

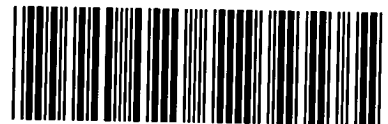
SafeNet UK Limited

Annual report and financial statements

Registered number 02258824

31 December 2016

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Strategic Report

PRINCIPAL ACTIVITIES 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:-

	2016	2015	Change
	£'000	£'000	%
Turnover	23,841	20,220	18
Profit before tax	608	568	7
Profit after tax	432	473	-9
Shareholders' Funds	3,026	2,594	17
Average monthly number of employees	124	121	2

The entire Enterprise and Cybersecurity business is growing with a 10% growth in 2016 compared to 2015 and an 8% increase in headcount from investing in Research and Development and Sales. The UK market with a turnover growth of 18% year on year has performed better compared to the entire Enterprise and Cybersecurity business. This is due to the demand in the UK market for information security.

SafeNet UK Limited acts as a Limited Risk Distributor within Gemalto's Enterprise and Cybersecurity business selling certain products developed and produced by Gemalto. As a Limited Risk Distributor the increase in Turnover has increased the Profit before Tax year on year by 7%.

The Profit after tax decreased 9% year on year due to the increase in deferred tax expense as a result of the utilisation of Tax losses decreasing the Deferred tax asset.

BUSINESS MODEL

The Enterprise and Cybersecurity business offers solutions mainly within Enterprise Security and Software Monetization:

Enterprise Security

With sensitive data residing everywhere, organizations becoming more mobile, and the breach epidemic growing, the need for advanced identity and data protection solutions has become even more critical.

With Gemalto Identity and Data Protection solutions for enterprise security, organizations can take a data-centric approach to their security posture, all while controlling access to the infrastructure and applications they rely upon. Not only can they create trust and authenticity in their transactions, but they can ensure that sensitive data is protected and controlled — both on-premises, and in public and private clouds. In addition to a heightened level of protection, enterprises are also able to improve business efficiencies and scale to the identity and data protection needs of tomorrow.

Strategic Report (continued)

BUSINESS MODEL (continued)

Software Monetization

With over 30 years of experience, our Sentinel software monetization portfolio provides software companies and intelligent device vendors with software licensing, protection, and entitlement management solutions that help them monetize their software and drive business growth. Gemalto's Sentinel portfolio helps customers extract the most value from their software.

Of SafeNet UK Limited's Turnover in 2016 Enterprise Security Turnover represented £20.3m (2015 £16.5m) and Software Monetization Turnover represented £3.5m (2015 £3.7m).

SafeNet UK Limited also provides further support services including technical support and consulting services to meet customer needs in protecting their Licenses and Data.

BUSINESS STRATEGY

The mission for Enterprise and Cybersecurity is to ensure a leadership position in Data Protection by launching a new offer Data Protection As A Service (DPAAS) in 2017, to become a leading player in Enterprise Access management by launching a new offer Safenet Trusted Access (STA) in 2017 and keep leadership in Software Monetization.

For this, Enterprise and Cybersecurity will continue to invest in Research & Development, ensuring our transformation towards the "cloud" environment and extend our sales organization.

FUTURE OUTLOOK

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.

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.

Liquidity Risk

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.

Price Risk

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

The above Price risk could therefore also affect credit risk and cashflow risk if fluctuations in the exchange rate negatively impact the company.

Signed on behalf of the directors

G Clark
Director

Date 9/8/17.



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

Directors' report

The Directors present their report and the financial statements of the company for the year ended 31 December 2016

Proposed dividend

The directors do not recommend the payment of a dividend (2015:£Nil).

Directors

The directors who held office during the year and up to the date of this report were as follows:

G. Clark
V. Lyon

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016:£nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

No material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 to 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KMPG LLP will therefore continue in office.

By order of the board

G Clark
Director

Date

9/8/17



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

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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; 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFENET UK LIMITED

We have audited the financial statements of SafeNet UK Limited for the year ended 31 December 2016 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 - *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFENET UK LIMITED
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or 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.

