

SAFE COMPUTING HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
Company Registration Number 5541359



SAFE COMPUTING HOLDINGS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

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SAFE COMPUTING HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2012

The board of directors

P E Presland
A W Scott
J G Griffiths
J Brooks

Company secretary

M C James

Registered office

20 Freeschool Lane
Leicester
Leicestershire
LE1 4FY

Auditor

RSM Tenon Audit Limited
Statutory Auditor
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SD

Bankers

HSBC
2-6 Gallowtree Gate
Leicester
LE1 1DA

National Westminster Bank plc
148-149 Victoria Centre
Nottingham
NG1 3QT

SAFE COMPUTING HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements of the group for the year ended 31 December 2012

Principal activity

The principal activity of the company during the year continued to be that of an investment holding company

The principal activity of the group during the year continued to be the supply of software services, packages and computer systems

Business Review

Financial overview

The group continued to perform well during the year and maintained strong cashflow Revenue has increased by 14.2%

Underlying profitability has remained reasonably stable on previous periods, which is particularly pleasing in a tough macro economic environment and during a period of continued investment in the business's future

At 31 December 2012, the group had shareholders' funds of £5,809,372, including cash of £1,564,275

The directors are pleased with the performance during the year and are confident of the group's future as it evolves

Strategy

The group continues to grow through providing its products and services for recruitment solutions, HR/Payroll solutions, credit control and financial applications Group solutions include in-house implementations, hosted solutions, software as a Service and fully managed outsourced solutions across the group's product lines

The group has become increasingly aware during the last year of the requirements of its customers to meet with compliance regulations in both the temporary and permanent staffing sectors and is evaluating investing in this as a future product and service offering

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

SAFE COMPUTING HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2012

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 monitors 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.

Results and dividends

The profit for the year after taxation and minority interest amounted to £909,088. Particulars of dividends are detailed in note 10, to the financial statements.

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans, loan stock 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 taken. 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 primarily relates 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's 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.

SAFE COMPUTING HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2012

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

Directors

The directors who served the company during the year were

P E Presland

A W Scott

J G Griffiths

J Brooks (Appointed 1 November 2012)

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 accounting estimates that are reasonable and prudent, 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 adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors, individually, are aware

- there is no relevant audit information of which the group's auditor is 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 auditor is aware of that information

SAFE COMPUTING HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2012

Auditor

RSM Tenon Audit Limited have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

Signed by order of the Board

A handwritten signature in black ink, appearing to be 'M C James', written over a horizontal line.

M C James
Company Secretary

Approved by the directors on 23 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFE COMPUTING HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2012

We have audited the financial statements of Safe Computing Holdings Limited on pages 8 to 37 for the year ended 31 December 2012. The financial framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

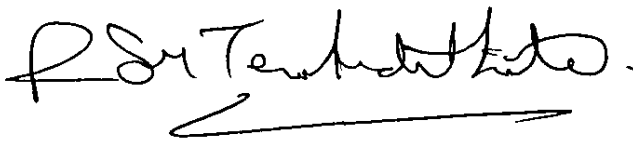
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SAFE COMPUTING HOLDINGS LIMITED *(continued)***

YEAR ENDED 31 DECEMBER 2012

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



Stephen Newman, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SD

23 September 2013

SAFE COMPUTING HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Turnover	2	14,019,249	12,022,390
Cost of sales		(2,219,295)	(1,684,505)
Gross profit		<u>11,799,954</u>	<u>10,337,885</u>
Administrative expenses		(10,573,646)	(8,788,429)
Trading profit		1,745,088	1,975,829
Goodwill amortisation	3	(333,497)	(297,383)
Exceptional item	3	(154,283)	-
Defined benefit pension scheme costs	18	(31,000)	(129,000)
Operating profit	3	<u>1,226,308</u>	<u>1,549,456</u>
Interest receivable and similar income	6	39,624	32,134
Interest payable and similar charges	7	(25,784)	(50,007)
Profit on ordinary activities before taxation		<u>1,240,148</u>	<u>1,531,583</u>
Tax on profit on ordinary activities	8	(304,760)	(357,945)
Profit for the year after taxation		<u>935,388</u>	<u>1,173,638</u>
Profit attributable to minority interests	29	(26,300)	(34,679)
Profit for the year attributable to the group	27	<u><u>909,088</u></u>	<u><u>1,138,959</u></u>

All of the activities of the group are classified as continuing

SAFE COMPUTING HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£	£
Profit for the year	909,088	1,138,959
Actuarial loss in respect of defined benefit pension scheme	(507,000)	(713,000)
Deferred tax in respect of defined benefit pension scheme	116,610	178,000
Total recognised gains and losses for the year	<u>518,698</u>	<u>603,959</u>

The notes on pages 13 to 37 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

