

COMPANY REGISTRATION NUMBER 2258824

SAFENET UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011

FRIDAY



A11EO34X

A63

28/09/2012

#309

COMPANIES HOUSE

SAFENET UK LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the members	5
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

SAFENET UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

G Clark
C Fedde
R Barkhordari

Company secretary

K Hicks

Registered office

3 Meadows Business Park
Station Approach
Blackwater
Camberley
Surrey
GU17 9AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

Bank of America
5 Canada Square
London
E14 5AQ

SAFENET UK LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was, and continues to be, the marketing and distribution of Information Security hardware, software and related services. In addition the company provides Management Services (including Sales, Finance, Legal and Human Resources) to European companies within the SafeNet Group.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's key financial and other performance indicators for the year were as follows -

	2011	2010	Change
	£'000	£'000	%
Turnover	6,059	4,499	35%
Total operating profit	378	300	26%
Profit after tax	388	670	(42%)
Shareholders' Funds	1,023	636	61%
Average monthly number of employees	93	84	11%

The company's principal activity is the marketing and distribution of Information Security products and services to the United Kingdom.

Further to the acquisition by SafeNet Inc. of Aladdin group of companies in 2009, SafeNet UK Limited acquired the business, assets and liabilities of Aladdin Europe Ltd on 30 December 2011.

The company faces increased competition from new and existing competitors in the market of Information Security but is well positioned to exploit the growth in the sector. In particular the addition of Cryptocard to the SafeNet Group in 2012 will lead to significant opportunities for cross selling to existing customer base. Cryptocard is a competitor of SafeNet UK Limited in the authentication market and its products and services will be available for SafeNet UK Limited to market and distribute during 2012.

The growth in turnover during the financial year is attributable to the increase in the market for Information Security following a number of high profile security breaches within the UK Government and Banking sectors and the consequent market commentary in particular outlining the need for enhanced data and content security.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £387,541 (2010: £670,025). The directors have not recommended a dividend (2010: nil).

SAFENET UK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

DIRECTORS

The directors who served the company and up to date of signing during the year were as follows

G Clark
C Fedde
R Barkhordari

The company has not granted an indemnity to any directors against liability of proceedings brought by third parties

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the following are principal risk factors that could materially and adversely affect the company's future operating benefits or financial position. Management and the Board regularly review risks facing the company. The list is not intended to be exhaustive.

Regulatory decisions and changes in the regulatory environment could adversely affect our business,

Failure to maintain effective internal controls could have a material adverse effect on our business and operating results,

Fluctuations in the exchange rate between the UK pound, the US dollar, and the Euro affect the company by impacting upon turnover, expenses and the balance sheet.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks, including foreign exchange rate risks, credit risks and liquidity risks. The Company has controls in place that seek to minimise any potential adverse effects of such risks on the Company's financial performance.

Foreign exchange rate risk: Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's functional currency. The Directors monitor the forward exchange rates and transfer money to the related group companies at the optimum time to minimise the foreign exchange risk associated with the timing of the transaction with the related group company.

Credit risk: The Company provides a core service to its customers and bills the great majority of its customers annually in advance. The Directors are satisfied that credit risk is minimised through the necessity of the continuance of this essential service to its customers. The Company will continue to develop policies and processes to ensure that the level of credit risk is actively managed as it expands further.

Liquidity risk: The business model is not capital-intensive and the Company addresses its liquidity requirement through the current cash resources and future cash flows from operations. The Directors anticipate that these resources will be sufficient to meet its short term and long term needs.

SAFENET UK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

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 prepared 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 year. 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.

Disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors


R Barkhordari
Director

Approved by the directors on ²⁶ September 2012

SAFENET UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFENET UK LIMITED

YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of SafeNet UK Limited for the year ended 31 December 2011 which comprise 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 Statement of Directors' Responsibilities as 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 and express an opinion on 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 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. 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS 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.

