

SAFENET UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009



SAFENET UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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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 Auditor
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

Barclays Bank PLC
City Office
Old Bank
Oxford
OX1 3HS

SAFENET UK LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

Principal activity

The principal activity of the company during the year was, and continues to be, that of 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 group.

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the intermediate parent company, SafeNet Inc. The directors have received confirmation that SafeNet Inc. intends to support the company for at least one year after these financial statements are signed.

Review of business and future developments

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

	2009 £'000	2008 £'000	Change %
Turnover	4,231	3,985	6.2%
Total operating profit /(loss)	800	(1,773)	145.1%
Profit /(loss) after tax	791	(1,771)	144.7%
Shareholders' deficit	(34)	(825)	95.9%
Average monthly number of employees	66	63	4.8%

The company's principal activity is that of marketing and distribution of information security products and services to the United Kingdom.

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 Aladdin to the SafeNet Group in early 2009 has led to significant opportunities for cross selling non competing products to an existing customer base. Aladdin was a competitor of SafeNet and its products and services will be available for SafeNet to market and distribute during 2010.

The growth in revenue 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. In addition, the company sold its property in Chertsey for £0.8m.

The gross margin increased from 67.8% in 2008 to 71.2% in 2009 due to favourable movements in product costs. In 2008 a significant fluctuation in the UK pound to the Euro exchange rate led to a significant and unexpected loss. Management has reviewed the situation and made the necessary changes to the operations to monitor foreign exchange on a continuing basis. The company expects to continue to market and distribute the existing products, and is optimistic for continued revenue growth.

SAFENET UK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

Results and dividends

The profit for the year, after taxation, amounted to £790,915 (2008 loss after taxation £1,770,607)
The directors have not recommended a dividend (2008 nil)

Directors

The directors who served the company during the year and up to the date of signing the financial statements 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

- 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 revenue, expenses and the balance sheet

Financial risk management

Financial risks The company's operations expose it to a variety of financial risks, including 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. These controls are as follows

Foreign exchange 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

SAFENET UK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

Financial risk management *(continued)*

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.

Independent auditors

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

On behalf of the board

G Clark
Director



Approved by the directors on 30 September 2010

SAFENET UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2009

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 period. In preparing those 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

Each of the persons who is a director at the date of approval of this report confirms 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) each director 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.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

On behalf of the board

G Clark
Director



Approved by the directors on 30 September 2010

SAFENET UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFENET UK LIMITED

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of SafeNet UK Limited for the year ended 31 December 2009 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 Directors' Responsibilities Statement set out on page 5, 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 (APB'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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 2009

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 Auditors
Uxbridge

30 September

2010

SAFENET UK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
TURNOVER	2	4,231,419	3,985,422
Cost of sales		<u>1,217,307</u>	<u>1,282,926</u>
GROSS PROFIT		3,014,112	2,702,496
Distribution costs		1,944,670	2,525,549
Administrative expenses		4,119,515	6,196,155
Other operating income	3	<u>(3,439,014)</u>	<u>(4,246,496)</u>
OPERATING PROFIT/(LOSS)	4	388,941	(1,772,712)
Profit on disposal of property	4	410,145	—
Interest receivable and similar income		536	2,154
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		799,622	(1,770,558)
Tax on profit/(loss) on ordinary activities	7	8,707	49
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	17	<u>790,915</u>	<u>(1,770,607)</u>

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 year stated above and their historical cost equivalents

There are no recognised gains or losses other than the profit of £790,915 attributable to the shareholders for the year ended 31 December 2009 (2008 loss of £1,770,607)

SAFENET UK LIMITED

BALANCE SHEET

31 DECEMBER 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	148,116	577,870
Investments	9	985	985
		<u>149,101</u>	<u>578,855</u>
CURRENT ASSETS			
Debtors	10	5,090,810	4,267,697
Cash at bank		249,086	131,269
		<u>5,339,896</u>	<u>4,398,966</u>
CREDITORS: Amounts falling due within one year	11	<u>5,523,140</u>	<u>5,802,879</u>
NET CURRENT LIABILITIES		<u>(183,244)</u>	<u>(1,403,913)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(34,143)</u>	<u>(825,058)</u>
CAPITAL AND RESERVES			
Called-up share capital	16	50,000	50,000
Profit and loss account	17	(84,143)	(875,058)
TOTAL SHAREHOLDERS' DEFICIT	17	<u>(34,143)</u>	<u>(825,058)</u>

