SAFE COMPUTING HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Company Registration Number 5541359

SAFE COMPUTING HOLDINGS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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SAFE COMPUTING HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 DECEMBER 2009

The board of directors	P E Presland A W Scott J G Griffiths L Drouin
Company secretary	M C James
Registered office	20 Freeschool Lane Leicester Leicestershire LE1 4FY
Auditor	RSM Tenon Audit Limited Statutory Auditor 1 Bede Island Road Bede Island Business Park Leicester LE2 7EA
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 2009

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

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 recessionary times of 2009 and maintained strong cash flow Revenue has increased by over 20% on the back of both organic growth and the acquisitions of two outsourcing businesses Operating profit has fallen by 13% in absolute terms, as a result of the difficult trading conditions during the year and its planned investment in the new outsourcing businesses

Last year we reported on the establishment of new SaaS and outsourcing businesses and this was strengthened during the year with the acquisition of a leading outsourcing provider to the recruitment sector, AHL Management Limited

In the year under review we released version 3 of our recruitment front office suite which was purchased and successfully implemented by some notable recruitment agencies This has increased our base of customers with the complete Safe solution for front, middle and back office applications

The integration of the previous Topaz business has continued, with all products now branded as Safe products and a new website launched to promote and support the combined product suite and the outsourcing services This work has also included the development of a new generation HR and payroll product, reflecting the best of the Safe Elite and Topaz EMS products, now branded as Safe EMS

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 increasing 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

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 suitable staff resources

Results and dividends

The profit for the year after taxation amounted to £861,835 Particulars of dividends are detailed in note 11 to the financial statements

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 taken The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk The board review 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

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

SAFE COMPUTING HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

Directors

The directors who served the company during the year were

P E Presland	
A W Scott	
J G Griffiths	
L Drouin	(Appointed 25 February 2010)
P L Rule	(Deceased 2 August 2010)

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

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

M C James
Company Secretary

Approved by the directors on 29 September 2010

RSM Tenon

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

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of Safe Computing Holdings Limited on pages 7 to 33 for the year ended 31 December 2009 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 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

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 2009 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

RSM Tenon

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

YEAR ENDED 31 DECEMBER 2009

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RSM Tenon Audit Limited

Stephen English, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
1 Bede Island Road
Bede Island Business Park
Leicester
LE2 7EA

29 September 2010

SAFE COMPUTING HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Turnover	2	9,832,187	*8,138,277*
Cost of sales		(2,605,454)	*(1,194,950)*
Gross profit		7,226,733	*6,943,327*
Administrative expenses		(5,777,570)	*(5,380,474)*
Other operating income	3	-	*97,947*
Operating profit	4	1,449,163	*1,660,800*
Interest receivable and similar income	7	6,305	*120,934*
Interest payable and similar charges	8	(126,686)	*(136,278)*
Profit on ordinary activities before taxation		1,328,572	*1,645,456*
Tax on profit on ordinary activities	9	(466,947)	*(535,995)*
Profit for the year after taxation		861,835	*1,109,461*
Loss attributable to minority interest	26	-	*10,843*
Profit for the year attributable to the group	24	861,835	*1,120,304*

All of the activities of the group are classified as continuing

The notes on pages 12 to 33 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2009

	2009 £	2008 £
Profit for the year	861,835	1,120,304
Actuarial loss in respect of defined benefit pension scheme	(563,000)	(73,000)
Deferred tax in respect of defined benefit pension scheme	158,000	20,000
Total recognised gains and losses for the year	456,835	1,067,304

The notes on pages 12 to 33 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