Registration Number 5541359

CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible assets	11	5,229,494	5,108,278
Tangible assets	12	1,153,411	913,854
		<u>6,382,905</u>	<u>6,022,132</u>
Current assets			
Stocks	14	69,505	49,961
Debtors	15	5,027,663	4,159,392
Cash at bank		1,564,275	2,111,170
		<u>6,661,443</u>	<u>6,320,523</u>
Creditors: amounts falling due within one year	16	(6,289,421)	(6,199,219)
Net current assets		<u>372,022</u>	<u>121,304</u>
Total assets less current liabilities		<u>6,754,927</u>	<u>6,143,436</u>
Creditors: amounts falling due after more than one year	17	(168,000)	(198,000)
Deferred taxation	19(a)	(20,751)	(19,857)
Other provisions	20	(154,283)	-
Net assets excluding pension scheme deficit		<u>6,411,893</u>	<u>5,925,579</u>
Defined benefit pension scheme deficit	18	(594,890)	(388,500)
Net assets		<u>5,817,003</u>	<u>5,537,079</u>
Capital and reserves			
Called up share capital	23(a)	1,054	1,054
Share premium account	24	-	1,924,344
Capital redemption reserve	25	-	3
Share based payment reserve	26	205,938	179,185
Profit and loss account	27	5,602,380	3,461,765
Shareholders' funds	28	<u>5,809,372</u>	<u>5,566,351</u>
Minority interests	29	7,631	(29,272)
Total capital employed		<u>5,817,003</u>	<u>5,537,079</u>

The financial statements were approved by the directors and authorised for issue on 23 September 2013, and are signed on their behalf by

A W Scott
Director



The notes on pages 13 to 37 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

Registration Number 5541359

COMPANY BALANCE SHEET**YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	£	2011 £	£
Fixed assets					
Investments	13		9,469,714		9,401,201
Current assets					
Debtors	15	125,144		130,644	
Cash at bank		-		473	
		<u>125,144</u>		<u>131,117</u>	
Creditors: amounts falling due within one year	16	(543,236)		(526,778)	
		<u></u>		<u></u>	
Net current liabilities			(418,092)		(395,661)
Total assets less current liabilities			<u>9,051,622</u>		<u>9,005,540</u>
Creditors' amounts falling due after more than one year	17		(6,401,128)		(6,400,799)
Net assets			<u>2,650,494</u>		<u>2,604,741</u>
Capital and reserves					
Called up share capital	23(a)		1,054		1,054
Share premium account	24		-		1,924,344
Capital redemption reserve	25		-		3
Share based payment reserve	26		184,782		158,029
Profit and loss account	27		2,464,658		521,311
Shareholders' funds	28		<u>2,650,494</u>		<u>2,604,741</u>

The financial statements were approved by the directors and authorised for issue on 23 September 2013, and are signed on their behalf by



A W Scott
Director

The notes on pages 13 to 37 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	£	2011 £	£
Net cash inflow from operating activities	29		631,733		2,409,256
Returns on investments and servicing of finance					
Interest received		6,624		1,134	
Interest paid		(25,784)		(50,007)	
Net cash outflow from returns on investments and servicing of finance			(19,160)		(48,873)
Taxation paid			(178,316)		(588,304)
Capital expenditure					
Payments to acquire tangible fixed assets		(377,924)		(60,167)	
Payments to acquire intangible fixed assets		(92,693)		(25,203)	
Disposal of tangible fixed assets		1,803		466	
Net cash outflow from capital expenditure			(468,814)		(84,904)
Acquisitions					
Purchase of subsidiary undertaking	13	(37,535)		(1,373,946)	
Purchase of minority interest	13	(4,225)		-	
(Overdraft)/net cash acquired with subsidiary undertaking		(28,617)		693,747	
Net cash outflow from acquisitions			(70,377)		(680,199)
Equity dividend paid			(302,430)		(302,430)
Net cash (outflow)/inflow before financing			(407,364)		704,546
Financing					
Repayment of bank loan		(142,521)		(12,000)	
Repayment of loan stock		-		(900,000)	
Capital element of hire purchase payments		(1,011)		(4,134)	
Issue of share capital		-		46	
Net cash outflow from financing			(143,532)		(916,088)
(Decrease)/increase in cash	30		(550,896)		(211,542)

The notes on pages 13 to 37 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Basis of consolidation

The consolidated financial statements incorporate the results of Safe Computing Holdings Limited and all of its subsidiary undertakings, using the acquisition method of accounting.

As permitted by Section 408 of the Companies Act 2006, the company's profit and loss account has not been included in these financial statements. The profit of the company during the year under review is disclosed in note 9.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the separable net assets acquired. Each acquisition is considered separately in determining the useful economic life of the related goodwill. The carrying value of goodwill is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax. Revenue invoiced in advance of services provided is deferred and recognised in line with the service performed in future periods.

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.

Research and development

Research and development is written off in the profit and loss account in the period in which it is incurred.

Intangible fixed assets and amortisation

Intangible fixed assets are initially recorded at cost with the exception of goodwill arising on consolidation, as stated above. Cost is based on purchase price together with any incidental costs of acquisition.

