



Financial Statements

Safe Computing Holdings Limited and its subsidiaries

For the Year Ended 31 December 2007



Company No. 05541359

Company information

Company registration number	05541359
Registered office	20 Freeschool Lane Leicester Leicestershire LE1 4FY
Directors	P L Rule A W Scott P E Presland
Secretary	M C James
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Enterprise House 115 Edmund Street Birmingham B3 2HJ

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Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 December 2007

Principal activities and business review

The principal activity of the company during the year was that of a holding company. The principal activity of the group during the year was the supply of software services, packages and computer systems.

Results and dividends

The trading results of the group for the year and the group and the company's financial position at the end of the year are shown in the attached financial statements. Particulars of dividends paid are detailed in note 21 of the financial statements.

Business Review

Financial overview

For the sixth consecutive year the business has shown double digit growth with turnover for the year ended 31 December 2007 being £7.2 million - a rise of 17.6% on last year (2006 £6.1 million). Profit before tax was £2.0 million, a rise of 74.9% from the prior year (2006 £1.1 million).

The directors are pleased with the performance during the year and believe that Safe Computing Limited is in a strong position to continue to expand its market share.

Strategy

The group continues to grow by focusing on its two software application sectors of Recruitment and HR/Payroll applications with complimentary consultancy and support services.

The Tempest product suite for an integrated front to back office solution for recruitment agencies gained significant new market share in 2007 and increasingly the group is assisting its customers to introduce electronic based solutions for both managing timesheets and distributing invoices.

Product investment and new customer wins continued for the Elite payroll and HR solution during the year and the group is committed to continue this strategy for the coming year to establish Elite as a market leading product.

The group recognises the shift in the market to software as a service solution and is implementing strategies to bring these to the market during 2008 with initially the Elite products and subsequently the Tempest product suite.

Research and development

The group continues to invest in the quality and design of our products. We believe continued investment in our research and development is fundamental to the continuing growth of the business.

Environmental policy

Management have continued to develop the group's environmental policy during the year. It is our objective to persistently improve our performance in this area.

Report of the directors

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

High proportion of fixed overheads and variable revenues

A large proportion of the group's overheads are in salaries and wages. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises will be implemented when there is an anticipated significant decline in revenues.

People

The success of the group is largely dependant upon the recruitment, retention and skills of our employees. We continue to invest in training programmes for them and operate appropriate remuneration schemes to mitigate the risk of the absence of suitable staff resources.

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The group does not enter into derivative transactions.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The group's exposure to market risk for changes in interest rates relates primarily to the group's short-term and long-term debt obligations. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk

The group trades with only recognised, creditworthy third parties. It is the group policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the group's exposure to bad debts.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, a bank overdraft and finance lease agreements.

Report of the directors

Directors

The present membership of the board is set out below

A W Scott
P L Rule
P E Presland

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 accounting standards have been followed, subject to any material departures discussed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Freehold and leasehold property

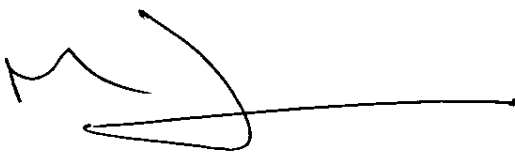
The directors consider that the market value of the freehold and leasehold property held by the group is substantially higher than the amount at which it is included in the balance sheet.

Report of the directors

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a stylized 'M' followed by a long horizontal stroke that curves upwards at the end.

M C James
Secretary

Date 18-07-08

Report of the independent auditor to the members of Safe Computing Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Safe Computing Holdings Limited for the period ended 31 December 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Safe Computing Holdings Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 December 2007 and of the profit of the group for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the report of the directors is consistent with the financial statements

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM**

Date *24 October 2008*

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the group are set out below and remain unchanged from the prior period.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 8) drawn up to 31 December 2007. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Goodwill

Goodwill arising on consolidation and purchased goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, are capitalised and amortised on a straight line basis over their expected useful economic life of 20 years.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

In respect of contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of contracts for on-going services is recognised by reference to the stage of completion.

Intangible assets and amortisation

Software is included at cost.

Amortisation 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:

Goodwill	-	20 years straight line
Software	-	2 years straight line

Tangible fixed assets

All tangible fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated to write down the cost or valuation, less its estimated residual value over the useful economic life of that asset as follows

Freehold land and buildings	2% straight line
Leasehold land and buildings	period of lease
Motor vehicles	25% straight line
Fixtures and fittings	14% straight line
Computer equipment	25% straight line

Investments

Investments are included at cost

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

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.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Pension costs

Defined benefit scheme

The net assets of the pension scheme are included on the balance sheet, current service costs and net financial returns included in the profit and loss account and actuarial gains and losses recognised in the statement of total recognised gains and losses.

