SafeNet UK Limited

Annual report and financial statements

Registered number 02258824

31 December 2017

Contents

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, financial, 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:-

	2017	2016	Change
	£000	£000	%
Turnover	24,191	23,841	1
Profit before tax	677	608	11
Profit after tax	211	432	(51)
Shareholders' funds	3,237	3,026	7
Average monthly number of employees	124	124	0

The Company's global Enterprise and Cybersecurity business turnover increased by 12% in 2017 compared to 2016. In the UK market turnover increased by 1% year on year. The increase both globally and in the UK is essentially driven by the Data Protection business line that commercialises solutions to prevent data breaches.

SafeNet UK Limited acts as a Limited Risk Distributor within Gemalto's Enterprise and Cybersecurity business, selling certain products developed and produced by Gemalto group, of which the Company is a subsidiary. The Company also supplies general management and sales support services to the European, Middle East and African Enterprise and Cybersecurity business which contributed to the 11% increase in the profit in the year linked to a cost recharge mark-up increase following the latest arm's length benchmark study results.

Profit after tax decreased by 51% year on year due to a prior year tax adjustment required to reduce capital allowances as a result of the Company being one of three UK companies owned by the Gemalto group.

BUSINESS MODEL

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

Enterprise Security

With sensitive data residing everywhere, organisations becoming more mobile and the epidemic of security breaches 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, organisations can take a data-centric approach to their security positioning whilst still 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 internally and in public and private clouds. In addition to a heightened level of protection, enterprises are also able to improve business efficiencies and to scale to the identity and data protection needs of tomorrow.

Strategic report *(continued)*

BUSINESS MODEL *(continued)*

Software Monetization

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

Enterprise Security turnover including Gemalto EBanking products represented £21.8m (*2016: £20.3m*), Software Monetization turnover represented £2.4m (*2016: £3.5m*) of SafeNet UK Limited's total turnover in 2017.

The Company also provides further support services, including technical support and consulting, to meet customer needs in protecting their licences and data.

BUSINESS STRATEGY

As planned Enterprise and Cybersecurity launched two new offers in 2017: 'Data Protection As A Service' (DPAAS) and 'SafeNet Trusted Access' (STA). This was firstly to ensure a leadership position in data protection, secondly to become a leading player in Enterprise Access management and thirdly to keep leadership in Software Monetization.

This aligns with ensuring the Company's transformation towards a cloud environment, where the portfolio for Enterprise and Cybersecurity has evolved for its three business segments as follows:

- For Encryption with historical offers such as HSM and HSE and new offers such as DPOD and 'virtualization' of historical offers,
- For Authentication with historical offers such as hardware tokens for digital signature and PKI and new offers such as Enterprise Access Management as a service,
- For Software Monetization with historical offers such as hardware keys and new offers based on software.

FUTURE OUTLOOK

The Company faces increased competition from new and existing competitors in the information security sector, but is well positioned to exploit the growth in this market.

Strategic report *(continued)*

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 the business.

Failure to maintain effective internal controls could have a material adverse effect on the 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 turnover, expenses and/or the balance sheet.

Credit risk and cash flow risk could also be affected if fluctuations in the exchange rate negatively impact the Company.

Signed on behalf of the directors

G Clark
Director

Date: 15 August 2018

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 2017.

Proposed dividend

The directors do not recommend the payment of a dividend (*2016: £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.

Going concern

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 has been included in the strategic report on pages 1 to 3.

Auditor

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

By order of the board

G Clark
Director

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

Date: 15 August 2018

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

KPMG

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

Opinion

We have audited the financial statements of SafeNet UK Limited ("the Company") for the year ended 31 December 2017, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

JBreakell

Julie Breakell
Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandler's Ford
Southampton
SO53 3TG

Date: 16 August 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	Note	**2017** **£000**	2016 £000
Turnover	2	**24,191**	23,841
Cost of sales		**(6,765)**	(7,925)
Gross profit		**17,426**	15,916
Distribution costs		**(654)**	(4,378)
Administrative expenses		**(14,755)**	(6,707)
Other operating expenses	*3*	**(762)**	(4,196)
Operating profit	*4*	**1,255**	635
Interest payable and similar charges	*7*	**(578)**	(27)
Profit before taxation		**677**	608
Taxation	*8*	**(466)**	(176)
Profit for the financial year		**211**	432
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**211**	432

The results relate to continuing activities.