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, evenly over the useful economic life of that asset as follows:

Goodwill	- 20 years
Software packages	- 2 years

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are initially recorded at cost. Cost is based on purchase price together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, of all tangible fixed assets except freehold land, evenly over the useful economic life of that asset as follows:

Freehold buildings	- 2% per annum
Leasehold property	- over the period of the lease
Fixtures & fittings	- 14% per annum
Motor vehicles	- 25% per annum
Computer equipment	- 25% per annum

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Stock

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less any further costs of realisation.

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 total 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.

Onerous lease contracts

Where unavoidable costs of meeting an obligation under a contract exceed the economic benefit expected to be received under it, the estimated cost is provided for in full.

Pension costs

Defined benefit scheme

Defined benefit pension costs are accounted for in accordance with Financial Reporting Standard 17 ('Retirement Benefits') ('FRS 17'). The pension scheme is closed to new members.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method and is based on actuarial advice.

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (continued)

Defined benefit scheme (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year

The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities the published bid price

The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable

Employer-financed retirement benefit scheme

The company operates an employer-financed retirement benefit scheme, which provides benefits on a money purchase basis. The assets of the scheme are held separately from those of the company. The contributions payable are charged directly to the profit and loss account

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date, with certain limited exceptions

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

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

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1 Accounting policies *(continued)*

Share based payments

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements

All goods and services received in exchange for the grant of any share based payment are measured at their fair values. Where employees are rewarded using share based payments, the fair value of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets)

All share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share based payment reserve

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

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.

Dividends

In accordance with Financial Reporting Standard 21 ('Events after the Balance Sheet Date'), dividends declared prior to the balance sheet date are recognised as liabilities in the financial statements. If the company declares dividends after the balance sheet date, the company does not recognise those dividends as a liability in the financial statements.

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

2 Turnover

The turnover and profit before tax are attributable to the principal activity of the group

An analysis of turnover is given below

	2012 £	2011 £
United Kingdom	13,444,634	12,022,390
Overseas	574,615	-
	<u>14,019,249</u>	<u>12,022,390</u>

3 Operating profit

Operating profit is stated after charging/(crediting)

	2012 £	2011 £
Goodwill amortisation	333,497	297,383
Other amortisation	71,317	43,981
Depreciation of tangible fixed assets		
- owned assets	142,475	103,498
- assets held under hire purchase agreements	-	508
Profit/(loss) on disposal of tangible fixed assets	(1,803)	3,991
Auditor's remuneration		
- audit fee	23,000	22,500
- accountancy	10,300	9,400
- taxation	9,750	9,255
- other advisory	10,000	10,000
Operating lease rentals		
- plant and machinery	238,351	183,843
- other	16,646	36,458
Exceptional item	154,283	-
	<u> </u>	<u> </u>

The audit fee for the company is £1,500 (2011 £1,500)

The exceptional item relates to a provision of £154,283 (2011 £nil) for an onerous property lease

4 Particulars of employees

The average number of staff, including directors, employed by the group during the financial year amounted to

	2012 No.	2011 No.
Number of staff	183	158
	<u> </u>	<u> </u>

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

4 Particulars of employees (continued)

The aggregate payroll costs of the above were

	2012	2011
	£	£
Wages and salaries	7,162,990	5,860,045
Social security costs	752,895	666,105
Pension costs	126,935	326,461
Share based payments (note 26)	26,753	37,331
	<u>8,069,573</u>	<u>6,889,942</u>

Included in pension costs are £31,000 (2011 £129,000) in respect of defined benefit pension scheme costs, £66,565 (2011 £59,461) in respect of defined contribution scheme costs and £nil (2011 £138,000) in respect of Employer-financed retirement benefit schemes. Payments of £237,000 (2011 £150,000) were made to the defined benefit scheme during the year.

5 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011
	£	£
Remuneration receivable (excluding pension contributions)	391,691	303,842
Contributions to money purchase pension schemes	5,400	6,900
Employer-financed retirement benefit scheme	-	138,000
	<u>397,091</u>	<u>448,742</u>

The group was charged £20,421 (2011 £18,370) in fees and reimbursed expenses by Mainvalley Limited for the services of P E Presland. These amounts are disclosed in directors' remuneration above.