Registration Number 5541359

CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2009 £	*2008* £	*2008* £
Fixed assets					
Intangible assets	12		5,067,648		*4,968,780*
Tangible assets	13		517,526		*553,763*
			5,585,174		*5,522,543*
Current assets					
Stocks		5,618		*281*	
Debtors	15	2,694,065		*1,995,788*	
Cash at bank		1,722,344		*2,262,020*	
		4,422,027		*4,258,089*	
Creditors: amounts falling due within one year	16	(3,906,502)		*(3,989,334)*	
Net current assets			515,525		*268,755*
Total assets less current liabilities			6,100,699		*5,791,298*
Creditors: amount falling due after more than one year	17		(1,325,145)		*(1,344,000)*
Deferred taxation	19(a)		(14,163)		-
Net assets excluding pension scheme (liability)/asset			4,761,391		*4,447,298*
Defined benefit pension scheme (liability)/asset	18		(30,000)		*357,000*
Net assets			4,731,391		*4,804,298*
Capital and reserves					
Called up share capital	22(a)		1,011		*1,011*
Share premium account	24		1,924,344		*1,924,344*
Share based payment reserve	23		104,375		*27,637*
Profit and loss account	24		2,712,264		*2,861,909*
Shareholders' funds	25		4,741,994		*4,814,901*
Minority interests	26		(10,603)		*(10,603)*
Total capital employed			4,731,391		*4,804,298*

The financial statements were approved by the directors and authorised for issue on 29 September 2010, and are signed on their behalf by

A W Scott

A W Scott
Director

The notes on pages 12 to 33 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

Registration Number 5541359

COMPANY BALANCE SHEET

YEAR ENDED 31 DECEMBER 2009

		2009		*2008*	
	Note	£	£	£	£
Fixed assets					
Investments	14		7,906,500		*7,561,459*
Current assets					
Debtors	15	107,144		*81,299*	
Cash at bank		127		-	
		107,271		*81,299*	
Creditors: amounts falling due within one year	16	(43,563)		*(478,636)*	
Net current assets/(liabilities)			63,708		*(397,337)*
Total assets less current liabilities			7,970,208		*7,164,122*
Creditors: amounts falling due after more than one year	17		(5,940,478)		*(5,211,130)*
Net assets			2,029,730		*1,952,992*
Capital and reserves					
Called up share capital	22 (a)		1,011		*1,011*
Share premium account	24		1,924,344		*1,924,344*
Share based payment reserve	23		104,375		*27,637*
Profit and loss account	24		-		-
Shareholders' funds	25		2,029,730		*1,952,992*

The financial statements were approved by the directors and authorised for issue on 29 September 2010, and are signed on their behalf by

A W. Scott

A W Scott
Director

The notes on pages 12 to 33 form part of these financial statements

SAFE COMPUTING HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2009 £	2008 £	2008 £
Net cash inflow from operating activities	27		1,469,301		2,586,800
Returns on investments and servicing of finance					
Interest received		2,305		61,934	
Interest paid		(126,686)		(130,834)	
Net cash outflow from returns on investments and servicing of finance			(124,381)		(68,900)
Taxation paid			(494,002)		(599,583)
Capital expenditure					
Payments to acquire tangible fixed assets		(56,889)		(114,186)	
Payments to acquire intangible fixed assets		(16,884)		(29,757)	
Disposal of tangible fixed assets		-		111,047	
Net cash outflow from capital expenditure			(73,773)		(32,896)
Acquisitions					
Deferred consideration paid		(411,829)		-	
Purchase of subsidiary undertaking		(268,302)		(937,328)	
Net cash acquired with subsidiary undertaking		16,768		155,170	
Net cash outflow from acquisitions			(663,363)		(782,158)
Equity dividend paid			(606,480)		(200,000)
Net cash (outflow)/inflow before financing			(492,698)		903,263
Financing					
Repayment of the bank loan		(24,000)		(24,000)	
Capital element of hire purchase payments		(22,978)		(24,864)	
Cash outflow from financing activities			(46,978)		(48,864)
(Decrease)/increase in cash	27		(539,676)		854,399

The notes on pages 12 to 33 form part of these financial statements

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 10

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 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

1 **Accounting policies** *(continued)*

Tangible fixed assets and depreciation

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

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 property	-	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

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

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

1 Accounting policies *(continued)*

Defined benefit scheme *(continued)*

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 scheme

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

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

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

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

2 Turnover

The turnover and profit before tax are attributable to the principal activity of the group, and is wholly derived in the United Kingdom