These financial statements were approved by the directors and authorised for issue on 30 September 2010, and are signed on their behalf by

G Clark
Director



Company Registration Number 2258824

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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. The principal accounting policies are set out below.

Going concern

These financial statements have been prepared on the going concern basis. Since the company has total net liabilities of £34,143 (2008: £825,058), a letter of support has been obtained from SafeNet Inc., its intermediate parent undertaking, confirming financial support for the foreseeable future, and in any event for at least 12 months from the date of signing the accounts.

Cash flow statement

The company has taken advantage of the exemption available under FRS 1 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 revenue 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.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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:

Freehold property	-	Over 31 years
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.

Investments

Investments in group 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.

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 exceptions:

- 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.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

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.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

A geographical analysis of turnover is given below.

	2009 £	2008 £
United Kingdom and Ireland	<u>4,231,419</u>	<u>3,985,422</u>

3. OTHER OPERATING INCOME

	2009 £	2008 £
Commissions and cost recharges receivable from fellow group subsidiaries	3,408,601	4,205,490
Rental income	30,408	41,000
Dividends	5	6
	<u>3,439,014</u>	<u>4,246,496</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting)

	2009 £	2008 £
Depreciation of owned fixed assets	140,747	218,121
(Profit)/loss on disposal of fixed assets	-	972
Operating lease costs - land and buildings	242,934	280,417
Net (profit)/loss on foreign currency translation	(504,442)	2,124,607
Auditor's remuneration – fees payable for the audit of the company	<u>27,500</u>	<u>15,000</u>

The profit on the disposal of freehold property relates to the sale of the Chertsey building in August 2009 for £0.8m. The tax effect is nil.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

5. PARTICULARS OF EMPLOYEES

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

	2009	2008
	No	No
Distribution and marketing	3	11
Office and management staff	63	52
	<u>66</u>	<u>63</u>

The aggregate payroll costs of the above were

	2009	2008
	£	£
Wages and salaries	3,438,029	2,819,839
Social security costs	398,287	472,254
Other pension costs	163,014	154,051
	<u>3,999,330</u>	<u>3,446,144</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2009	2008
	£	£
Remuneration receivable	295,838	305,870
Value of company pension contributions to money purchase schemes	18,631	18,101
	<u>314,469</u>	<u>323,971</u>

Remuneration of highest paid director:

	2009	2008
	£	£
Total remuneration (excluding pension contributions)	210,242	241,894
Value of company pension contributions to money purchase schemes	13,959	13,842
	<u>224,201</u>	<u>255,736</u>

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

	2009	2008
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2009 £	2008 £
Current tax		
UK Corporation tax based on the results for the year at 28% (2008 28.5%)	8,700	-
Under provision in prior years	7	49
Total current tax	<u>8,707</u>	<u>49</u>

(b) Factors affecting current tax charge

The tax assessed on the profit (2008 loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are reconciled below

	2009 £	2008 £
Profit/(loss) on ordinary activities before taxation	<u>799,622</u>	<u>(1,770,558)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	223,894	(504,609)
Expenses not deductible for tax purposes	15,620	4,621
De-accelerated capital allowances	39,409	9,563
Utilisation of tax losses	(158,430)	-
Unrelieved tax losses	-	486,328
Adjustments to tax charge in respect of previous periods	7	49
Rounding on tax charge	35	-
Other timing differences	3,013	4,097
Gain on disposal of freehold property, not taxed	(114,841)	-
Total current tax (note 7(a))	<u>8,707</u>	<u>49</u>

