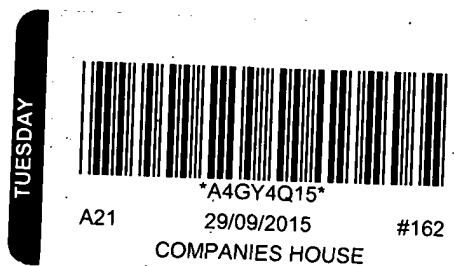


Co No: 4435065

Daon (UK) Limited

Directors' Report and Financial Statements

Financial Year Ended 31 December 2014



CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 - 5
INDEPENDENT AUDITORS' REPORT	6 - 7
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 15

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 and the audited financial statements for the year ended 31 December 2014.

Principal activities

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

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

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

Principal risks and uncertainties facing the company

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

Results and dividends

The profit for the year after providing for taxation amounted to £6,206 (2013: £5,068).

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 2014 are set out below. Except where indicated, they served as directors for the entire year:

Anthony Murphy (resigned 10 December 2014)

Martin Patefield-Smith

Clive Bourke (appointed 10 December 2014)

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

	2014	2013
Clive Bourke		
- (C ordinary shares)	6,500	6,500
- (options over C ordinary shares)	<u>3,000</u>	<u>3,000</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

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

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

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

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

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

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 office of Daon, IFSC House, Custom House Quay, Dublin 1, Ireland.

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.

DIRECTORS' REPORT - continued

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

Clive Bourke

A handwritten signature in black ink, appearing to read 'Clive Bourke', with a stylized flourish at the end.



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 2014 which comprises the Profit and Loss Account, the Balance Sheet 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. In addition, we read all the financial and non-financial information in the directors 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.

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 2014 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.

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T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie*



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAON (UK) LIMITED - continued

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.

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.
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

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

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

25 September 2015

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	132,488	181,966
Cost of sales		<u>(11,919)</u>	<u>(68,609)</u>
Gross profit		120,569	113,357
Administrative expenses		<u>(114,299)</u>	<u>(106,761)</u>
Operating profit	3	6,270	6,596
Interest receivable and similar income		<u>-</u>	<u>-</u>
Profit on ordinary activities before taxation		6,270	6,596
Tax on profit on ordinary activities	5	<u>(64)</u>	<u>(1,528)</u>
Profit for the financial year		<u>6,206</u>	<u>5,068</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

Clive Bourke



BALANCE SHEET
As at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	6	<u>-</u>	<u>35</u>
Current assets			
Debtors	7	217,856	162,280
Cash at bank and in hand		<u>23,279</u>	<u>82,693</u>
		241,135	244,973
Creditors - amounts falling due within one year	8	<u>(25,840)</u>	<u>(35,919)</u>
Net current assets		<u>215,295</u>	<u>209,054</u>
Total assets less current liabilities		<u>215,295</u>	<u>209,089</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	<u>215,293</u>	<u>209,087</u>
Equity shareholders' funds	11	<u>215,295</u>	<u>209,089</u>

The financial statements on pages 8 to 15 were approved by the board of directors on 25 SEPT 2015 and were signed on its behalf by:

On behalf of the board

Clive Bourke



NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The significant accounting policies adopted by the company are as follows:

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in the UK and UK statute comprising the Companies Acts, 2006. Accounting standards generally accepted in the UK in preparing financial statements giving a true and fair view are those promulgated by the Institute of Chartered Accountants in the UK and issued by the Financing Reporting Council.

Historical cost convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

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

Currency

The financial statements are presented in Pounds Sterling, denoted by the symbol £.

Revenue recognition

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

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

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

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 2014, the cumulative charge to cover any options vested in that accounting period was included in the profit and loss account. The amount is proportioned amongst the eligible operating subsidiaries based on a reasonable estimate of where the Group's senior management team have spent most of their time working for the period.

Deferred taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Deferred taxation - continued

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.

Tangible assets

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

Computer equipment	36 months
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Foreign currencies

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

2 Turnover

Turnover represents fees for services to third parties and the parent company.

3 Operating profit	2014 £	2013 £
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Operating profit is stated after charging:

Depreciation	35	1,031
Staff costs:		
- wages and salaries	68,403	52,780
- social welfare costs	11,281	10,790
- other pension costs	4,392	4,223
	<u>84,076</u>	<u>67,793</u>

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

4 Particulars of staff

The average number of employees employed by the company during the year was 1 (2013: 1).