3 Other operating income

	2009	*2008*
	£	*£*
Other income	–	*97,947*

4 Operating profit

Operating profit is stated after charging/(crediting)

	2009 £	2008 £
Goodwill amortisation	278,031	223,823
Other amortisation	50,066	37,147
Depreciation of tangible fixed assets		
- owned assets	97,333	103,394
- assets held under hire purchase agreements	13,568	-
Profit on disposal of tangible fixed assets	-	(103,277)
Auditor's remuneration		
- audit fee	19,625	20,750
- accountancy	7,555	10,000
- taxation	6,705	11,735
Operating lease rentals		
- other	186,677	201,188
- land and buildings	57,500	57,500

The audit fee for the company is £1,000 (2008 £1,000)

5 Particulars of employees

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

	2009 No.	2008 No
Number of staff	129	93

The aggregate payroll costs of the above were

	2009 £	2008 £
Wages and salaries	4,948,443	3,554,790
Social security costs	532,500	422,117
Other pension costs	138,098	205,348
	5,619,041	4,182,255

Included in pension costs are £100,000 (2008 £163,000) in respect of defined benefit pension scheme costs and £38,098 (2008 £42,348) in respect of defined contribution scheme costs Payments of £121,000 (2008 £108,000) were made to the defined benefit scheme during the year

6 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2009 £	2008 £
Remuneration receivable (excluding pension contributions)	402,737	358,797

The group was charged £16,174 (2008 £16,595) in fees and reimbursed expenses by Mainvalley Limited for the services of P E Presland This amount is disclosed in director's remuneration above

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

	2009 No.	2008 No
Defined benefit scheme	1	1
Defined contribution scheme	1	1
	2	2

Remuneration of the highest paid director:

	2009 £	2008 £
Remuneration receivable (excluding pension contributions)	264,849	254,291

Benefits are accruing under a defined benefit scheme and, at the year end, the accrued pension amounted to £22,843 (2008 £18,481)

7 Interest receivable and similar income

	2009 £	2008 £
Bank	2,305	61,934
Net finance income on defined benefit pension scheme	4,000	59,000
	6,305	120,934

8 Interest payable and similar charges

	2009 £	2008 £
Bank	13,404	16,028
Loan note	107,940	102,574
Hire purchase	5,342	5,321
Other	-	12,355
	126,686	136,278

9 Taxation on ordinary activities

(a) Analysis of the charge in the year

	2009 £	2008 £
UK corporation tax	426,336	540,182
Under/(over) provision in respect of the prior year	19,448	(5,187)
Total current tax charge (note 9 (b))	445,784	534,995
Deferred tax		
Origination and reversal of timing differences (note 19)	14,163	-
FRS 17 adjustment	7,000	1,000
Tax on the profit on ordinary activities	466,947	535,995

(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

	2009 £	2008 £
Profit on ordinary activities before taxation	1,328,572	1,645,456
Profit on ordinary activities multiplied by the expected rate of corporation tax of 28% (2008 28 5%)	372,000	468,955
Effects of		
Expenses not deductible for tax purposes	59,708	12,971
Amortisation	91,867	73,072
Difference between capital allowances and depreciation	5,095	(809)
FRS 17 adjustment	(7,000)	(14,007)
Under/(over) provision in respect of the prior year	19,448	(5,187)
Tax chargeable at lower rates	(26,186)	-
Utilisation of losses bought forward	(69,148)	-
Total current tax (note 9 (a))	445,784	534,995

10 Profit for the year after taxation

	2009 £	*2008 £*
Parent undertaking profit on ordinary activities after taxation	606,480	*200,000*