JBreakell

Julie Breakell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandler's Ford
SO53 3TG

Date

10/8/17

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	23,841	20,220
Cost of sales		(7,925)	(5,016)
Gross profit		15,916	15,204
Distribution costs		(4,378)	(3,510)
Administrative expenses		(6,707)	(6,786)
Other operating expenses	3	(4,196)	(4,026)
Operating profit	4	635	882
Interest payable and similar expenses	7	(27)	(314)
Profit before taxation		608	568
Tax	8	(176)	(95)
Profit for the financial year		432	473
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		432	473

The results relate to continuing activities.

The accompanying notes form part of the Financial Statements.

Balance Sheet
at 31 December 2016

	Note	2016 £000	£000	2015 £000	£000
Fixed assets					
<i>Intangible assets</i>	9				
Goodwill		1,926		2,214	
Other intangibles		<u>25</u>		<u>50</u>	
			1,951		2,264
<i>Tangible assets</i>	10	308		425	
Investments	11	<u>1</u>		<u>1</u>	
			309		426
			<u>2,260</u>		<u>2,690</u>
Current assets					
Debtors (including £72,481 (2015: £248,358) due after more than one year)	12	13,695		19,910	
Cash at bank and in hand		<u>442</u>		<u>4,491</u>	
		14,137		24,401	
Creditors: amounts falling due within one year	13	<u>(10,112)</u>		<u>(22,060)</u>	
					2,341
Net current assets			4,025		
Total assets less current liabilities			<u>6,285</u>		<u>5,031</u>
Creditors: amounts falling due after more than one year	14	<u>(3,259)</u>		<u>(2,437)</u>	
			<u>(3,259)</u>		<u>(2,437)</u>
Net assets			<u>3,026</u>		<u>2,594</u>
Capital and reserves					
Called up share capital	16	50		50	
Profit and loss account		2,976		2,544	
Shareholders' funds			<u>3,026</u>		<u>2,594</u>

These financial statements were approved by the board of directors on 9th August 2017 and were signed on its behalf by:



Gary Clark
Director

Company registered number: 2258824

The accompanying notes form part of the financial statements

Statement of Changes in Equity
for year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	50	2,071	2,121
Total comprehensive income for the period	-	473	473
Balance at 1 January 2016	50	2,544	2,594
Total comprehensive income for the period	-	432	432
Balance at 31 December 2016	50	2,976	3,026

The accompanying notes form part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

SafeNet UK Limited is a private company incorporated domiciled and registered in the UK. The Registered Number is 02258824 and the registered address is Rivercourt, 3 Meadows Business Park, Station Approach, Blackwater, Camberley, Surrey GU17 9AB

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The Presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Gemalto N.V. includes the Company in its consolidated financial statements. The consolidated financial statements of Gemalto N.V. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Barbara Strozzi aan 382, 1083 HN Amsterdam, The Netherlands. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gemalto N.V. include the disclosure equivalent to those required by FRS 102, the company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated on intangible assets and provision for bad debts and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The Accounting treatments of Goodwill, intangible assets and provisions are disclosed in note 1.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern

The directors have reviewed the financial position of the company having regard to the company's net current assets of £4.025m as at 31 December 2016 including cash pooling asset of £4.3m of which £318k is net payable to Gemalto Treasury Services a group French company and £4.6m is net receivable from SafeNet Technologies BV the company's Dutch parent. The company has cash £0.4m as at 31 December 2016. Current liabilities at 31 December 2016 include £6.4m of deferred income, which is deferred profit not a financial liability. The directors believe that the company has sufficient financial resources to continue to trade profitably for the foreseeable future. The directors also consider that the company's financial strength is enhanced by being a member of the wider Gemalto N.V. group. The financial statements have therefore been prepared on a going concern basis.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transactions costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Leasehold improvements – shorter of life of the lease or over 5 years
- Furniture and office equipment – 4 years
- Computer equipment – 1-3 years
- Notes (continued)

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits. Notes (continued)

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Licences - 5 years

The basis for choosing this useful life is because the licence will earn revenue over 5 years.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.9 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 maintenance and support, an amount equal to the average selling price of the 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 and as a deferral of profit, not a financial liability.

For software contracts the company recognises revenue on the elements when there is persuasive evidence of an arrangement with customers with a fixed fee that is collectable and when delivery has occurred. The total revenue from such contracts are allocated to the elements of the arrangement based upon the relative fair value of each element. If fair value method does not exist for all delivered elements, all revenue from the arrangement is further deferred until all elements of the arrangement have been delivered.

Subscriptions revenue is recognised ratably over the contract term.