Defined contribution scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Research and development

Research and development expenditure is charged to profits in the period in which it is incurred.

Consolidated profit and loss account

		Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Turnover	1	7,220,361	6,137,295
Cost of sales		798,855	924,216
Gross profit		<u>6,421,506</u>	<u>5,213,079</u>
Administrative expenses		4,561,217	4,128,009
Operating profit	2	<u>1,860,289</u>	<u>1,085,070</u>
Interest receivable and similar income	4	133,266	85,784
Interest payable and similar charges	5	(189,877)	(224,262)
Profit on ordinary activities before taxation		<u>1,803,678</u>	<u>946,592</u>
Tax on profit on ordinary activities	6	608,408	287,257
Retained profit for the financial period transferred from reserves	20	<u>1,195,270</u>	<u>659,335</u>

All of the activities of the group are classed as continuing

Consolidated balance sheet

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	9	23,626	11,911
Goodwill	9	3,566,049	3,764,170
Tangible assets	10	492,128	487,117
		<u>4,081,803</u>	<u>4,263,198</u>
Current assets			
Stocks		10,991	7,256
Debtors	11	2,482,965	1,442,335
Investments	12	1	1
Cash at bank and in hand		1,407,619	1,053,830
		<u>3,901,576</u>	<u>2,503,422</u>
Creditors: amounts falling due within one year	13	<u>(3,301,905)</u>	<u>(2,898,901)</u>
Net current assets/(liabilities)		<u>599,671</u>	<u>(395,479)</u>
Total assets less current liabilities		<u>4,681,474</u>	<u>3,867,719</u>
Creditors: amounts falling due after more than one year	14	<u>(1,368,000)</u>	<u>(1,622,515)</u>
Net assets excluding pension asset		<u>3,313,474</u>	<u>2,245,204</u>
Defined benefit pension scheme asset	26	407,000	323,000
Net assets		<u>3,720,474</u>	<u>2,568,204</u>
Capital and reserves			
Called-up equity share capital	18	1,000	1,000
Share premium	19	1,724,869	1,724,869
Profit and loss account	20	1,994,605	842,335
Shareholders' funds	21	<u>3,720,474</u>	<u>2,568,204</u>

These financial statements were approved by the directors on 15-07-08 and are signed on their behalf by



A W Scott
Director

Company balance sheet

		2007 £	2006 £
Fixed assets			
Investments	8	<u>6,012,817</u>	<u>6,012,817</u>
Current assets			
Debtors	11	-	19,500
Cash at bank and in hand		<u>2,649</u>	<u>5,611</u>
		2,649	25,111
Creditors: amounts falling due within one year	13	<u>(24,000)</u>	<u>(403,288)</u>
Net current liabilities		<u>(21,351)</u>	<u>(378,177)</u>
Total assets less current liabilities		<u>5,991,466</u>	<u>5,634,640</u>
Creditors: amounts falling due in more than one year	14	<u>(4,265,597)</u>	<u>(3,908,771)</u>
Net assets		<u>(1,725,869)</u>	<u>1,725,869</u>
Capital and reserves			
Called-up equity share capital	18	1,000	1,000
Share premium	19	1,724,869	1,724,869
Profit and loss account	20	-	-
Shareholders' funds	21	<u>1,725,869</u>	<u>1,725,869</u>

These financial statements were approved by the directors on **15-07-08** and are signed on their behalf by:



A W Scott
 Director

Consolidated cash flow statement

		Year ended 31 December 2007	Period from 15 August 2005 to 31 December 2006
	Note	£	£
Net cash inflow from operating activities	25	1,945,697	2,349,505
Returns on investments and servicing of finance			
Interest received		61,266	21,784
Interest paid		(189,877)	(224,262)
Net cash outflow from returns on investments and servicing of finance		(128,611)	(202,478)
Movement in tax		(581,167)	8,095
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(119,928)	(51,694)
Purchase of intangible fixed assets		(24,849)	(15,613)
Sale of tangible fixed assets		17,658	8,700
Net cash outflow from capital investments		(127,119)	(58,607)
Acquisitions and disposals			
Purchase of subsidiary undertaking and business		-	(3,668,948)
Net cash balance acquired with subsidiary undertaking		-	1,083,000
Net cash outflow from acquisitions and disposals		-	(2,585,948)
Equity dividends paid		(100,000)	-
Net cash inflow/(outflow) before financing		1,008,800	(489,433)
Financing			
Issue of share capital		-	282,000
Other loans advanced		-	2,580,000
Repayments of amounts borrowed		(618,814)	(1,469,186)
Capital element of finance lease rentals	25	(36,197)	(46,382)
Net cash (outflow)/inflow from financing		(655,011)	1,346,432
Increase in cash	25	353,789	856,999

The accompanying accounting policies and notes form part of these financial statements.