The number of directors who accrued benefits under group pension schemes are as follows

	2012	2011
	No.	No.
Defined benefit scheme	-	-
Defined contribution scheme	2	2
Employer-financed retirement benefit scheme	1	1
	<u>3</u>	<u>3</u>

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5 Directors' remuneration (continued)

Remuneration of the highest paid director:

	2012 £	2011 £
Remuneration receivable (excluding pension contributions)	261,134	122,203
Employer-financed retirement benefit scheme	-	138,000
	<u>261,134</u>	<u>260,203</u>

No director accrued benefits under the defined benefit scheme

6 Interest receivable and similar income

	2012 £	2011 £
Bank	6,624	1,134
Net finance income on defined benefit pension scheme	33,000	31,000
	<u>39,624</u>	<u>32,134</u>

7 Interest payable and similar charges

	2012 £	2011 £
Bank	4,000	5,478
Loan stock	17,912	44,489
Hire purchase	-	40
Other interest	3,872	-
	<u>25,784</u>	<u>50,007</u>

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8 Taxation on ordinary activities

(a) Analysis of the charge in the year

	2012 £	2011 £
UK corporation tax	269,756	481,439
(Over)/under provision in respect of the prior year	(19,996)	(136,494)
Total current tax charge (note 8 (b))	<u>249,760</u>	<u>344,945</u>
Deferred tax		
FRS 17 adjustment	55,000	13,000
Tax on the profit on ordinary activities	<u>304,760</u>	<u>357,945</u>

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the expected corporation tax charge. The differences are explained below.

	2012 £	2011 £
Profit on ordinary activities before taxation	1,240,148	1,531,583
Profit on ordinary activities multiplied by the expected rate of corporation tax of 24% (2011: 26%)	278,085	398,212
Effects of		
Expenses not deductible for tax purposes	31,635	53,157
Difference between capital allowances and depreciation	(65)	2,016
FRS 17 adjustment	(57,360)	(13,000)
(Over)/under provision in respect of the prior year	(19,996)	(136,494)
Goodwill amortisation	80,039	77,320
Difference in tax rates	-	(10,794)
Utilisation of losses brought forward	(29,204)	(36,794)
Short term timing differences	(33,374)	11,322
Total current tax (note 8 (a))	<u>249,760</u>	<u>344,945</u>

(c) Factors affecting future tax charges

The group had taxable losses of £219,186 (2011: £38,979) available to offset against future trading profits.

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9 Profit for the year after taxation

	2012 £	2011 £
Parent undertaking profit on ordinary activities after taxation	321,430	302,471

10 Dividends

	2012 £	2011 £
Equity dividends	302,430	302,430
	<u>302,430</u>	<u>302,430</u>

11 Intangible fixed assets

Group

	Goodwill £	Software packages £	Total £
Cost			
At 1 January 2012	6,580,172	433,043	7,013,215
Additions	-	92,693	92,693
Acquired (note 13)	433,337	-	433,337
At 31 December 2012	<u>7,013,509</u>	<u>525,736</u>	<u>7,539,245</u>
Amortisation			
At 1 January 2012	1,495,675	409,262	1,904,937
Charge for the year	333,497	71,317	404,814
At 31 December 2012	<u>1,829,172</u>	<u>480,579</u>	<u>2,309,751</u>
Net book value			
At 31 December 2012	<u>5,184,337</u>	<u>45,157</u>	<u>5,229,494</u>
<i>At 31 December 2011</i>	<u>5,084,497</u>	<u>23,781</u>	<u>5,108,278</u>

SAFE COMPUTING HOLDINGS LIMITED
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12 Tangible fixed assets

Group

	Freehold land and buildings £	Long leasehold property £	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 January 2012	550,000	138,547	697,154	102,060	925,394	2,413,155
Additions	-	-	267,940	2,000	107,984	377,924
Acquired (note 13)	-	-	1,811	-	2,297	4,108
Disposal	-	-	-	(29,000)	-	(29,000)
At 31 December 2012	550,000	138,547	966,905	75,060	1,035,675	2,766,187
Depreciation						
At 1 January 2012	35,663	22,603	576,275	52,924	811,836	1,499,301
Charge for the year	6,798	1,000	57,090	14,853	62,734	142,475
Disposal	-	-	-	(29,000)	-	(29,000)
At 31 December 2012	42,461	23,603	633,365	38,777	874,570	1,612,776
Net book value						
At 31 December 2012	507,539	114,944	333,450	36,283	161,105	1,153,411
At 31 December 2011	514,337	115,944	120,879	49,136	113,558	913,854

13 Fixed asset investments

Company

	Subsidiary undertakings £
Cost & net book value	
At 1 January 2012	9,401,201
Additions	41,760
Recognition of share based payments charge in subsidiary undertakings	26,753
At 31 December 2012	9,469,714

SAFE COMPUTING HOLDINGS LIMITED
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13 Fixed asset investments *(continued)*

Included within the carrying value of £9,469,714 (2011 £9,401,201) is £148,720 (2011 £121,967) relating to a non interest bearing capital contribution to certain subsidiary undertakings in connection with share based payments

Subsidiary undertakings comprise

Name	Proportion of shares and voting rights held	Nature of business
Safe Computing Limited	100%	Supply of software services, packages and computer systems
Topaz Computer Systems Limited	100%	Dormant
AHL Management Limited	100%	Supply of payroll software services
Intersoftware Recruitment Solutions Limited	70%	Supply of software services, packages and computer systems
Xuper Limited (formerly East Midlands Computers Limited)	100%	Supply of software services, packages and computer systems
Safe Outsourcing Limited	100%	Dormant
Safe Computing (Manufacturing Systems) Limited **	100%	Dormant
Safe Computing (Software Services) Limited **	100%	Dormant
Topaz Support and Maintenance Limited *	100%	Dormant
Saber Analytics Limited	100%	Dormant