SAFENET UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFENET UK LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2011

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 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, 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



Jaskamal Sarai (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditor

Uxbridge

27 September 2012

SAFENET UK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
TURNOVER	2	6,058,811	4,499,226
Cost of sales		(1,930,901)	(1,444,428)
GROSS PROFIT		4,127,910	3,054,798
Distribution costs		(2,482,620)	(2,452,926)
Administrative expenses		(2,965,567)	(3,229,203)
Other operating income	3	1,697,987	2,927,026
OPERATING PROFIT	4	377,710	299,695
Interest receivable	7	–	30,410
Interest payable and similar charges	8	(1,207)	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		376,503	330,105
Tax on profit on ordinary activities	9	11,038	339,920
PROFIT FOR THE FINANCIAL YEAR	20	387,541	670,025

All of the activities of the company are classed as continuing

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £387,541 attributable to the shareholders for the year ended 31 December 2011 (2010 - profit of £670,025)

The notes on pages 9 to 19 form part of these financial statements.

SAFENET UK LIMITED

BALANCE SHEET

31 DECEMBER 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	10	454,338	–
Tangible assets	11	283,886	240,212
Investments	12	985	985
		<u>739,209</u>	<u>241,197</u>
CURRENT ASSETS			
Debtors	13	5,650,910	10,244,966
Cash at bank		1,095,424	488,496
		<u>6,746,334</u>	<u>10,733,462</u>
CREDITORS: Amounts falling due within one year	15	6,462,120	10,338,777
NET CURRENT ASSETS		<u>284,214</u>	<u>394,685</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,023,423</u>	<u>635,882</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	50,000	50,000
Profit and loss account	20	973,423	585,882
TOTAL SHAREHOLDERS' FUNDS	20	<u>1,023,423</u>	<u>635,882</u>

These financial statements were approved by the directors and authorised for issue on 26 September 2012, and are signed on their behalf by



R Barkhordari
Director

Company Registration Number 2258824

The notes on pages 9 to 19 form part of these financial statements

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies have been applied consistently and are as set out below.

Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (revised 1996) not to prepare a statement of cash flows as it is a wholly owned subsidiary of SafeNet Inc and is included in the consolidated financial statements of SafeNet Inc which are publicly available.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Turnover is shown net of value added tax and after deducting trade discounts.

Turnover in relation to the sale of goods is recognised once goods have been despatched to, and accepted by, the customer. Turnover in relation to services is recognised once approval for the service provided has been obtained. Turnover in relation to maintenance contracts is recognised rateably over the term of the contract to match the corresponding cost of delivering the service.

Where the sales price of a contract includes an element of warranty or maintenance and support, an amount equal to the average selling price of the warranty or maintenance and support is attributed to this element of the turnover and deferred over the relevant period. Income deferred in this way is classified as deferred income.

Other operating income

The company receives commissions and cost recharges in accordance with signed agreements with fellow group companies. The income is recognised when the services have been delivered. This income is shown gross of the costs incurred on the line titled other operating income in the profit and loss account.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 10 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES *(continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- Shorter of life of the lease or over 5 years
Furniture and office equipment	- Over 4 years
Computer equipment	- Over 1-3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Fixed asset investments

Investments in subsidiary undertakings are accounted for at cost less any impairment in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below.

	2011 £	2010 £
United Kingdom	<u>6,058,811</u>	<u>4,499,226</u>

3. OTHER OPERATING INCOME

	2011 £	2010 £
Commissions and cost recharges receivable from fellow group subsidiaries	1,697,987	2,926,993
Profit on disposal of fixed assets	–	27
Other operating income	–	6
	<u>1,697,987</u>	<u>2,927,026</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of owned fixed assets	110,935	109,318
Profit on disposal of fixed assets	–	(27)
Auditors' remuneration		
- Fees payable for the audit	20,050	16,000
- Fees payable for other services – tax compliance	–	4,000
Operating lease costs		
- Plant and equipment	33,431	(2,358)
- Land and buildings	282,787	415,016
Net gain on foreign currency translation	<u>(198,954)</u>	<u>(286,368)</u>

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2011	2010
	No	No
Distribution and marketing	7	4
Office and management staff	86	80
	<u>93</u>	<u>84</u>

