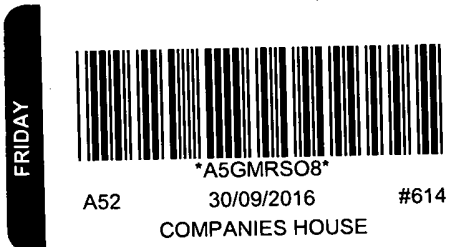


Co No 04435065

Daon (UK) Limited

Directors' Report and Financial Statements

Financial Year Ended 31 December 2015



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DIRECTORS AND OTHER INFORMATION

Board of Directors

Clive Bourke
Martin Patefield-Smith

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 together with the audited financial statements for the financial year ended 31 December 2015.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with UK law.

Company law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in the UK (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and promulgated by the Institute of Chartered Accountants in the UK and UK law).

Under UK law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- 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:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2006 and enable those financial statements to be audited.

The directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities

The principal activities of the company is to develop and sell biometric software and services to governments, system integrators and commercial entities to enable them to manage the identities of their citizens, customers and employees.

Accounting records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at the office of Daon, IFSC House, Custom House Quay, Dublin 1, Ireland.

Dividends

The directors do not recommend the payment of a dividend (2014: £Nil).

DIRECTORS' REPORT - continued

Events since the end of the financial year

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

Research and development

The company did not engage in any research and development expenditure during the financial year ended 31 December 2015 (2014: £Nil).

Political donations

There were no political or charitable donations during the year.

Business review

Turnover for the financial year ended 31 December 2015 increased to £205,336 compared to £132,488 for the prior year. The profit for the financial year ended 31 December 2015 was £8,145 compared to £6,206 in the prior year. The company had net assets of £223,440 at 31 December 2015 (2014: £215,295).

During the year, the company and group continued to expand upon its position in the global market place in conjunction with strengthening its product suite. The directors have reviewed the development and performance of the company and group for the financial year. At the start of 2015, two lines of business, IdentityX and PrivilegedX which were previously split from the Daon Solutions Group had their operations re-merged with the Daon Group. Work continued on both strategically important and full scale production programs already won. Sales effort was focused on both new and existing territories as work continued to expand the pipeline. Revenue growth is still a key area for the company and the group. The directors continue to be confident that the company and group have strategically positioned themselves well and are responsive to the market.

Principal risks and uncertainties facing the company

The company operates in markets that are still relatively new and also very competitive. The directors continue to be of the opinion that government agencies and commercial enterprises will continue to drive demand for the company's products and services. The directors anticipate that these factors will increase overall demand. However, the timing of the shift in demand cannot be predicted with absolute certainty. The company is actively looking to move into non-federal markets to mitigate risk and grow revenue.

Financial risk management

The company is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk and cash flow risk. The directors have programmes and controls in place to manage the financial risk exposures of the company.

Foreign exchange risk

The company does not have any material exposure to foreign exchange risk. The substantial part of its business is conducted in Pounds Sterling.

Credit risk

The company does not have a significant level of trade debtors. Procedures are in place to monitor the risk from existing debt.

Liquidity risk

The company has significant bank balances. It has no exposure to debt finance and has sufficient available funds to meet the day to day operations of the company.

Price risk

The company is not exposed to any specific price risks. The directors review the appropriateness of their pricing policy and pricing arrangements with external parties on an ongoing basis in order to manage any price risk exposure.

Cash Flow risk

The company does not have any material exposure to cash flow risk and is able to rely on cash flow from its parent company, Daon as and when required.