All of the above are incorporated in England and Wales

* Held directly by Topaz Computer Systems Limited

** Held directly by Safe Computing Limited

SAFE COMPUTING HOLDINGS LIMITED
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13 Fixed asset investments (continued)

During the year, the group acquired the entire issued equity share capital of Saber Analytics Limited. The book value and net liabilities acquired along with the provisional assessment of their fair values at the date of acquisition are summarised below

	Book value £	Fair value adjustment £	Fair value £
Tangible fixed assets	4,108	-	4,108
Debtors	83,740	-	83,740
Creditors	(326,790)	-	(326,790)
Bank loan	(112,521)	-	(112,521)
Overdraft	(28,617)	-	(28,617)
Deferred tax	(894)	-	(894)
Net assets acquired	<u>(380,974)</u>	<u>-</u>	<u>(380,974)</u>
Goodwill arising			418,509
Consideration – settled in cash			<u>37,535</u>

Also during the year, the group acquired the remaining 20% of the ordinary share capital of Safe Outsourcing Limited, an existing subsidiary undertaking, for £4,225. The net liabilities acquired were £10,603, resulting in additional goodwill of £14,828.

14 Stock

	Group	
	2012	2011
Finished goods	<u>69,505</u>	<u>49,961</u>

15 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	4,078,720	3,211,352	-	-
Amounts owed by group undertakings	-	-	107,144	107,144
Other debtors	621,826	680,535	18,000	23,500
Prepayments and accrued income	327,117	267,505	-	-
Corporation tax repayable	-	-	-	-
	<u>5,027,663</u>	<u>4,159,392</u>	<u>125,144</u>	<u>130,644</u>

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts owed by group undertakings	-	-	-	-
Other debtors	<u>397,390</u>	<u>275,390</u>	<u>-</u>	<u>-</u>
	<u>397,390</u>	<u>275,390</u>	<u>-</u>	<u>-</u>

SAFE COMPUTING HOLDINGS LIMITED
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16 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Loan stock	180,000	180,000	180,000	180,000
Bank loan (note 17)	24,000	24,000	24,000	24,000
Bank overdraft	4,001	-	4,001	-
Trade creditors	264,283	249,231	-	-
Hire purchase agreements (note 17)	-	1,011	-	-
Corporation tax	494,490	423,046	11,100	-
Other taxation and social security	630,216	752,295	-	-
Other creditors	44,990	133,566	21,705	20,348
Accruals and deferred income	4,345,011	4,133,640	-	-
Proposed dividend	302,430	302,430	302,430	302,430
	<u>6,289,421</u>	<u>6,199,219</u>	<u>543,236</u>	<u>526,778</u>

The bank loan comprises a commercial mortgage secured over certain freehold land and buildings and the long leasehold property, and a cross guarantee between certain group undertakings. This loan is subject to interest at 1% above LIBOR and is repayable in equal quarterly instalments ending in December 2020.

The loan stock is secured by a trust deed between the company, Safe Computing Limited and the loan stockholders as trustees. Interest at a rate of 10% per annum is payable quarterly and the stock is repayable upon demand.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loan	168,000	198,000	168,000	198,000
Amounts owed to group undertakings	-	-	6,233,128	6,202,799
	<u>168,000</u>	<u>198,000</u>	<u>6,401,128</u>	<u>6,400,799</u>

Amounts owed to group undertakings have no fixed repayment date and are interest free. The amounts due will be requested when the company is in a financial position to repay the debt, or if later, 12 months following the balance sheet date.

SAFE COMPUTING HOLDINGS LIMITED
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17 Creditors' amounts falling due after more than one year (continued)

The bank loan is repayable as follows

	Group and company	
	2012	2011
	£	£
Within one year	24,000	24,000
Between one and two years	24,000	24,000
Between two and five years	72,000	72,000
After more than five years	72,000	102,000
	<u>192,000</u>	<u>222,000</u>

Future commitments under hire purchase agreements fall due for repayment as follows

	Group	
	2012	2011
	£	£
Within one year	<u>-</u>	<u>1,011</u>

Hire purchase liabilities are secured on the assets to which they relate

18 Pensions

The group operates both defined contribution and defined benefit pension schemes

The profit and loss charge for defined contribution payments is £66,565 (2011 £59,461) At 31 December, there were overpaid contributions of £1,171 (2011 £14,644)

Safe Computing Limited, a subsidiary undertaking, operates a final salary defined benefit scheme which is funded by payment of contributions to a separately administered trust fund, The Safe Computing Pension Fund. The scheme is set up under trust.

Contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method.

The scheme is closed to new members and as the age of the active membership increases, the current service costs 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.