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	6,194,663	4,858,454
Social security costs	750,112	561,481
Other pension costs	218,957	171,720
	<u>7,163,732</u>	<u>5,591,655</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2011	2010
	£	£
Remuneration receivable	516,045	328,007
Value of company pension contributions to money purchase schemes	19,738	19,119
	<u>535,783</u>	<u>347,126</u>

Remuneration of highest paid director:

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	420,762	237,327
Value of company pension contributions to money purchase schemes	14,536	14,146
	<u>435,298</u>	<u>251,473</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2011	2010
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

6. DIRECTORS' REMUNERATION *(continued)*

The emoluments of Mr C Fedde are paid by the parent company Mr Fedde's services to this company (and to a number of fellow subsidiaries) are of a non-executive nature and his emoluments are deemed to be wholly attributable to his services to the parent company Accordingly, the above details include no emoluments in respect of Mr Fedde.

7. INTEREST RECEIVABLE

	2011	2010
	£	£
Bank interest receivable	<u>—</u>	<u>30,410</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Other similar charges payable	<u>1,207</u>	<u>—</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of (credit)/ charge in the year

	2011	2010
	£	£
Current tax		
UK Corporation tax based on the results for the year at 26.50% (2010 - 28%)	-	8,520
(Over)/under provision in prior years	<u>(38)</u>	<u>14,560</u>
Total current tax	<u>(38)</u>	<u>23,080</u>
Deferred tax		
Origination and reversal of timing differences (note 14)		
Capital allowances	<u>(2,000)</u>	<u>(83,000)</u>
Losses	<u>(15,000)</u>	<u>(272,000)</u>
Other	<u>6,000</u>	<u>(8,000)</u>
Total deferred tax (note 14)	<u>(11,000)</u>	<u>(363,000)</u>
Tax on profit on ordinary activities	<u>(11,038)</u>	<u>(339,920)</u>

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

9. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax (credit)/charge

The tax assessed on the profit on ordinary activities for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are reconciled below

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>376,503</u>	<u>330,105</u>
Profit on ordinary activities by rate of tax	99,773	92,429
Expenses not deductible for tax purposes	8,110	7,333
Capital allowances in excess of depreciation	(5,747)	(5,454)
Utilisation of tax losses	(95,383)	(86,482)
Adjustments to tax charge in respect of prior years	(38)	14,560
Other timing differences	(6,753)	1,944
Expenses not taxable	-	(1,250)
Total current tax (note 9(a))	<u>(38)</u>	<u>23,080</u>

(c) Factors that may affect future tax charges

The company has tax losses of £1,199,000 (2010 £1,090,000) that are available for offset against future taxable trading profits of the company. These include losses of £469,000 transferred from Aladdin Europe Ltd, following the acquisition of its business and assets on 30 December 2011.

On 23 March 2011, the Chancellor announced a reduction in the main rate of UK corporation tax from 28% to 26% with effect from 1 April 2011. On 5 July 2011, a further reduction in the UK corporation tax rate from 26% to 25% became substantively enacted and will be effective from 1 April 2012. The deferred tax balances have been re-measured to reflect this reduction.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24%, instead of 25%, from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
Additions	454,338
At 31 December 2011	<u>454,338</u>
AMORTISATION	
At 1 January 2011 and 31 December 2011	<u>—</u>
NET BOOK VALUE	
At 31 December 2011	<u>454,338</u>
At 31 December 2010	<u>—</u>

This is purchased goodwill arising on the acquisition by the company of the business and assets of its fellow subsidiary, Aladdin Europe Ltd, on 30 December 2011 for a purchase consideration of £777,904 (US\$ 1,200,000)

Assets and liabilities acquired were as follows

	2011 £
Cash at bank	550,619
Trade debtors	905,508
Vat	(98,531)
Corporation tax	(33)
Trade creditors	(11,444)
Inter-company creditors	(355,472)
Miscellaneous creditors	(17,875)
Deferred revenue	(649,206)
Goodwill	454,338
	<u>777,904</u>

No fair value adjustments are required as the assets and liabilities acquired were all monetary assets and liabilities

SAFENET UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2011****11 TANGIBLE FIXED ASSETS**