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Tax on profit on ordinary activities	2014 £	2013 £
Current tax:		
- Corporation tax on profit for the year	1,264	1,528
- Adjustment in respect of prior years	<u>(1,200)</u>	<u>-</u>
Total charge for year	<u>64</u>	<u>1,528</u>

The current tax charge for the year is higher than 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:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>6,270</u>	<u>6,596</u>
Profit on ordinary activities multiplied by the average rate of corporation tax for the year of 20% (2013: 20%)	1,254	1,319
<i>Effect of:</i>		
Adjustment in respect of prior years	(1,200)	-
Disallowable expenses	10	206
Capital allowances in excess of depreciation	<u>-</u>	<u>3</u>
Tax charge for year	<u>64</u>	<u>1,528</u>

6 Tangible fixed assets	Computer equipment £
Cost	
At 1 January 2014	3,358
Additions	-
Disposals	<u>-</u>
At 31 December 2014	<u>3,358</u>
Accumulated depreciation	
At 1 January 2014	3,323
Charge for the financial year	35
Disposals	<u>-</u>
At 31 December 2014	<u>3,358</u>
Net book amount	
At 31 December 2013	<u>35</u>
At 31 December 2014	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Debtors	2014	2013
	£	£
Trade debtors	16,313	-
Prepayments expenses and other debtors	466	1,126
Amounts due from other group companies	197,395	161,154
Amounts due from related parties	<u>3,682</u>	<u>-</u>
	217,856	162,280

8 Creditors - amounts falling due within one year	2014	2013
	£	£
Trade creditors	515	-
Deferred revenue	19,058	17,750
Accruals	3,876	3,876
VAT	-	5,226
Corporation tax	2,391	3,855
Amounts due to related parties	<u>-</u>	<u>5,212</u>
	25,840	35,919

Amounts owed to related parties are interest free and are repayable on demand.

9 Share capital	2014	2013
	£	£
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid - presented as equity		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Employee Stock Option Plan

The Group operates an Employee Share Option Plan (ESOP) in the ultimate parent company Daon Holdings Limited. Specific classes of Ordinary Shares were created for the ESOP. The shares issued under the plan are "C" ordinary shares. These do not have voting rights nor the right to attend shareholders meetings but will convert to normal Ordinary Shares in the event of a liquidity event. The operation of the ESOP is at the discretion of the Board of Directors. The fair value of the options granted is US\$1.01 (2013: US\$1.11). 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 credit to reserves of £246 (2013: debit of £2,607).

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Share capital - continued

Employee Stock Option Plan - continued

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

	2014	2013
Exercise price	US\$3.78	US\$4.11
Total shares granted to date	580,400	570,900
Forfeitures to date	(139,491)	(133,253)
Option exercises	(354,082)	(353,957)
Net option grants to date (i.e. shares under option)	86,827	83,690
Vesting period for remaining options	<u>4 years</u>	<u>4 years</u>

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

	2014	2013
Outstanding at beginning of year	83,690	125,245
Granted	9,500	-
Forfeited	(6,238)	(41,088)
Exercised	(125)	(467)
Outstanding at end of year	86,827	83,690
Exercisable at the end of the year	<u>72,890</u>	<u>68,185</u>

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

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

10 Profit and loss account

	2014 £	2013 £
At beginning of year	209,087	204,019
Profit for year	<u>6,206</u>	<u>5,068</u>
At end of year	<u>215,293</u>	<u>209,087</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Reconciliation of movements in equity shareholders' funds	2014 £	2013 £
Profit for the year	6,206	5,068
Equity contribution to ultimate parent	-	-
Net movement to equity shareholders' funds	6,206	5,068
Equity shareholders' funds at beginning of year	209,089	204,021
Equity shareholders' funds at end of year	215,295	209,089

12 Directors' remuneration	2014 £	2013 £
Emoluments:		
- for services as directors	-	-
- for other services	89,142	85,941
	89,142	85,941

13 Holding company

The ultimate holding company is Daon Holdings Limited, a company registered in the Cayman Islands.

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

14 Related party transactions

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

With Daon, there were sales of £80,563 (2013: sales of £75,466), operating expenses of £44,322 (2013: £62,589) and working capital loans of £Nil (2013: £Nil) to give a year-end receivable balance of £197,395 (2013: £161,154).

Sales amounting to £8,894 were passed through to IdentityX, a company controlled by a common director during the year to give a year-end balance owing by IdentityX of £3,682 (2012: balance owing to IdentityX of £5,212).

15 Subsequent events

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

16 Approval of financial statements

The financial statements were approved by the board of directors on 25 SEPT 2015.