FRS 17

In accordance with FRS 17, the actuaries have undertaken a valuation of the assets and liabilities of the scheme at 31 December 2012. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method. The "present value of scheme liabilities" has been arrived at by projecting the results of the last full valuation as at 31 March 2011 forward to 31 December 2012.

The contributions to the scheme for the year were £237,000 (2011 £150,000). Future contributions will be made on the basis of actuarial advice. Contributions payable to the fund in respect of the year ended 31 December 2013 are expected to be £103,000.

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18 Pensions (continued)

The following assumptions were made in reaching the valuation

	2012	2011	2010
Rate of increase in salaries	2.7%	2.5%	3.25%
Rate of increase in pensions in payment	2.7%	2.5%	3.25%
Discount rate	4.5%	5.0%	5.8%
Inflation assumption	2.0%	1.75%	2.5%

The post-retirement mortality assumptions used to value the benefit obligation at 31 December 2012 and 31 December 2011 are based on the PA92 table on a year of birth usage with medium cohort future improvement factors

Under the mortality tables adopted, the assured future life expectancy, quoted in years, at age 65 is as follows

	2012	2011
Male currently aged 45	23.2	23.1
Female currently aged 45	26.0	25.9
Male currently aged 65	22.2	22.0
Female currently aged 65	25.1	24.8

It is also assumed that 50% of members take one quarter of their pension as tax free cash

The fair value of the assets and the present value of liabilities in the scheme were as follows

	2012 £	2011 £	2010 £
Equities	3,166,000	3,092,000	3,230,000
Bonds	1,044,000	937,000	847,000
Property	516,000	516,000	516,000
Cash	163,000	140,000	223,000
Total market value of assets	4,889,000	4,685,000	4,816,000
Present value of scheme liabilities	(5,674,000)	(5,202,000)	(4,672,000)
(Deficit)/surplus	(785,000)	(517,000)	144,000
Related deferred tax	190,110	128,500	(36,500)
Net pension (deficit)/surplus	(594,890)	(388,500)	107,500

SAFE COMPUTING HOLDINGS LIMITED
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18 Pensions (continued)

The expected rates of return were

	2012	2011	2010
Equities	7.0%	7.0%	7.0%
Bonds	4.5%	5.0%	5.0%
Property	5.3%	5.25%	5.25%
Cash	0.3%	2.0%	2.0%

The expected return on assets is a weighted average of the assumed long term returns for the various asset classes. The long term expected rate of return on the scheme's assets net of expenses is 6.1% (2011 £6.2%). The actual return on the scheme's assets was £582,000 (2011 £242,000).

A reconciliation of the scheme assets is detailed below

	2012 £	2011 £
Fair value of assets at beginning of year	4,685,000	4,816,000
Expected return on assets	292,000	302,000
Company contributions	237,000	150,000
Contributions by scheme participants	55,000	57,000
Benefits paid	(670,000)	(96,000)
Actuarial gain/(loss) on assets	290,000	(544,000)
Fair value of assets at end of year	4,889,000	4,685,000

A reconciliation of the present value of scheme liabilities is detailed below

	2012 £	2011 £
Defined benefit liabilities at beginning of year	5,202,000	4,672,000
Current service cost	115,000	119,000
Past service cost	-	10,000
Gains on curtailment and settlement	(84,000)	-
Contributions by scheme participants	55,000	57,000
Interest cost	259,000	271,000
Benefits paid	(670,000)	(96,000)
Actuarial gain on defined benefit obligations	797,000	169,000
Defined benefit liabilities at end of year	5,674,000	5,202,000

Analysis of amount charged to operating profit

	2012 £	2011 £
Current service cost	115,000	119,000
Past service cost	-	10,000
Gains on curtailment and settlement	(84,000)	-
	31,000	129,000

SAFE COMPUTING HOLDINGS LIMITED
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18 Pensions (continued)

Analysis of the amount charged to other finance income

	2012 £	2011 £	2010 £
Expected return on pension scheme assets	292,000	302,000	261,000
Interest on pension scheme liabilities	(259,000)	(271,000)	(258,000)
Net finance income	<u>33,000</u>	<u>31,000</u>	<u>3,000</u>

Analysis of the amount recognised in the statement of total recognised gains and losses ("STRGL")

	2012 £	2011 £	2010 £
Actual return less expected return on pension scheme assets	290,000	(544,000)	346,000
Experience gains and losses arising on the scheme liabilities	(84,000)	(27,000)	108,000
Changes in assumptions underlying the present value of the scheme liabilities	(713,000)	(142,000)	(106,000)
Actuarial (loss)/gain recognised in the STRGL	<u>(507,000)</u>	<u>(713,000)</u>	<u>348,000</u>