DIRECTORS' REPORT - continued

Directors' and secretary's interests

The beneficial interests, including the interest of spouses and minor children, of the directors and secretary in office at 31 December 2015 in the share capital of the company's ultimate parent undertaking Daon Holdings Limited at 31 December 2015 and 31 December 2014 were:

Directors and secretary		2015	2014
Clive Bourke	(C ordinary shares)	6,500	6,500
	(options over C ordinary shares)	<u>3,000</u>	<u>3,000</u>
Martin Patefield-Smith	(B Ordinary shares)	1,000	1,000
	(options over C ordinary shares)	<u>2,500</u>	<u>2,500</u>

The directors and secretary and their families had no other interest in the shares of the company or any other group companies at 31 December 2015.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statutory auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board

Clive Bourke



29 September 2016



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

Report on the financial statements

We have audited the financial statements of Daon (UK) Limited, which comprise the balance sheet as at 31 December 2015, the profit and loss account and statement of other comprehensive income for the year then ended, the statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

In our opinion, Daon UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

We have also audited the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account and statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

We have audited the financial statements of Daon (UK) Limited, which comprise the balance sheet as at 31 December 2015, the profit and loss account and statement of other comprehensive income for the year then ended, the statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 parent 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.

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Damian Byrne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin, Ireland
29 September 2016

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	5	205,336	132,488
Cost of sales		<u>(39,229)</u>	<u>(11,919)</u>
Gross profit		166,107	120,569
Administrative expenses	6	<u>(157,331)</u>	<u>(114,299)</u>
Operating profit		8,776	6,270
Interest receivable and similar income		<u>-</u>	<u>-</u>
Profit on ordinary activities before taxation		8,776	6,270
Tax on profit on ordinary activities	9	<u>(631)</u>	<u>(64)</u>
Profit for the financial year		<u>8,145</u>	<u>6,206</u>

STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2015

	2015 £	2014 £
Profit for the financial year	<u>8,145</u>	<u>6,206</u>
Total comprehensive income for the financial year	<u>8,145</u>	<u>6,206</u>

BALANCE SHEET
As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	10	-	-
Current assets			
Debtors	11	211,434	217,856
Cash at bank and in hand		178,000	23,279
		389,434	241,135
Creditors - amounts falling due within one year	12	(165,994)	(25,840)
Net current assets		223,440	215,295
Total assets less current liabilities		223,440	215,295
Capital and reserves			
Called up share capital - presented as equity	15	2	2
Profit and loss account		223,438	215,293
Equity shareholders' funds		223,440	215,295

The notes on pages 11 to 24 are an integral part of the financial statements.

The financial statements on pages 8 to 24 were authorised for issue by the board on 29th SEPT 2016 and were signed on its behalf.

On behalf of the board

Clive Bourke

Clive Bourke

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2015

	Called-up share capital presented as equity £	Profit and loss account £	Total £
Balance at 1 January 2014	<u>2</u>	<u>209,087</u>	<u>209,089</u>
Profit for the financial year	-	6,206	6,206
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	<u>-</u>	<u>6,206</u>	<u>6,206</u>
Balance at 31 December 2014	<u>2</u>	<u>215,293</u>	<u>215,295</u>
Balance at 1 January 2015	<u>2</u>	<u>215,293</u>	<u>215,295</u>
Profit for the financial year	-	8,145	8,145
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	<u>-</u>	<u>8,145</u>	<u>8,145</u>
Balance at 31 December 2015	<u>2</u>	<u>223,438</u>	<u>223,440</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activities of the company and group is to develop and sell biometric software and services to governments, system integrators and commercial entities to enable them to manage the identities of their citizens, customers and employees.

The immediate holding company and 100% shareholder of Daon (UK) Ltd. is Daon, an unlimited company registered in Dublin, Ireland at the offices of IFSC House, Custom house Quay, Dublin 1.

The ultimate holding company and 100% controlling party of Daon (UK) Limited is Daon Holdings Limited, a company registered in the Cayman Islands at the offices of the Harbour Trust Co. Limited, PO Box 1787, Second Floor, One Capital Place, George Town, Grand Cayman, Cayman Islands.