The accompanying notes form part of the financial statements

Balance sheet
at 31 December 2017

	Note	**2017**		2016	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*				
Goodwill		**1,637**		1,926	
Other intangibles		**-**		25	
			1,637		1,951
Tangible assets	*10*	**423**		308	
Investments	*11*	**1**		1	
			424		309
			2,061		2,260
Current assets					
Debtors (including £1,542,488 (*2016: £1,737,629*) due after more than one year)	*12*	**20,039**		13,695	
Cash at bank and in hand		**1,115**		442	
		21,154		14,137	
Creditors: amounts falling due within one year	*13*	**(15,530)**		(10,112)	
Net current assets			**5,624**		4,025
Total assets less current liabilities			**7,685**		6,285
Creditors: amounts falling due after more than one year	*14*	**(4,210)**		(3,259)	
			(4,210)		(3,259)
Provisions	*15*	**(238)**		-	
			(238)		-
Net assets			**3,237**		3,026
Capital and reserves					
Called up share capital	*17*		**50**		50
Profit and loss account			**3,187**		2,976
Shareholders' funds			**3,237**		3,026

These financial statements were approved by the board of directors on 15 August 2018 and were signed on its behalf by:

Gary Clark
Director

Company registered number: 02258824

The accompanying notes form part of the financial statements

Statement of changes in equity
for the year ended 31 December 2017

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	50	2,544	2,594
Total comprehensive income for the year	-	432	432
Balance at 31 December 2016	**50**	**2,976**	**3,026**
Total comprehensive income for the year	**-**	**211**	**211**
Balance at 31 December 2017	**50**	**3,187**	**3,237**

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 England and Wales. Its registered number is 02258824 and its registered address is Rivercourt, 3 Meadows Business Park, Station Approach, Blackwater, Camberley, Surrey GU17 9AB.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

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 Gemalto N.V., Barbara Strozzilaan 382, 1083 HN Amsterdam, The Netherlands. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) 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 the 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 disclosures 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).

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 as regards 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 in the circumstances. The accounting treatments of goodwill, intangible assets and provisions are disclosed elsewhere in note 1.

1.3 Going concern

The directors have reviewed the financial position of the Company, having regard to the Company's total assets less current liabilities of £7.7m as at 31 December 2017 (*2016: £6.3m*), which include a net cash pooling asset of £2.4m of which £4.5m is net payable to Gemalto Treasury Services (a group French company) and £6.9m is net receivable from SafeNet Technologies BV (the Company's Dutch parent). The Company has cash of £1.1m as at 31 December 2017 (*2016: £0.4m*). Current liabilities at 31 December 2017 include £8.0m of deferred income, which is deferred profit and 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 financial statements are the separate, non-consolidated, 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 transaction 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 the market rate of 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 any cash flow statement which may be produced.

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 the life of the lease or 5 years
- Furniture and office equipment – 4 years
- Computer equipment – 1-3 years

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Intangible assets, goodwill and negative goodwill

Goodwill
Goodwill is stated at cost less any accumulated amortisation. Goodwill is allocated to the 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 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 that licences earn revenue over 5 years.

Goodwill is amortised on a straight line basis over its useful life and 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 FRS 102.27 (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.

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 when the significant risks and rewards of ownership have been transferred to the customer, which normally occurs upon delivery of products to customers and when the appropriate terms and conditions of sale have been met. 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, which is 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 is allocated to the elements of the arrangement based upon the relative fair value of each element. If a 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 rateably over the contract term.

Professional services revenue is recognised on delivery of the service.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Operating leases

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 Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.12 Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis.

1.13 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; 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.

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

1.14 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 from that asset which 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Impairment excluding tax assets (continued)

Non-financial assets

The carrying amounts 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 which 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', CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs 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 CGUs are allocated 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 for other assets 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.