Other primary statements

Statement of total recognised gains and losses

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Profit for the financial year	1,347,631	857,449
Actuarial gain in respect of defined benefit pension scheme	79,000	262,000
Deferred tax in respect of defined benefit pension scheme	(22,000)	(79,000)
Total gains and losses recognised for the year	<u>1,404,631</u>	<u>1,040,449</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group within the UK.

2 Operating profit

Operating profit is stated after charging/(crediting)

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Depreciation and amortisation		
Owned tangible fixed assets	66,290	93,599
Tangible fixed assets held under finance leases	25,550	43,547
Goodwill	198,121	198,114
Other intangible assets, owned	13,134	25,564
Loss/(profit) on disposal of fixed assets	5,419	(6,459)
Other operating lease rentals	203,936	161,938
Auditors' remuneration		
Audit services	11,000	10,000
Non-audit services	30,595	4,500

3 Directors and employees

The average number of employees of the company during the year was 74 (2006 64) The aggregate payroll costs of the above were

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Wages and salaries	2,678,911	2,598,973
Social security costs	336,784	286,873
Other pension costs	139,298	130,497
	<u>3,154,993</u>	<u>3,016,343</u>

Remuneration in respect of directors was as follows

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Emoluments	<u>273,580</u>	<u>253,506</u>

3 Directors and employees (continued)

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

	Year ended 31 December 2007 No.	Period from 15 August 2005 to 31 December 2006 No.
Defined benefit scheme	<u>1</u>	<u>1</u>

The amounts set out above include remuneration in respect of the highest paid director as follows

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Emoluments	<u>238,138</u>	<u>224,506</u>

The highest paid director's accrued pension at the year end was £14,566 (2006 -£11,275)

The group was charged £15,492 (2006 £4,000) by Mainvalley Limited for the services of Mr P Presland
This amount is disclosed within directors' remuneration above

4 Interest receivable and similar income

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Interest received	61,266	21,784
Other finance income	72,000	64,000
	<u>133,266</u>	<u>85,784</u>

5 Interest payable and similar charges

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
On bank loans and overdrafts	<u>189,877</u>	<u>224,262</u>

6 Taxation on profit on ordinary activities

(a) Analysis of charge in the period

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Current tax		
UK corporation tax at 30% (2006 30%)	610,099	252,450
Adjustment in respect of prior period	2,309	(1,535)
	<u>612,408</u>	<u>250,915</u>
Deferred tax		
Origination and reversal of timing differences	-	(8,658)
Movement in the pension scheme deferred tax asset	(4,000)	45,000
	<u>608,408</u>	<u>287,257</u>

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 30%. The differences are explained as follows

	Year ended 31 December 2007 £	Period from 15 August 2005 to 31 December 2006 £
Profit on ordinary activities before tax	<u>1,807,678</u>	<u>946,592</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	542,303	283,978
Expenses not deductible for tax purposes	78,732	75,295
Employee share option deduction	-	(72,317)
Capital allowances for the period in excess of depreciation	(4,036)	10,194
Effect of FRS 17	(6,900)	(44,700)
Adjustment to tax charge in respect of previous periods	2,309	(1,535)
Current tax charge for the year (note 6(a))	<u>612,408</u>	<u>250,915</u>

7 Profit for the financial period

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's profit for the year was £100,000 (period 2006 £Nil). An equity dividend of £100,000 has been paid out of the Company's profit.

