417</u>
	<u>1,874,402</u>	<u>144,426</u>

## 8 Share capital

	2009 €	2008 €
<b>Authorised:</b>		
1,000 ordinary shares of €1 each	<u>1,000</u>	<u>1,000</u>
<b>Issued and fully paid:</b>		
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\$2.50 (2008 US\$2.23). 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 €502 (2008 €8,996).

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	2009	2008
Exercise price	US\$4.00	US\$4.00
Total shares granted to date	453,400	424,000
Forfeitures to date	(47,252)	(24,814)
Shares repurchased	(20,498)	(19,812)
Net option grants to date (i.e. shares under option)	385,650	379,374
Vesting period for remaining options	4 years	4 years

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

	2009	2008
Outstanding at beginning of year	105,376	123,688
Granted	29,400	26,250
Forfeited	(22,438)	(2,501)
Exercised	(33,810)	(42,061)
Outstanding at end of year	78,528	105,376
Exercisable at the end of the year	15,100	8,250

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
- 7 years to expiration
- 0% dividend yield

## NOTES TO THE FINANCIAL STATEMENTS - continued

9 Profit and loss account	2009 €	2008 €
At beginning of year	158,178	126,732
Profit for year	<u>24,297</u>	<u>31,446</u>
At end of year	<u>182,475</u>	<u>158,178</u>

10 Reconciliation of movements in shareholders' funds	2009 €	2008 €
Profit for the year	24,297	31,446
Equity contribution from ultimate parent	<u>502</u>	<u>8,996</u>
Net additions to equity shareholders' funds	24,799	40,442
Equity shareholders' funds at beginning of year	<u>167,210</u>	<u>126,768</u>
Equity shareholders' funds at end of year	<u>192,009</u>	<u>167,210</u>

11 Directors' remuneration	2009 €	2008 €
Emoluments		
- for services as directors	-	-
- for other services	<u>199,423</u>	<u>198,514</u>
	<u>199,423</u>	<u>198,514</u>

## 12 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

## 13 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	(698,083)	
Daon	Operating expenses	348,415	
Daon	Purchases	1,038,442	8,056
SBCN	Recharge		21,481

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**14 Subsequent events**

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

**15 Approval of financial statements**

The directors approved the statements on 5 October 2010