Consolidated financial statements are prepared by the immediate holding company, Daon (of which Daon (UK) Limited is included) and the ultimate holding company, Daon Holdings Ltd (of which Daon (UK) Limited is included) and is both the smallest and largest group for which group financial statements are drawn up and of which Daon UK Limited is a member. Copies of these group accounts are held at the respective registered office addresses.

2 Statement of compliance

The entity financial statements have been prepared on a going concern basis and in accordance with UK GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in the UK and the Companies Act 2006). The entity financial statements comply with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated. The company has adopted FRS 102 for the first time in these entity financial statements. Details of the transition to FRS 102 are disclosed in note 20.

(a) Basis of preparation

The entity financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

Note 20 gives details of the impact of adopting FRS 102 on the company's previously adopted accounting policies.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(b) Going concern

The company has equity shareholders' funds at 31 December 2015 of £223,440 (2014: £215,295) and is dependent on the support of its ultimate parent company Daon Holdings Limited, a company registered in the Cayman Islands.

Daon Holdings Limited has the financial support of Bottin Limited Partnership and has confirmed its intention to ensure that the Daon Group will be in a position to meet its liabilities as they fall due for the foreseeable future. In addition, Bottin Limited Partnership has confirmed that they will continue to support the Daon Group in order to ensure its ongoing viability.

It is on this basis that the directors continue to believe that the going concern basis is appropriate to the group and company. Accordingly, the financial statements have been prepared on a going concern basis.

(c) Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and has taken advantage of the following available disclosure exemption for qualifying entities:

- (i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows;
- (ii) Exemption from the requirements of Section 33 of FRS 102 to disclose related party transactions; and
- (iii) Exemptions from the requirements of Section 33.7 of FRS 102 to disclose key management compensation.

(d) Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentation currency is Pounds Sterling, denominated by the symbol "£".

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to Pounds Sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating expenses'.

(e) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Revenue recognition - continued

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.

User fees revenue is recognised rateably over the period of the subscription.

(f) Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) *Short term employee benefits*

Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service.

(ii) *Post-employment benefits*

The company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

(iii) *Share-based payments*

The group operates an Employee Share Option Plan (ESOP) in the ultimate parent company Daon Holdings Limited.

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 year.

(g) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(g) Income tax – continued

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(h) Tangible fixed assets

Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

(i) Computer equipment

Computer equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Fixtures and fittings

Fixtures and fittings are carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Office equipment

Office equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

(iv) Depreciation and residual values

Depreciation is provided for on a straight-line basis, to write off the cost of the assets over their estimated useful lives as follows:

Computer equipment:	3 years
Fixtures and fittings:	10 years
Office equipment:	5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(h) Tangible fixed assets – continued

(v) *Subsequent additions and major components*

Subsequent costs, including major inspections, are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(vi) *Derecognition*

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(i) Leased assets

(i) *Finance leases*

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor.

At the commencement of the finance lease term the company recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental and directly attributable costs incurred in negotiating and arranging a finance lease are included in the cost of the asset.

(ii) *Operating leases*

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(k) Provisions and contingencies

Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount 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 liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(k) Provisions and contingencies – continued

In particular:

- (i) Restructuring provisions are recognised when the company has a legal or constructive obligation at the end of the financial year to carry out the restructuring. The company has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and the company has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected; and
- (ii) Provision is not made for future operating losses.

(l) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) *Financial assets*

Basic financial assets, including trade and other debtors, cash and cash equivalents, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, investments in corporate bonds and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) *Financial liabilities*

Similarly, the Company has a number of basic financial liabilities, including trade and other creditors, bank loans and overdrafts, and loans from fellow group companies, which are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, whereby the financial liability is measured at the present value of the future payments discounted at a market rate of interest of a similar debt instrument.

Trade and other creditors, bank loans and overdrafts, loans from fellow group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(l) Financial instruments – continued

(ii) Financial liabilities – continued

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(m) Share capital presented as equity

Equity shares issued are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements 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.