8 Investments

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the company	Nature of business
Safe Computing Limited	UK	Ordinary	100%	Supply of software services, packages and computer systems
Safe Computing (Manufacturing Systems) Limited	UK	Ordinary	100%	Dormant
Safe Computing (Software Services) Limited	UK	Ordinary	100%	Dormant

9 Intangible fixed assets

The Group	Goodwill on consolidation £	Software £	Total £
Cost			
At 1 January 2007	3,962,284	153,672	4,115,956
Additions	-	24,849	24,849
At 31 December 2007	<u>3,962,284</u>	<u>178,521</u>	<u>4,140,805</u>
Amortisation			
At 1 January 2007	198,114	141,761	339,875
Charge for the year	198,121	13,134	211,255
At 31 December 2007	<u>396,235</u>	<u>154,895</u>	<u>551,130</u>
Net book value			
At 31 December 2007	<u>3,566,049</u>	<u>23,626</u>	<u>3,589,675</u>
At 31 December 2006	<u>3,764,170</u>	<u>11,911</u>	<u>3,776,081</u>

10 Tangible fixed assets

The Group

	Freehold Property £	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
Cost						
At 1 January 2007	150,000	125,000	470,725	151,532	509,566	1,406,823
Additions	-	-	52,996	-	66,932	119,928
Disposals	-	-	-	(80,324)	-	(80,324)
At 31 December 2007	<u>150,000</u>	<u>125,000</u>	<u>523,721</u>	<u>71,208</u>	<u>576,498</u>	<u>1,446,427</u>
Depreciation						
At 1 January 2007	21,000	7,000	374,927	78,053	438,726	919,706
Charge for the year	3,000	1,000	23,383	25,550	38,907	91,840
On disposals	-	-	-	(57,247)	-	(57,247)
At 31 December 2007	<u>24,000</u>	<u>8,000</u>	<u>398,310</u>	<u>46,356</u>	<u>477,633</u>	<u>954,299</u>
Net book value						
At 31 December 2007	<u>126,000</u>	<u>117,000</u>	<u>125,411</u>	<u>24,852</u>	<u>98,865</u>	<u>492,128</u>
At 31 December 2006	<u>129,000</u>	<u>118,000</u>	<u>95,798</u>	<u>73,479</u>	<u>70,840</u>	<u>487,117</u>

Included within the net book value of £492,128 is £24,852 (2006 £73,479) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £25,550 (2006 £43,547).

11 Debtors

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	2,120,024	1,093,518	-	-
Other debtors	185,494	139,054	-	-
Prepayments and accrued income	177,447	209,763	-	19,500
	<u>2,482,965</u>	<u>1,442,335</u>	<u>-</u>	<u>19,500</u>

12 Investments

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Shares in related company at estimated realisable value	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	24,000	403,288	24,000	403,288
Trade creditors	229,633	236,919	-	-
Corporation tax	283,691	252,450	-	-
Other taxation and social security	467,304	289,905	-	-
Accruals and deferred income	2,261,297	1,666,225	-	-
Other creditors	20,566	13,492	-	-
Amounts due under finance leases	15,414	36,622	-	-
	<u>3,301,905</u>	<u>2,898,901</u>	<u>24,000</u>	<u>403,288</u>

The bank loans are secured by a debenture over the Group's assets and comprise a bank loan and a commercial mortgage. The bank loan incurred interest at LIBOR plus 2.25% and was fully repaid in June 2007. The commercial mortgage incurs interest at LIBOR plus 1% and is repayable in equal quarterly instalments of £6,000 from March 2006 to December 2020.

Amounts due under finance leases are secured on the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	288,000	527,526	288,000	527,526
Amounts owed to group undertakings	-	-	2,897,596	2,301,245
Loan stock	1,080,000	1,080,000	1,080,000	1,080,000
Amounts due under finance leases	-	14,989	-	-
	<u>1,368,000</u>	<u>1,622,515</u>	<u>4,265,595</u>	<u>3,908,771</u>

The security for the bank loans and finance leases is detailed in note 13.

The loan stock is secured by a trust deed made between the company, Safe Computing Limited and P L Rule and A W Scott as trustees. Interest at a rate of 10% per annum is payable quarterly on the stock. The stock is repayable at par on the next working day after 18 January 2011 or, if earlier, on the first of either a sale or listing occurring or the stock becoming otherwise repayable.

15 Borrowings

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Borrowings are repayable as follows				
Within one year				
Bank loans	24,000	403,288	24,000	403,288
Finance leases	15,414	36,622	-	-
After one and within two years				
Bank loans	24,000	247,294	24,000	247,294
Finance leases	-	14,989	-	-
After two and within five years				
Bank loans	72,000	69,882	72,000	69,882
Loan stock	1,080,000	1,080,000	1,080,000	1,080,000
After more than five years				
Bank loans	192,000	210,350	192,000	210,350
	<u>1,407,414</u>	<u>2,062,425</u>	<u>1,392,000</u>	<u>2,010,814</u>