	Leasehold improvements £	Furniture and office equipment £	Computer equipment £	Total £
COST				
At 1 January 2011	490,978	304,867	318,826	1,114,671
Additions	12,439	3,023	139,147	154,609
At 31 December 2011	503,417	307,890	457,973	1,269,280
DEPRECIATION				
At 1 January 2011	415,801	253,394	205,264	874,459
Charge for the year	19,211	5,721	86,003	110,935
At 31 December 2011	435,012	259,115	291,267	985,394
NET BOOK VALUE				
At 31 December 2011	68,405	48,775	166,706	283,886
At 31 December 2010	75,177	51,473	113,562	240,212

12. FIXED ASSET INVESTMENTS**Shares in group company****£****COST**

At 1 January 2011 and 31 December 2011

985**NET BOOK VALUE****At 31 December 2011 and 31 December 2010****985**

The investment comprises 200 equity shares (1%) in SafeNet InfoTech Pvt Ltd, incorporated in India

The directors believe that the carrying value of the investments is supported by their underlying net assets

13. DEBTORS

	2011 £	2010 £
Trade debtors	3,137,129	1,104,495
Amounts owed by group undertakings	1,792,928	8,533,849
Prepayments and accrued income	346,853	243,622
Deferred taxation (note 14)	374,000	363,000
	5,650,910	10,244,966

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

13. DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year

	2011 £	2010 £
Deferred taxation	<u>245,000</u>	<u>253,000</u>

Amounts owed by fellow group undertakings are unsecured, interest free and have no fixed date of repayment

14. DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows

	2011 £	2010 £
Included in debtors (note 13)	<u>374,000</u>	<u>363,000</u>

The movement in the deferred taxation account during the year was

	2011 £	2010 £
Balance brought forward	363,000	-
Profit and loss account movement arising during the year	<u>11,000</u>	<u>363,000</u>
Balance carried forward	<u>374,000</u>	<u>363,000</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Excess of depreciation over taxation allowances	85,000	83,000
Tax losses available	<u>287,000</u>	<u>272,000</u>
Other timing differences	<u>2,000</u>	<u>8,000</u>
	<u>374,000</u>	<u>363,000</u>

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

15 CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	225,097	326,757
Amounts owed to group undertakings	1,803,516	7,196,762
Corporation tax	33	14,519
PAYE and social security	343,010	246,179
VAT	549,519	146,269
Other creditors	25,827	6,230
Accruals and deferred income	3,515,118	2,402,061
	<u>6,462,120</u>	<u>10,338,777</u>

Amounts owed to parent and fellow group undertakings are unsecured, interest free and have no fixed date of repayment

16. PENSIONS

The company operates a defined contribution pension scheme. The contributions for the year amounted to £218,957 (2010 - £171,720). Included in creditors is £nil (2010 - £25,834) in respect of accrued contributions to the scheme at the year end.

17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings	Other Items	Land and buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 1 year	38,372	5,646	-	-
Within 2 to 5 years	273,415	-	311,787	-
	<u>311,787</u>	<u>5,646</u>	<u>311,787</u>	<u>-</u>

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by SafeNet Inc.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

19 SHARE CAPITAL

Authorised share capital:

	2011	2010
	£	£
50,000 (2010 50,000) Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2011		2010	
	No	£	No	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
Balance brought forward at 1 January 2010	50,000	(84,143)	(34,143)
Profit for the year ended 31 December 2010	—	670,025	670,025
Balance brought forward at 1 January 2010	50,000	585,882	635,882
Profit for the year ended 31 December 2011	—	387,541	387,541
Balance carried forward at 31 December 2011	<u>50,000</u>	<u>973,423</u>	<u>1,023,423</u>

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate holding company is SafeNet Technologies B V , a company incorporated in The Netherlands

The directors consider the ultimate parent undertaking and controlling party to be Vector Stealth Holdings II, LLC, a company incorporated in the United States of America

The parent undertaking of the smallest and largest group to consolidate these financial statements and of which the company is a member is SafeNet Inc , a company incorporated in the United States of America Copies of its financial statements can be obtained from 4690 Millennium Drive, Suite 400, Belcamp, MD 21017 USA