(a) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related 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 addressed below.

(i) Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. See note 11 for the net carrying amount of the debtors.

5 Turnover

2015	2014
£	£

Analysis of turnover by geographical market:

UK	9,321	48,113
Rest of world	196,015	84,375
	<u>205,336</u>	<u>132,488</u>

Analysis of turnover by category:

Sale of goods	6,876	3,126
Rendering of services	198,460	129,362
Total	<u>205,336</u>	<u>132,488</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Operating expenses	2015	2014
	£	£

The following operating expenses have been recognised:

Depreciation	-	35
Foreign exchange losses - included in administration expenses	195	190

Auditors' remuneration

Remuneration (including expenses) for the statutory audit and other services is borne by its parent, Daon.

7 Employees and directors	2015	2014
	Number	Number

(i) Employees:

The average number of persons employed by the company during the financial year was as follows:

1	1
---	---

Staff costs comprise:

Wages and salaries	103,616	68,403
Social welfare costs	6,911	11,281
Other pension costs	4,524	4,392
Share-based payment charge	-	-
	<u>115,051</u>	<u>84,076</u>

2015	2014
£	£

(ii) Directors:

Emoluments	93,011	84,750
Benefits under long-term incentive schemes	4,524	4,392
Contributions to defined contributions schemes	4,524	4,392
Contributions to defined benefit schemes	-	-
Compensation for loss of office paid by the company and other termination payments	-	-

Retirement benefits are accruing to 1 director (2014: 1 director) under a defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Share based payments

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 or the right to attend shareholders meetings but will convert to the 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 2015 is US\$0.72 (2014: US\$1.01). At the Board's discretion, all permanent employees of the group are entitled to participate in the scheme - this includes the employees of Daon and its subsidiaries. Exercise of an option is subject to a vesting period.

For the current year, there was a charge of €4,821 (2014: credit of €3,053). During the prior 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:

	2015	2014
Exercise price	\$2.76	\$3.78
Total shares granted to date	806,175	580,400
Forfeitures to date	(150,366)	(139,491)
Option exercises	(354,240)	(354,082)
Expired unexercised options	(16,625)	-
Net option grants to date (i.e. shares under option)	284,944	86,827
Vesting period for remaining options	<u>4 years</u>	<u>4 years</u>

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

Outstanding at beginning of year	86,827	83,690
Granted	225,775	9,500
Forfeited	(10,875)	(6,238)
Exercised	(158)	(125)
Expired unexercised options	(16,625)	-
Outstanding at end of year	284,944	86,827
Exercisable at the end of the year	<u>80,444</u>	<u>72,890</u>

The total share based payment expense/(credit) recognised in profit or loss for the financial year was (€4,821) (2014: €3,053).

The fair value of the share options granted during the year was determined using the following additional principles 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 four-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 Income tax	2015 £	2014 £
(a) Tax expense included in profit or loss		
Current tax:		
Corporation tax on profit for the financial year	1,758	1,264
Adjustments in respect of prior financial years	(1,127)	(1,200)
Current tax expense for the financial year	<u>631</u>	<u>64</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Deferred tax expense for the financial year	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>631</u>	<u>64</u>
(b) Reconciliation of tax expense		
Tax assessed for the financial year is lower (2014: lower) than the standard rate of corporation tax in the UK for the financial year ended 31 December 2015 of 20% (2014: 20%). The differences are explained below:		
	2015 £	2014 £
Profit on ordinary activities before taxation	<u>8,776</u>	<u>6,270</u>
Profit multiplied by the standard rate of corporation tax for the financial year ended 31 December 2015 of 20% (2014: 20%)	1,755	1,254
<i>Effects of:</i>		
Disallowable expenses	3	10
Adjustments in respect of prior financial years	(1,127)	(1,200)
Tax on profit on ordinary activities	<u>631</u>	<u>64</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tangible fixed assets	Computer equipment £	Total £
At 1 January 2014		
Cost or deemed cost	3,358	3,358
Accumulated depreciation and impairment	(3,323)	(3,323)
Carrying amount	35	35
Financial year ended 31 December 2014		
Opening carrying amount	35	35
Depreciation charge for the year	(35)	(35)
Depreciation - Disposals	-	-
Carrying amount	-	-
At 31 December 2014		
Cost or deemed cost	3,358	3,358
Accumulated depreciation and impairment	(3,358)	(3,358)
Carrying amount	-	-
Financial year ended 31 December 2015		
Opening carrying amount	-	-
Additions	-	-
Disposals	-	-
Depreciation	-	-
Carrying amount	-	-
At 31 December 2015		
Cost or deemed cost	3,358	3,358
Accumulated depreciation and impairment	(3,358)	(3,358)
Carrying amount	-	-