Professional Services revenue is recognised on delivery of the service.

1.10 Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

1.11 Expenses

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Notes (continued)

1.13 Impairment excluding tax assets

Financial assets (Including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows or that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

Non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or group of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or group of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated at first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed, Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

2 Turnover

	2016 £000	2015 £000
By product/service type		
Product sales	11,942	10,150
Software licence sales	2,931	2,209
Maintenance	5,385	5,027
Professional services	496	441
Subscriptions	3,087	2,393
	<u>23,841</u>	<u>20,220</u>
By geographical market		
United Kingdom	22,511	19,780
Rest of European Union	83	430
Rest of the World	1,247	10
	<u>23,841</u>	<u>20,220</u>

3 Other operating expenses

	2016 £000	2015 £000
Commissions and cost recharges to fellow group companies	4,196	4,026
	<u>4,196</u>	<u>4,026</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Depreciation and Amortisation	522	494
Other Rental Charges	295	322

Auditor's remuneration

Amounts receivable by the company's auditor and its associates in respect of:

Audit of these Financial Statements	24	15
Taxation compliance services	-	8

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Distribution and marketing	11	10
Office and management	113	111
	<u>124</u>	<u>121</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	9,365	10,193
Social security costs	1,276	1,235
Contributions to defined contribution plans	424	383
	<u>11,065</u>	<u>11,811</u>

The defined contribution plan liability at 31st December 2016 was £65,603 (2015: £58,779)

6 Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	610	884
Company contributions to money purchase pension plans	<u>25</u>	<u>19</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £486,300 (2015: £839,000), and company pension contributions of £18,600 (2015: £16,000) were made to a money purchase scheme on their behalf.

Remuneration due to the highest paid director varies year to year due to compensation in relation to sales targets.

7 Interest payable and similar charges

	2016 £000	2015 £000
Other similar charges payable	12	-
Net foreign exchange loss	15	314
Total other interest payable and similar charges	<u>27</u>	<u>314</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of nil (2015: £Nil).

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	£000	2015 £000	£000
<i>Current tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
Total current tax		-		-
<i>Deferred tax (see note 15)</i>				
Losses utilised	144		68	
Adjustment in respect of prior periods	32		27	
		176		95
Total tax		176		95

	£000	2016 £000	£000	£000	2015 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	176	176	-	95	95
Total tax	-	176	176	-	95	95

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	432	473
Total tax income/(expense)	(176)	(95)
Profit excluding taxation	608	568
Tax using the UK corporation tax rate of 20.00% (2015:20.25 %)	(122)	(115)
Deferred Tax adjustment in respect of prior period	(31)	-
Non Deductible expenses	(11)	-
Other permanent differences	(12)	20
Total tax income/(expense) included in profit or loss	(176)	(95)

The company has tax losses of £359,913 (2015: £1,081,732) carried forward as at 31 December 2016.

Factors affecting future tax charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reduction to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective a April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes (continued)

9 Intangible assets and goodwill

	Goodwill £000	Licences £000	Total £000
Cost			
Balance at 1 January 2016	2,884	125	3,009
Acquisitions	-	-	-
Balance at 31 December 2016	<u>2,884</u>	<u>125</u>	<u>3,009</u>
Amortisation			
Balance at 1 January 2016	670	75	745
Amortisation for the year	288	25	313
Balance at 31 December 2016	<u>958</u>	<u>100</u>	<u>1,058</u>
Net book value			
At 31 December 2016	<u>1,926</u>	<u>25</u>	<u>1,951</u>
At 31 December 2015	<u>2,214</u>	<u>50</u>	<u>2,264</u>

Amortisation charge

The amortisation charge is recognised in the administrative expenses line item in the profit and loss account.

10 Tangible fixed assets

	Leasehold Improvements £000	Furniture and Office Equipment £000	Computer Equipment £000	Total £000
Cost				
Balance at 1 January 2016	536	397	1,128	2,061
Additions	-	1	91	92
Balance at 31 December 2016	<u>536</u>	<u>398</u>	<u>1,219</u>	<u>2,153</u>
Depreciation and impairment				
Balance at 1 January 2016	519	332	785	1,636
Depreciation charge for the year	13	16	180	209
Balance at 31 December 2016	<u>532</u>	<u>348</u>	<u>965</u>	<u>1,845</u>
Net book value				
At 31 December 2016	<u>4</u>	<u>50</u>	<u>254</u>	<u>308</u>
At 31 December 2015	<u>17</u>	<u>65</u>	<u>343</u>	<u>425</u>

Notes (continued)

11 Fixed asset investments

The Company owns 0.5% (2016: 0.5%) of the equity of SafeNet InfoTech Pvt Ltd, a fellow subsidiary undertaking incorporated in India. The cost and net book value of the ownership is £1,000 (2015: £1,000).