(c) Factors that may affect future tax charges

The company has tax losses of £3,206,000 (2008 £3,772,000) that are available for offset against future taxable trading profits of the company

A number of changes to the UK Corporation tax system have been announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not 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 2009

8. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold improve ments £	Furniture and office equipment £	Computer equipment £	Total £
COST					
At 1 January 2009	650,000	398,271	478,289	701,598	2,228,158
Additions	–	13,273	29,363	34,036	76,672
Disposals	(650,000)	–	(223,332)	(517,322)	(1,390,654)
At 31 December 2009	<u>–</u>	<u>411,544</u>	<u>284,320</u>	<u>218,312</u>	<u>914,176</u>
DEPRECIATION					
At 1 January 2009	274,423	326,932	419,095	629,838	1,650,288
Charge for the year	9,898	59,286	25,284	46,279	140,747
On disposals	(284,321)	–	(223,332)	(517,322)	(1,024,975)
At 31 December 2009	<u>–</u>	<u>386,218</u>	<u>221,047</u>	<u>158,795</u>	<u>766,060</u>
NET BOOK VALUE					
At 31 December 2009	<u>–</u>	<u>25,326</u>	<u>63,273</u>	<u>59,517</u>	<u>148,116</u>
At 31 December 2008	<u>375,577</u>	<u>71,339</u>	<u>59,194</u>	<u>71,760</u>	<u>577,870</u>

Freehold land included above at a cost of £nil (2008 £150,000) is not depreciated

9. INVESTMENTS

Shares in group company

	2009 £	2008 £
COST:		
At 1 January 2009	985	–
Additions	–	985
At 31 December 2009	<u>985</u>	<u>985</u>

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

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

10. DEBTORS

	2009 £	2008 £
Trade debtors	528,461	837,942
Amounts owed by group undertakings	4,152,287	3,043,740
Corporation tax recoverable	18,115	11,981
Other debtors	178,609	178,609
Prepayments and accrued income	213,338	195,425
	<u>5,090,810</u>	<u>4,267,697</u>

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

	2009 £	2008 £
Other debtors	<u>178,609</u>	<u>178,609</u>

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

11. CREDITORS: Amounts falling due within one year

	2009 £	2008 £
Trade creditors	2,971	289,623
Amounts owed to group undertakings	3,790,537	4,190,807
Other taxation and social security	193,083	138,100
VAT	181,827	111,394
Other creditors	14,712	22,740
Accruals and deferred income	1,340,010	1,050,215
	<u>5,523,140</u>	<u>5,802,879</u>

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

12. PENSION CONTRIBUTIONS

The company operates a defined contribution pension scheme. The contributions for the period amounted to £163,014 (2008 - £154,051). Included in creditors is £22,275 (2008 - £10,413) in respect of accrued contributions to the scheme at the year end.

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

13. DEFERRED TAXATION

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows

	2009	2008
	£	£
Excess of depreciation over taxation allowances	170,000	39,000
Tax losses available	898,000	4,000
Other timing differences	7,000	1,124,000
	<u>1,075,000</u>	<u>1,167,000</u>

A deferred tax asset has not been recognised on the grounds that the directors consider that there is insufficient evidence that there will be sufficient taxable profits in the foreseeable future from which the timing differences can be deducted

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire		
Within 1 year	19,200	140,000
Within 2 to 5 years	273,415	-
	<u>292,615</u>	<u>140,000</u>

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the SafeNet Inc group

Transactions with other related parties, being fellow group companies, were as follows

Name	Transaction	Amount		Amount due (to)/from related parties	
		2009	2008	2009	2008
		£	£	£	£
Aladdin Europe Ltd	Management fees	217,800	-	369,497	-
	Payroll recharge	118,438			
	Expense recharge	160,339			

SAFENET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

16. CALLED UP SHARE CAPITAL

Authorised share capital:

	2009 £	2008 £
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2009 £	2008 £
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

17. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENT ON RESERVES

	Share capital £	Share option reserve £	Profit and loss account £	Total shareholders' funds £
At 1 January 2008	50,000	53,497	842,052	945,549
Loss for the year	-	-	(1,770,607)	(1,770,607)
Transfer to P& L account		(53,497)	53,497	-
At 31 December 2008	<u>50,000</u>	<u>-</u>	<u>(875,058)</u>	<u>(825,058)</u>
Profit for the year	-	-	790,915	790,915
At 31 December 2009	<u>50,000</u>	<u>-</u>	<u>(84,143)</u>	<u>(34,143)</u>

18. 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 group of undertakings for which group financial statements are drawn up 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

SAFENET UK LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 DECEMBER 2009

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 6 to 7**

SAFENET UK LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
TURNOVER	4,231,419	3,985,422
COST OF SALES		
Inter-company cost of sales	664,015	784,017
Licence and royalty expenses	86,068	6,990
Freight - out	(17,034)	(19,989)
Customer service allocation from OpEx	484,258	511,908
	<u>1,217,307</u>	<u>1,282,926</u>
GROSS PROFIT	3,014,112	2,702,496
OVERHEADS		
Distribution costs	1,944,670	2,525,549
Wages and salaries	3,438,029	3,541,989
Employers national insurance contributions	398,287	472,254
Staff pension contributions	163,014	154,051
Property expenses	225,121	241,518
Insurance	60,513	50,989
Repairs and maintenance	4,923	4,896
Travel and subsistence	455,001	476,029
Telephone	137,736	142,375
Office expenses	81,706	71,946
Trade subscriptions	1,305	1,537
Computer running expenses	11,602	16,739
Licences	9,102	4,027
Contract labour	139,174	186,938
Equity-settled share-based write back	—	(53,497)
Postage and freight	55,434	54,171
Transfer of share of administrative costs to distribution costs	(1,233,753)	(2,065,385)
Transfer of share of administrative costs to cost of sales	(484,258)	(511,908)
Staff training	15,402	23,063
Staff health insurance	44,149	28,952
Other staff related expenses	58,015	71,424
Recruitments expenses	95,302	67,797
Sundry expenses	3,465	297
Donations	—	2,500
Entertaining	19,111	15,715
Legal and professional fees	528,721	553,888
Auditors remuneration	—	15,000
Depreciation	140,747	218,121
(Profit)/Loss on disposal of fixed assets	—	972
Bad debts written off	(3,060)	62,958
Provision for doubtful debts	(1,101)	(16,226)
Operating lease Property	242,934	222,698
	<u>6,551,291</u>	<u>6,581,377</u>
Carried forward	6,551,291	6,581,377

SAFENET UK LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
Brought forward	6,551,291	6,581,377
Bank charges	17,336	15,720
Foreign currency gains/losses	(504,442)	2,124,607
	<u>6,064,185</u>	<u>8,721,704</u>
	(3,050,073)	(6,019,208)
OTHER OPERATING INCOME	3,439,014	4,246,496
OPERATING PROFIT/(LOSS)	388,941	(1,772,712)
Profit on disposal of freehold property	410,145	—
Interest receivable	536	2,154
PROFIT/(LOSS) ON ORDINARY ACTIVITIES	799,622	(1,770,558)
DISTRIBUTION COSTS		
Other distribution costs	60,097	995
Advertising, marketing, promotion and public relations	417,606	308,742
Tradeshows and events	237,728	133,206
Translations	3,134	3,897
Trade subscriptions	(7,648)	13,324
Transfer of admin costs to distribution costs	1,233,753	2,065,385
	<u>1,944,670</u>	<u>2,525,549</u>
OTHER OPERATING INCOME		
Commissions and cost recharges receivable from fellow group subsidiaries	3,408,601	4,205,490
Rental income	30,408	41,000
Dividends	5	6
	<u>3,439,014</u>	<u>4,246,496</u>
EXCEPTIONAL ITEM		
Profit on disposal of freehold property	410,145	—
INTEREST RECEIVABLE		
Bank interest receivable	476	2,154
HMRC interest received on overpaid tax	54	—
Other interest received	6	—
	<u>536</u>	<u>2,154</u>