2 Turnover

	2017	2016
	£000	£000
By product/service type		
Product sales	**9,225**	11,942
Software licence sales	**4,238**	2,931
Maintenance	**6,028**	5,385
Professional services	**707**	496
Subscriptions	**3,993**	3,087
	24,191	23,841
By geographical market		
United Kingdom	**23,302**	22,511
Rest of European Union	**32**	83
Rest of the world	**857**	1,247
	24,191	23,841

Notes *(continued)*

3 Other operating expenses

	2017 £000	2016 £000
Commissions and cost recharges to fellow group companies	**762**	4,196

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation and amortisation	**633**	522
Other rental charges	**283**	295
Auditor's remuneration		
Amounts receivable by the Company's auditor and its associates in respect of:		
- Audit of these financial statements	**26**	24

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:

	2017 Number	2016 Number
Distribution and marketing	**12**	11
Office and management	**112**	113
	124	124

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	**9,959**	9,365
Social security costs	**1,270**	1,276
Contributions to defined contribution plans	**450**	424
	11,679	11,065

The defined contribution plan liability at 31 December 2017 was £69,183 (*2016: £65,603*).

Notes *(continued)*

6 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	**494**	610
Company contributions to money purchase pension plans	**24**	25

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £374,916 *(2016: £486,300)* and Company pension contributions of £17,929 *(2016: £18,600)* were made to a money purchase scheme on the director's behalf.

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

The number of directors receiving contributions to money purchase plans in the year was 2 (*2016: 2*).

7 Interest payable and similar charges

	2017 £000	2016 £000
Interest payable and other similar charges	**42**	12
Net foreign exchange loss	**536**	15
Total other interest payable and similar charges	**578**	27

Interest payable and other similar charges includes interest payable on bank loans and overdrafts of £1,195 *(2016: £Nil)*.

8 Taxation

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

	2017 £000	2017 £000	2016 £000	2016 £000
Current tax				
Current tax on income for the year	**238**		-	
Adjustments in respect of prior years	**204**		-	
Total current tax		**442**		-
Deferred tax (see note 16)				
Losses utilised	**72**		144	
Origination and reversal of timing differences	**(48)**		32	
		24		176
Total tax		**466**		176

	2017 Current tax £000	2017 Deferred tax £000	2017 Total tax £000	2016 Current tax £000	2016 Deferred tax £000	2016 Total tax £000
Recognised in profit and loss account	**442**	**24**	**466**	-	176	176
Total tax	**442**	**24**	**466**	-	176	176

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate:

	2017	2016
	£000	£000
Profit for the financial year	**211**	432
Add back: total tax expense	**(466)**	(176)
Profit before taxation	**677**	608
Tax using the UK corporation tax rate of 19.25% *(2016:20.00 %)*	**(130)**	(122)
Current tax adjustment in respect of prior period	**(204)**	-
Deferred tax adjustment in respect of prior period	**(65)**	(31)
Non-deductible expenses	**(12)**	(11)
Other permanent differences	**(55)**	(12)
Total tax expense included in profit or loss	**(466)**	(176)

The Company has tax losses of £Nil *(2016: £359,913)* carried forward as at 31 December 2017.

Factors affecting future tax charge:

The standard rate for UK corporation tax used in the year ended 31 December 2017 was 19.25% *(2016: 20.00%)*. A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

9 Intangible assets and goodwill

	Goodwill	**Licences**	**Total**
	£000	**£000**	**£000**
Cost			
Balance at 1 January 2017	2,884	125	3,009
Balance at 31 December 2017	2,884	125	3,009
Amortisation			
Balance at 1 January 2017	(958)	(100)	(1,058)
Amortisation for the year	(289)	(25)	(314)
Balance at 31 December 2017	(1,247)	(125)	(1,372)
Net book value			
At 31 December 2017	**1,637**	**-**	**1,637**
At 31 December 2016	1,926	25	1,951

Amortisation charge

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

Notes *(continued)*

10 Tangible fixed assets

	Leasehold improvements £000	Furniture and office equipment £000	Computer equipment £000	Total £000
Cost				
Balance at 1 January 2017 as stated in 2016 financial statements	536	398	1,219	2,153
Reclassifications	(182)	(89)	36	(235)
Balance at 1 January 2017 as restated	354	309	1,255	1,918
Additions	238	4	192	434
Disposals	-	-	(81)	(81)
Balance at 31 December 2017	592	313	1,366	2,271
Depreciation and impairment				
Balance at 1 January 2017 as stated in 2016 financial statements	(532)	(348)	(965)	(1,845)
Reclassifications	197	74	(36)	235
Balance at 1 January 2017 as restated	(335)	(274)	(1,001)	(1,610)
Depreciation charge for the year	(151)	(21)	(147)	(319)
Disposals	-	-	81	81
Balance at 31 December 2017	(486)	(295)	(1,067)	(1,848)
Net book value				
At 31 December 2017	**106**	**18**	**299**	**423**
At 31 December 2016 as stated in 2016 financial statements	4	50	254	308
At 31 December 2016 as restated	19	35	254	308