	Aggregate of capital and reserves	Profit for the year	Registered office address	Class of shares held	Ownership 2016	Ownership 2015
	£000	£000			%	%
SafeNet InfoTech PVT Ltd	9,416	1,518	L-47,LGF,Lajpat Nagar-II,New Delhi-110024	Ordinary	0.5	0.5

12 Debtors

	2016 £000	2015 £000
Trade debtors	6,809	6,610
Amounts owed by group undertakings	3,604	11,243
Deferred tax assets (see note 15)	72	248
Prepayments and accrued income	3,210	1,809
	<u>13,695</u>	<u>19,910</u>
Due within one year	13,623	19,662
Due after more than one year	72	248
	<u>13,695</u>	<u>19,910</u>

13 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	151	222
Amounts owed to group undertakings	233	13,411
Taxation and social security	437	487
Corporation tax	-	-
Accruals and deferred income	8,184	7,139
Other	1,107	801
	<u>10,112</u>	<u>22,060</u>

14 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Accruals and deferred income	<u>3,259</u>	<u>2,437</u>

Notes (continued)

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances		-	(7)	-	(7)	-
Unused tax losses	72	224	-	-	72	224
Other	7	24	-	-	7	24
Tax assets	<u>79</u>	<u>248</u>	<u>(7)</u>	<u>-</u>	<u>72</u>	<u>248</u>

Movement in deferred tax during the year

	1 January 2016	Recognised in Income	31 December 2016
	£000	£000	£000
Tangible Fixed Assets		(7)	(7)
Tax value of loss carry-forwards utilised	224	(152)	72
Other	24	(17)	7
	<u>248</u>	<u>(176)</u>	<u>72</u>

Movement in deferred tax during the prior year

	1 January 2015	Recognised in Income	31 December 2015
	£000	£000	£000
Accelerated capital Allowances	29	(29)	-
Tax value of loss carry-forwards utilised	292	(68)	224
Other	22	2	24
	<u>343</u>	<u>(95)</u>	<u>248</u>

Notes (continued)

16 Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Within one year	273	284
Between two and five years	683	957
More than five years	-	-
	<u>956</u>	<u>1,241</u>

During the year £294,622.23 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £321,710).

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of SafeNet Technologies B.V Seattleweg 5, 3195ND Pernis Rotterdam. The ultimate controlling party is Gemalto N.V, Barbara Strozzi laan 382, 1083 HN Amsterdam, The Netherlands.

The only group in which the results of the Company are consolidated is that headed by Gemalto N.V., incorporated in The Netherlands. The consolidated financial statements of this group is available to the public and may be obtained from Barbara Strozzi laan 382, 1083 HN Amsterdam, The Netherlands.

19 Related Parties

The activity with related parties, was purely Trade related.

	Sales 2016 £000	Purchases 2016 £000	Sales 2015 £000	Purchases 2015 £000
Entities with Control, Joint Control or Significant Influence	(4,083)	5,103	(4,026)	1,096
Other Related Parties	67	(1,953)	61	(2,529)
Total	<u>(4,016)</u>	<u>3,150</u>	<u>(3,965)</u>	<u>(1,433)</u>

	Receivables 2016 £000	Payables 2016 £000	Receivables 2015 £000	Payables 2015 £000
Entities with Control, Joint Control or Significant Influence	2,934	-	1,816	(12,974)
Other Related Parties	670	(233)	9,427	(437)
Total	<u>3,604</u>	<u>(233)</u>	<u>11,243</u>	<u>(13,411)</u>

Purchases include reimbursement of costs to related parties and sales include transfer pricing with related parties

Notes *(continued)*

20 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000	2015 £000
Assets Measured at cost less impairment	12,020	22,341
Liabilities measured at amortised cost	<u>(536)</u>	<u>(13,632)</u>