11 Dividends

	2009 £	*2008 £*
Equity dividend paid	606,480	*200,000*

12 Intangible fixed assets

Group

	Goodwill £	Software packages £	Total £
Cost			
At 1 January 2009	5,496,712	376,745	5,873,457
Additions (note 14)	255,709	16,884	272,593
Acquired (note 14)	154,372	-	154,372
At 31 December 2009	5,906,793	393,629	6,300,422
Amortisation			
At 1 January 2009	619,908	284,769	904,677
Charge for the year	278,031	50,066	328,097
At 31 December 2009	897,939	334,835	1,232,774
Net book value			
At 31 December 2009	5,008,854	58,794	5,067,648
At 31 December 2008	*4,876,804*	*91,976*	*4,968,780*

13 Tangible fixed assets

Group

	Freehold property £	Leasehold property £	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 January 2009	150,000	138,547	631,850	79,996	753,870	1,754,263
Additions	-	-	17,321	-	39,568	56,889
Acquired (note 14)	-	-	-	-	17,775	17,775
At 31 December 2009	150,000	138,547	649,171	79,996	811,213	1,828,927
Depreciation						
At 1 January 2009	27,000	17,576	453,380	62,922	639,622	1,200,500
Charge for the year	3,000	1,680	39,034	10,314	56,873	110,901
At 31 December 2009	30,000	19,256	492,414	73,236	696,495	1,311,401
Net book value						
At 31 December 2009	120,000	119,291	156,757	6,760	114,718	517,526
At 31 December 2008	*123,000*	*120,971*	*178,470*	*17,074*	*114,248*	*553,763*

Hire purchase agreements

Included within the net book value of £517,526 (2008 £553,763) is £13,585 (2008 £41,002) relating to assets held under hire purchase agreements

14 Fixed asset investments

Company

	Subsidiary undertakings £
Cost and net book value	
At 1 January 2009	7,561,459
Additions	268,303
Additions relating to share options in subsidiary undertakings	76,738
At 31 December 2009	7,906,500

14 Fixed asset investments *(continued)*

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%	Supply of software services
AHL Management Limited	100%	Supply of payroll software services
Safe Outsourcing Limited (formerly Safe SME Limited)	80%	Dormant
Safe Computing (Manufacturing Systems) Limited **	100%	Dormant
Safe Computing (Software Services) Limited **	100%	Dormant
Topaz Support and Maintenance 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

During the year, the group acquired the entire issued equity share capital of AHL Management Limited The book value and net assets acquired along with the provisional assessment of their fair values at the date of this transaction are summarised below

	£	£
Intangible fixed assets	154,372	
Tangible fixed assets	17,775	
Cash at bank	16,768	
Debtors	111,368	
Creditors	(287,690)	
Net assets acquired		12,593
Goodwill arising (note 12)		255,709
Consideration – settled in cash		268,302

15 Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	1,928,468	1,630,634	-	-
Amounts owed by group undertakings	-	-	107,144	81,299
Other debtors	514,542	184,224	-	-
Prepayments and accrued income	251,055	180,930	-	-
	2,694,065	1,995,788	107,144	81,299

16 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank overdraft	-	-	-	8,467
Bank loan (note 17)	24,000	24,000	24,000	24,000
Trade creditors	305,732	221,540	-	-
Hire purchase agreements (note 17)	11,580	39,703	-	-
Corporation tax	123,786	172,004	-	7,237
Other taxation and social security	427,181	284,876	-	-
Other creditors	79,640	91,884	5,444	-
Accruals and deferred income	2,934,583	2,743,498	14,119	27,103
Deferred consideration	-	411,829	-	411,829
	3,906,502	3,989,334	43,563	478,636

The bank loan comprises a commercial mortgage secured over the freehold and 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

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loan	240,000	264,000	240,000	264,000
Amounts owed to group undertakings	-	-	4,620,478	3,867,130
Loan stock	1,080,000	1,080,000	1,080,000	1,080,000
Hire purchase agreements	5,145	-	-	-
	1,325,145	1,344,000	5,940,478	5,211,130

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 at par on the next working day after 18 January 2011, or, if earlier, on the first of either a sale or listing of the business occurring, or the stock becoming otherwise repayable

17 Creditors: amounts falling due after more than one year *(continued)*

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

The bank loan is repayable as follows

	Group and company	
	2009	*2008*
	£	*£*
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	144,000	*168,000*
	264,000	*288,000*