16 Deferred taxation

(a) Deferred taxation

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Balance brought forward	-	-	-	-
On acquisition of subsidiary undertakings	-	8,658	-	-
Released in the period	-	(8,658)	-	-
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Deferred tax included within pension scheme asset

	2007	2006
	£	£
Balance brought forward	140,000	-
On acquisition of subsidiary undertakings	-	16,000
(Released)/provided during the period for profit and loss account items	(4,000)	45,000
Provided during the period for balance sheet items	22,000	79,000
Balance carried forward	<u>158,000</u>	<u>140,000</u>

17 Leasing commitments

Operating lease payments amounting to £225,188 (2006 £151,948) are due within one year. The leases to which these amounts relate expire as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	112,238	-	62,725
Between one and five years	-	89,950	-	66,223
In five years or more	23,000	-	23,000	-
	<u>23,000</u>	<u>202,188</u>	<u>23,000</u>	<u>128,948</u>

18 Share capital

Authorised share capital

	2007		2006	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>10,000</u>	<u>1,000</u>	<u>10,000</u>	<u>1,000</u>

Allotted and called up

	2007		2006	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>10,000</u>	<u>1,000</u>	<u>10,000</u>	<u>1,000</u>

19 Share premium account

The Group and Company

	£
At 31 December 2006 and at 31 December 2007	<u>1,724,869</u>

20 Profit and loss account

The Group	2007	2006
	£	£
Balance brought forward	842,335	-
Retained profit for the year	1,195,270	659,335
Equity dividend paid	(100,000)	-
Movement in the deferred tax liability relating to balance sheet items	(22,000)	(79,000)
Actuarial gains for the financial year (FRS17)	79,000	262,000
Balance carried forward	<u>1,994,605</u>	<u>842,335</u>
 The Company	 2007	 2006
	£	£
Balance brought forward	-	-
Result for the year	100,000	-
Equity dividend paid	(100,000)	-
Balance carried forward	<u>-</u>	<u>-</u>

21 Reconciliation of movements in shareholders' funds

Group	2007	2006
	£	£
Issue of shares	-	1,725,869
Retained profit for the year	1,195,270	659,335
Equity dividend paid	(100,000)	-
Movement in the deferred tax liability relating to balance sheet items	(22,000)	(79,000)
Actuarial gains for the financial year (FRS17)	79,000	262,000
Net additions to shareholders' funds	<u>1,152,270</u>	<u>2,568,204</u>
Opening shareholders' funds	2,568,204	-
Closing shareholders' funds	<u>3,720,474</u>	<u>2,568,204</u>
 Company	 2007	 2006
	£	£
Retained profit for the year	100,000	-
Equity dividend paid	(100,000)	-
Issue of shares	-	1,725,869
Net additions to shareholders' funds	<u>-</u>	<u>1,725,869</u>
Opening shareholders' funds	1,725,869	-
Closing shareholders' funds	<u>1,725,869</u>	<u>1,725,869</u>

22 Contingent liabilities

The Group and Company had no contingent liabilities at 31 December 2007 or 31 December 2006

23 Capital commitments

The Group and Company had no capital commitments at 31 December 2007 or 31 December 2006

24 Controlling party

The controlling related party of the company is A W Scott as by virtue of his majority shareholding in Safe Computing Holding Limited.

25 Notes to the cash flow statement

Net cash inflow from operating activities

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Operating profit	1,860,289	1,085,070
Depreciation	91,840	137,146
Amortisation of intangible fixed assets	211,255	223,678
FRS 17 non cash adjustment	49,000	(85,000)
Loss/(profit) on disposal of tangible fixed assets	5,419	(6,459)
(Increase)/decrease in stock	(3,735)	1,104
(Increase)/decrease in debtors	(1,040,630)	119,050
Increase in creditors	772,259	874,916
Net cash inflow from operating activities	1,945,697	2,349,505

Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Increase in cash in the year	353,789	856,999
Cash outflow/(inflow) from financing	618,814	(930,814)
Cash outflow from finance leases	36,197	46,382
Change in net funds/(debt) resulting from cash flows	1,008,800	(27,433)
Issue of loan stock	-	(1,080,000)
Movement in net funds/(debt) in the period	1,008,800	(1,107,433)
Net (debt)/funds brought forward	(1,008,595)	98,838
Net funds/(debt) carried forward	205	(1,008,595)