There were no borrowing costs capitalised during the year (2014: £Nil).

During the financial year, tangible fixed assets with a carrying amount of £nil were disposed of. The assets had a cost of £nil and accumulated depreciation and impairment of £nil. The loss on the disposal of these tangible fixed assets was £nil (2014: £nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors	2015 £	2014 £
Trade debtors (of which £nil (2014: £nil) are due after more than one year)	29,100	16,313
Prepayments	455	466
Amounts due from related parties	22,741	3,682
Amounts due from other group companies	159,138	197,395
	<u>211,434</u>	<u>217,856</u>

Trade debtors are after provision for impairment of £Nil (2014: £Nil).

Amounts due from related parties and other group companies are non-interest bearing and repayable on demand.

12 Creditors: amounts falling due within one year	2015 £	2014 £
Trade creditors	-	515
Accruals	4,091	3,876
Deferred revenue	131,673	19,058
VAT	28,472	-
Corporation tax	1,758	2,391
	<u>165,994</u>	<u>25,840</u>

Trade creditors are payable in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

13 Post-employment benefits

The company has a revenue approved defined contribution pension scheme and makes the statutory employer pension for all staff around the globe. Company contributions and expenses of £4,524 (2014: £4,392) were charged to the profit and loss account for the year. There were no contributions outstanding at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Financial instruments

The company has the following financial instruments:

	Notes	£	2015 £	£	2014 £	£
Financial assets at fair value through profit and loss			-		-	
Financial assets that are debt instruments measured at amortised cost						
- Trade debtors		29,100		16,313		
- Amounts owed by group undertakings		159,138		197,395		
- Amounts owed by related party		22,741		3,682		
			210,979		217,350	
Cash at bank and in hand			178,000		23,279	
Financial assets that are equity instruments measured at cost less impairment			-		-	
Financial liabilities measured at fair value through profit or loss						
- Derivative financial instruments			-		-	
Financial liabilities measured at amortised cost						
- Trade creditors		-		515		
- VAT		28,472		-		
- Corporation tax		1,758		2,391		
			30,230		2,906	

15 Share capital and reserves

	2015 £	2014 £
Company		
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid - presented as equity		
2 ordinary shares of £1 each	2	2

Dividends

There were no dividends paid or proposed during the year (2014: £Nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Contingent liabilities

Claims arise in the normal course of running the company. While any litigation has an element of uncertainty, the Board of Directors believe that there are no contingent liabilities that would have a material adverse effect on the company's financial position.

17 Capital and other commitments

At 31 December, the company has no capital or other commitments.

18 Events after the end of the financial year

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

19 Transition to FRS 102

This is the first financial year for which the Company has presented financial statements complying with FRS 102. The last financial statements under UK GAAP were for the financial year ended 31 December 2014. The Company's date of transition to FRS 102 is 1 January 2014. There were no measured adjustments arising from the Company's transition to FRS 102 at 1 January 2015 or at the comparative date 31 December 2014.

20 Approval of the financial statements

The directors approved the financial statements on 29th SEPT 2016