The opening and comparative figures have been restated following a review of the categorisation of certain fully depreciated assets. There is no overall impact on the financial statements.

11 Fixed asset investments

The Company owns 0.05% *(2016: 0.05%)* 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 *(2016: £1,000)*.

	Aggregate of capital and reserves	Profit for the year	Registered office address	Class of shares held	Ownership 2017	Ownership 2016
	£000	£000			%	%
SafeNet InfoTech Pvt Ltd	**10,884**	**1,647**	**L-47, LGF Lajpat Nagar II New Delhi 110024**	**Ordinary**	**0.05**	0.05

Notes *(continued)*

12 Debtors

	2017	2016
	£000	£000
Trade debtors	**8,347**	6,809
Amounts owed by group undertakings	**8,161**	3,604
Deferred tax assets (see note 16)	**48**	72
Prepayments and accrued income	**3,483**	3,210
	20,039	13,695
Due within one year	**18,497**	11,957
Due after more than one year	**1,542**	1,738
	20,039	13,695

Prepayments and accrued income also consist of capitalised commission on sales of £1,108,930 (*2016: £1,113,382*). The commission is incurred to secure non-cancellable contracts with customers. This commission is amortised over the contract period in line with the revenue earned from these customers.

The balances due after more than one year comprise primarily deferred commission as explained above and unbilled revenue which are not due to be expensed or invoiced in line with the contracts within the next twelve months.

13 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	**96**	151
Amounts owed to group undertakings	**5,008**	233
Taxation and social security	**1,196**	437
Corporation tax	**179**	-
Accruals and deferred income	**9,051**	8,184
Other	**-**	1,107
	15,530	10,112

14 Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
Accruals and deferred income	**4,210**	3,259

Notes *(continued)*

15 Provisions

	2017 **£000**	2016 £000
Balance at 1 January	-	-
Increase in provision during year	**238**	-
Balance at 31 December	**238**	-

The dilapidation provision relates to the Company's leased premises at Camberley and is for future dilapidation and refurbishment costs which will be incurred at the end of the lease when the building has to be returned to its original condition.

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2017 **£000**	2016 £000	**2017** **£000**	2016 £000	**2017** **£000**	2016 £000
Accelerated capital allowances	**38**	-	**-**	(7)	**38**	(7)
Unused tax losses	**-**	72	**-**	-	**-**	72
Other	**10**	7	**-**	-	**10**	7
Tax assets	**48**	79	**-**	(7)	**48**	72

Movement in deferred tax during the year

	1 January 2017 **£000**	**Recognised in income** **£000**	**31 December 2017** **£000**
Tangible fixed assets	**(7)**	**45**	**38**
Tax value of loss carry-forwards utilised	**72**	**(72)**	**-**
Other	**7**	**3**	**10**
	72	**(24)**	**48**

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in income £000	31 December 2016 £000
Tangible fixed assets	-	(7)	(7)
Tax value of loss carry-forwards utilised	224	(152)	72
Other	24	(17)	7
	248	(176)	72

Notes *(continued)*

17 Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

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.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	£000	£000
Within one year	**212**	273
Between two and five years	**411**	683
	623	956

During the year £283,084 was recognised as an expense in the profit and loss account in respect of operating leases *(2016: £294,622)*.

19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of SafeNet Technologies B.V., Seattleweg 5, 3195 ND Pernis Rotterdam. The ultimate controlling party is Gemalto N.V., Barbara Strozzilaan 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 are available to the public and may be obtained from Gemalto N.V. at Barbara Strozzilaan 382, 1083 HN Amsterdam, The Netherlands.

20 Related parties

The Company has taken advantage of the exemptions in FRS102 from disclosing transactions with other members of the Gemalto group.