25 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At 31 December 2006 £	Non-cash items £	Cashflow £	At 31 December 2007 £
Cash at bank and in hand	1,053,830	-	353,789	1,407,619
Bank loan	(930,814)	-	618,814	(312,000)
Finance leases	(51,611)	-	36,197	(15,414)
Loan stock	(1,080,000)	-	-	(1,080,000)
	<u>(1,008,595)</u>	<u>-</u>	<u>1,008,800</u>	<u>205</u>

26 Pensions

Defined benefit scheme

The group operates a funded pension scheme for its employees, providing benefits based on final pensionable pay. The scheme, known formally as the Safe Computing Pension Fund, is set up under trust. The total assets of the scheme at 31 December 2007, based on market value, amounted to £4,140,000. The level of funding (ie the total value of the assets expressed as a percentage of the past service liabilities) was calculated to be 116% as at 31 December 2007.

The pension cost has been assessed in accordance with advice received from the actuary to the scheme on the basis of an actuarial valuation carried out as at 31 March 2007. Pension costs were assessed using the projected unit actuarial method based on assumptions including a long term rate of investment return on assets of 7% per annum, increases in members' earnings in line with RPI, pension increases at 3.25% per annum and allowances for mortality, withdrawals from service and early retirements.

The scheme is closed to new members and as the age of the active membership increases, the current service cost will increase under the actuarial method currently used, although this may be offset to some extent by a reducing salary roll as members leave active service. From 1 April 2006, the benefit scale has been changed from final salary to a career average basis.

The major financial assumptions used by the actuary were

	2007 %	2006 %	2005 %
Rate of increase in salaries	3.25	3.00	2.75
Rate of increase in pensions in payment	3.25	3.00	2.75
Discount rate	5.80	5.20	4.80
Inflation assumption	3.25	3.00	2.75

26 Pensions (continued)

The assets in the scheme and the expected rates of return were

	Long term rate of return expected at			Value at		
	2007 %	2006 %	2005 %	2007 £'000	2006 £'000	2005 £'000
Equities	7.00	7.00	7.00	3,215	2,978	2,574
Property	5.25	5.25	5.25	500	500	500
Cash	4.00	4.00	3.00	425	272	61
Total market value of assets				4,140	3,750	3,135
Actuarial value of liability				(3,575)	(3,287)	(3,083)
Recoverable surplus in the scheme				565	463	52
Related deferred tax liability				(158)	(140)	(16)
Net pension surplus				407	323	36

The amounts recognised in the financial statements as a result of adopting FRS 17 are as follows

(a) Analysis of amount charged to operating profit

	31 Dec 2007 £'000	31 Dec 2006 £'000	31 Dec 2005 £'000
Current service cost	155	124	146
Past service cost	-	-	-
Total operating charge	155	124	146

(b) Analysis of amount debited to other financial costs

	31 Dec 2007 £'000	31 Dec 2006 £'000	31 Dec 2005 £'000
Expected return on pension scheme assets	248	215	149
Interest on pension scheme liabilities	(176)	(151)	(165)
Net return	72	64	(16)

(c) Analysis of amount recognised in statement of total recognised gains and losses

	31 Dec 2007 £'000	31 Dec 2006 £'000	31 Dec 2005 £'000
Actual return less expected return on pension scheme assets	17	174	581
Experience gains and losses arising on the scheme liabilities	135	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(73)	88	221
Actuarial gain recognised	79	262	802

26 Pensions (continued)

d) Movement in surplus/(deficit) during the year

	31 Dec 2007 £'000	31 Dec 2006 £'000	31 Dec 2005 £'000
Surplus/(deficit) in scheme at beginning of year	463	52	(695)
Movement in year current service cost	(155)	(124)	(146)
Contributions paid by the employer	106	209	107
Net return on assets	72	64	(16)
Actuarial gain	79	262	802
Surplus in scheme at the end of year	565	463	52

Over the year to 31 December 2007, the employer contributed at the rate of 12% (2006 12%) of pensionable salaries (excluding the costs of lump sum death in service benefits), subject to review at future actuarial valuations

(e) History of experience gains and losses

	2007 £'000	2007 %	2006 £'000	2006 %	2005 £'000	2005 %	2004 £'000	2004 %
Difference between the expected and actual return on scheme assets	17		174		581		368	
% of scheme assets		-		4.6		19		16.1
Experience gains/(losses) on scheme liabilities	135		-		-		24	
% of the present value of scheme liabilities		4		-		-		0.8
Total amount recognised in statement of total recognised gains and losses	79		262		802		76	
% of the present value of scheme liabilities		2		8		26		2.6

Defined contribution scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period

The pension cost for the year was £139,298 (2006 £130,497)