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

	Group	
	2009	*2008*
	£'000	*£'000*
Within 1 year	11,580	39,703
Between 2 to 5 years	5,145	-
	16,725	*39,703*

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 £38,098 (2008 £42,348) At 31 December, there were outstanding contributions of £19,342 (2008 £nil)

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 scheme, known formally as the Safe Computing Pension Fund, 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

18 Pensions *(continued)*

FRS 17

In accordance with FRS 17, the actuaries have undertaken a valuation of the assets and liabilities of the scheme at 31 December 2009 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 2007 forward to 31 December 2009

The contributions to the scheme for the year were £121,000 (2008 £108,000) Future contributions will be made on the basis of actuarial advice Contributions payable to the fund in respect of the year ended 31 December 2010 are expected to be £121,000

The following assumptions were made in reaching the valuation

	2009	*2008*	*2007*
Rate of increase in salaries	3 25%	*3 25%*	*3 25%*
Rate of increase in pensions in payment	3 25%	*2 4%*	*3 25%*
Discount rate	5 9%	*6 6%*	*5 80%*
Inflation assumption	3 25%	*2 4%*	*3 25%*

The post-retirement mortality assumptions used to value the benefit obligation at 31 December 2009 and 31 December 2008 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

	2009	*2008*
Male currently aged 45	23 1	*23 1*
Female currently aged 45	25 9	*25 9*
Male currently aged 65	22 0	*22 0*
Female currently aged 65	24 8	*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

	2009	*2008*	*2007*
	£	*£*	*£*
Equities	2,775,000	*2,316,000*	*3,215,000*
Bonds	795,000	–	–
Property	516,000	*500,000*	*500,000*
Cash	136,000	*683,000*	*425,000*
Total market value of assets	4,222,000	*3,499,000*	*4,140,000*
Present value of scheme liabilities	(4,264,000)	*(3,003,000)*	*(3,575,000)*
(Deficit)/surplus	(42,000)	*496,000*	*565,000*
Related deferred tax	12,000	*(139,000)*	*(158,000)*
Net pension (deficit)/surplus	(30,000)	*357,000*	*407,000*

18 Pensions *(continued)*

The expected rates of return were

	2009	*2008*	*2007*
Equities	7 0%	*7 0%*	*7 0%*
Bonds	5 0%	-	-
Property	5 25%	*5 25%*	*5 25%*
Cash	2 0%	*2 0%*	*4 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 2% (2008 £5 8%) The actual return/(loss) on the scheme's assets was £580,000 (2008 (£767,000))

A reconciliation of the scheme assets is detailed below

	2009	*2008*
	£	*£*
Fair value of assets at beginning of year	3,499,000	*1,140,000*
Expected return on assets	206,000	*272,000*
Company contributions	121,000	*108,000*
Contributions by scheme participants	80,000	*75,000*
Benefits paid	(58,000)	*(57,000)*
Actuarial gain/(loss)on assets	374,000	*(1,039,000)*
Fair value of assets at end of year	4,222,000	*3,499,000*

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

	2009	*2008*
	£	*£*
Defined benefit liabilities at beginning of year	3,003,000	*3,575,000*
Current service cost	100,000	*163,000*
Contributions by scheme participants	80,000	*75,000*
Interest cost	202,000	*213,000*
Benefits paid	(58,000)	*(57,000)*
Actuarial gain/(loss)on defined benefit obligations	937,000	*(966,000)*
Defined benefit liabilities at end of year	4,264,000	*3,003,000*

Analysis of amount charged to operating profit

	2009	*2008*
	£	*£*
Current service cost	100,000	*163,000*

Analysis of the amount charged to other finance income

	2009	*2008*	*2007*
	£	*£*	*£*
Expected return on pension scheme assets	206,000	*272,000*	*248,000*
Interest on pension scheme liabilities	(202,000)	*(213,000)*	*(176,000)*
Net finance income	4,000	*59,000*	*72,000*