History of experience gains and losses

	2012 £	2011 £	2010 £	2009 £	2008 £
Difference between the expected and actual return on scheme assets					
Amounts	290,000	(544,000)	346,000	374,000	(1,039,000)
% of net assets	5.9%	(11.6)%	7.2%	8.9%	(29.7)%
Experience (loss)/gains arising on scheme liabilities					
Amounts	(84,000)	(27,000)	108,000	49,000	(58,000)
% of the present value of the schemes liabilities	(1.5)%	(0.6)%	2.3%	1.1%	(1.9)%
Total amount recognised in statement of total recognised gains and losses					
Amounts	(507,000)	(713,000)	348,000	(563,000)	(73,000)
% of the present value of the schemes liabilities	<u>(8.9)%</u>	<u>(13.7)%</u>	<u>7.4%</u>	<u>(13.2)%</u>	<u>(2.4)%</u>

SAFE COMPUTING HOLDINGS LIMITED
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19 Deferred taxation

(a) Deferred taxation

The movement in the deferred taxation provision during the year was

	Group 2012 £	2011 £
Balance brought forward	19,857	19,857
Acquired (note 13)	894	-
Balance carried forward	<u>20,751</u>	<u>19,857</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	Group 2012 £	2011 £
Accelerated capital allowances	20,751	19,857
	<u>20,751</u>	<u>19,857</u>

(b) Deferred tax included within pension scheme (liability)/asset

	Group 2012 £	2011 £
Balance brought forward	(128,500)	36,500
Released to the profit and loss account during the year	55,000	13,000
Provided for balance sheet items	(116,610)	(178,000)
Balance carried forward	<u>(190,110)</u>	<u>(128,500)</u>

20. Other provisions

	2012 £	2011 £
Provision for onerous property lease	<u>154,283</u>	<u>-</u>

SAFE COMPUTING HOLDINGS LIMITED
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21 Commitments under operating leases

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

Group

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire				
Within 1 year	37,835	11,960	29,002	30,764
Within 2 to 5 years	8,000	42,500	108,960	99,206
After more than 5 years	45,000	15,000	-	-
	<u>90,835</u>	<u>69,460</u>	<u>137,962</u>	<u>129,970</u>

Company

The company had no operating lease commitments

22 Related party transactions

Group

The group, and company, is exempt from the requirements of Financial Reporting Standard 8 (Related Party Disclosures) to disclose transactions with other group undertakings which are wholly-owned within the group

During the year, the group paid rent of £8,000 (2011 £8,000) to the Safe Computing Pension Fund, in which A W Scott is a trustee, and also paid certain expenses on behalf of the Safe Computing Pension Fund. At 31 December, the company was owed £40,027 (2011 £9,582) from the Safe Computing Pension Fund

23 Share capital

Group and company

(a) Share capital

Allotted, called up and fully paid:

	2012		2011	
	Number	£	Number	£
Ordinary shares of £0.10 each	10,463	1,046	10,463	1,046
Ordinary B shares of £0.10 each	81	8	81	8
	<u>10,544</u>	<u>1,054</u>	<u>10,544</u>	<u>1,054</u>

The rights attaching to each class of share are detailed in the company's Articles of Association filed at Companies House

SAFE COMPUTING HOLDINGS LIMITED
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23 Share capital (continued)

(b) Share options

Safe Computing Holdings Limited has granted options to certain employees, and certain employees of its subsidiary undertakings which remain exercisable, to subscribe for the Ordinary Shares of £0.10 each in Safe Computing Holdings Limited. The scheme which falls within the scope of FRS 20 (post 7 November 2002 transition date), is an HMRC approved scheme, and is equity settled, whereby all options are settled by the delivery of shares. There are no vesting conditions, other than the individual remaining in employment with the group.

Group	Subscription price per share	Period within which options are exercisable	No. of shares for which rights are exercisable
Grant date			
7 July 2006	£189	7 July 2015 to 7 July 2016	874
1 September 2006	£400	1 September 2009 to 1 September 2016	100
22 October 2008	£1,000	22 October 2013 to 22 October 2018	100
22 October 2008	£1,000	22 October 2017 to 22 October 2018	50

(b) Share options (continued)

The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January 2012	£316	1,124	£303	1,247
Outstanding at 31 December 2012	£316	1,124	£316	1,124
Exercisable at the end of the year	£400	100	£400	100

All options, once vested, can be exercised commencing between three and nine years after the grant date to the end of the contractual life. At the end of the year, the remaining contractual life of the options was between 4 to 6 years.

These options are equity settled share based payments and are measured at the fair value at the date of grant. The fair value of the options at the grant date is based upon the approved share value at the date the options were granted. The fair value determined at the grant date of share based payments is expensed on a straight-line basis over the vesting period of the options.

SAFE COMPUTING HOLDINGS LIMITED
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23 Share capital (continued)

The total expenses recognised for the year arising from share based payments are as follows

	2012 £	2011 £
Share based payments	26,753	37,331
	<u>26,753</u>	<u>37,331</u>

Company

Grant date	Subscription price per share	Period within which options are exercisable	No. of shares for which rights are exercisable
1 September 2006	£400	1 September 2009 to 1 September 2016	100

The number and weighted average exercise prices of share options are as follows

	2012		2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning and end of the year	£400	100	£400	100
Exercisable at the end of the year	£400	100	£400	100

All options, once vested, can be exercised three years after the grant date to the end of the contractual life. At the end of the year, the remaining contractual life of the options was 4 years

These options are equity settled share options and are measured at the fair value at the date of grant. The fair value of the options at the grant date is based upon the approved share value at the date the options were granted. The fair value determined at the grant date of share based payments is expensed on a straight-line basis over the vesting period of the options.

SAFE COMPUTING HOLDINGS LIMITED
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23 Share capital (continued)

The total expenses recognised for the year arising from share based payments are as follows

	2012 £	2011 £
Share based payments	-	-

24 Share premium account

During the year, the company / group passed a special resolution to reduce its share premium account to zero

25 Capital contribution reserve

During the year, the company / group passed a special resolution to reduce its capital redemption reserve to zero

26 Share based payment reserve

	Group 2012 £	2011 £	Company 2012 £	2011 £
Balance brought forward	179,185	141,854	158,029	141,854
Recognition of share based payments	26,753	37,331	26,753	37,331
Share options exercised	-	-	-	(21,156)
Balance carried forward	205,938	179,185	184,782	158,029

SAFE COMPUTING HOLDINGS LIMITED
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27 Profit and loss account

Group

	Profit and loss account £
At 1 January 2012	3,461,765
Profit for the year	909,088
Transfer from share premium account and capital contribution reserve	1,924,347
Equity dividends	(302,430)
Net actuarial loss on defined benefit pension scheme	(390,390)
At 31 December 2012	<u>5,602,380</u>

Company

	Profit and loss account £
At 1 January 2012	521,311
Profit for the year	321,430
Transfer from share premium account and capital contribution reserve	1,924,347
Equity dividends	(302,430)
At 31 December 2012	<u>2,464,658</u>

28 Reconciliation of movements in shareholders' funds

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Profit for the year	909,933	1,138,959	321,430	302,471
Equity dividends	(302,430)	(302,430)	(302,430)	(302,430)
Issues of shares	-	46	-	46
Recognition of share based payments	26,753	37,331	26,753	37,331
Share options exercised	-	-	-	(21,156)
Net actuarial loss on defined benefit pension scheme	(390,390)	(535,000)	-	-
Net addition to shareholders' funds	<u>243,021</u>	<u>338,906</u>	<u>45,753</u>	<u>16,262</u>
Opening shareholders' funds	5,566,351	5,227,445	2,604,741	2,588,479
Closing shareholders' funds	<u>5,809,372</u>	<u>5,566,351</u>	<u>2,650,494</u>	<u>2,604,741</u>

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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29 Minority interests

	Group	
	2012	2011
	£	£
Balance brought forward	(29,272)	(63,951)
Acquired during the year	10,603	-
Share of profit after taxation	26,300	34,679
	<u>7,631</u>	<u>(29,272)</u>
Balance carried forward	<u>7,631</u>	<u>(29,272)</u>

30 Notes to the cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£	£
Operating profit	1,226,308	1,549,456
Depreciation	142,475	104,006
(Profit)/loss on disposal of tangible fixed assets	(1,803)	3,991
Amortisation of intangible fixed assets	404,814	341,364
Increase in stocks	(19,544)	(12,544)
Increase in debtors	(784,531)	(419,502)
(Decrease)/increase in creditors	(156,739)	826,154
FRS 17 adjustment	(206,000)	(21,000)
Recognition of share based payments	26,753	37,331
	<u>631,733</u>	<u>2,409,256</u>
Net cash inflow from operating activities	<u>631,733</u>	<u>2,409,256</u>

Analysis of changes in net funds

	1 January			31
	2012	Cash flows	Acquired	December
	£	£	£	2012
				£
Cash at bank	2,111,170	(546,895)	-	1,564,275
Bank overdraft	-	(4,001)	-	(4,001)
	<u>2,111,170</u>	<u>(550,896)</u>	<u>-</u>	<u>1,560,274</u>
Bank loan	(222,000)	142,521	(112,521)	(192,000)
Hire purchase agreements	(1,011)	1,011	-	-
Loan stock	(180,000)	-	-	(180,000)
	<u>1,708,159</u>	<u>(407,364)</u>	<u>(112,521)</u>	<u>1,188,274</u>
Net funds	<u>1,708,159</u>	<u>(407,364)</u>	<u>(112,521)</u>	<u>1,188,274</u>

SAFE COMPUTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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30 Notes to the cashflow statement (continued)

Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
(Decrease)/increase in cash	(550,896)	(211,542)
Cash flow relating to financing	143,532	916,088
Change in net funds arising from cash flows	<u>(407,364)</u>	<u>704,592</u>
Issue of new share capital	-	46
Bank loan acquired	(112,521)	-
Net funds brought forward	1,708,159	1,003,567
Net funds carried forward	<u><u>1,188,274</u></u>	<u><u>1,708,159</u></u>

31 Ultimate controlling party

The ultimate controlling party is A W Scott by virtue of his interests in the issued equity share capital of the company