18 Pensions *(continued)*

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

	2009	*2008*	*2007*
	£	*£*	*£*
Actual return less expected return on pension scheme assets	374,000	*(1,039,000)*	*17,000*
Experience gains and losses arising on the scheme liabilities	49,000	*(58,000)*	*135,000*
Changes in assumptions underlying the present value of the scheme liabilities	(986,000)	*1,024,000*	*(73,000)*
Actuarial (loss)/gain recognised in the STRGL	(563,000)	*(73,000)*	*79,000*

During the year, the group contributed at the rate of 11% (2008 12%) of pensionable salaries (excluding the costs of lump sum death in service benefits)

History of experience gains and losses

	2009	*2008*	2007	*2006*	*2005*
	£	*£*	*£*	*£*	*£*
Difference between the expected and actual return on scheme assets					
Amounts	374,000	*(1,039,000)*	*(17,000)*	*174,000*	*581,000*
% of net assets	8 9%	*(29 7)*	*(0 4)%*	*4 6%*	*19%*
Experience (loss)/gains arising on scheme liabilities					
Amounts	49,000	*(58,000)*	*135,000*	-	-
% of the present value of the schemes liabilities	1 1%	*(1 9%)*	*4%*	-	-
Total amount recognised in statement of total recognised gains and losses					
Amounts	(563,000)	*(73,000)*	*79,000*	*262,000*	*802,000*
% of the present value of the schemes liabilities	(13 2)%	*(2 4%)*	*2%*	*8%*	*26%*

19 Deferred taxation

(a) Deferred taxation

The movement in the deferred taxation provision during the year was

	Group 2009 £	2008 £
Profit and loss account movement during the year	14,163	-
Balance carried forward	14,163	-

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

	Group 2009 £	2008 £
Accelerated capital allowances	14,163	-
	14,163	-

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

	Group 2009 £	2008 £
Balance brought forward	139,000	158,000
Released to the profit and loss account during the year	7,000	1,000
Provided for balance sheet items	(158,000)	(20,000)
Balance carried forward	(12,000)	139,000

20 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 2009 £	Land and buildings 2008 £	Other 2009 £	Other 2008 £
Operating leases which expire				
Within 1 year	25,875	34,500	104,977	107,318
Within 2 to 5 years	-	-	80,195	83,373
After more than 5 years	23,000	23,000	-	-
	48,875	57,500	185,172	190,691

20 Commitments under operating leases *(continued)*

Company

The company had no operating lease commitments

21 Related party transactions

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, as consolidated accounts are prepared which are publically available

During the year, the company paid rent of £8,000 (2008 £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 £85,761 (2008 £34,649) from the Safe Computing Pension Fund

22 Share capital

Group and company

(a) Share capital

Allotted, called up and fully paid:

	2009 Number	2009 £	*2008 Number*	*2008 £*
Ordinary shares of £0 10 each	10,000	1,000	*10,000*	*1,000*
Ordinary B shares of £0 10 each	108	11	*108*	*11*
	10,108	1,011	*10,108*	*1,011*

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

(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

22 **Share capital** *(continued)*

(b) Share options *(continued)*

Group

Grant date	Subscription price per share	Period within which options are exercisable	No. of shares for which rights are exercisable
7 July 2006	£189	7 July 2015 to 7 July 2016	997
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

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

	2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning and end of the year	**£303**	**1,247**	£303	1,247
Exercisable at the end of the year	**£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 6 to 8 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

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

	2009	*2008*
	£	*£*
Share based payments	76,738	*27,637*
	76,738	*27,637*

22 **Share capital** *(continued)*

(b) Share options *(continued)*

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

	2009		2008	
	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**	-	-

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 6 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

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

	2009	*2008*
	£	*£*
Share based payments	-	*27,637*
	-	*27,637*

23 Share based payment reserve

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Balance brought forward	27,637	-	27,637	-
Recognition of share based payments	76,738	*27,637*	-	*27,637*
Share options granted to employees in subsidiary undertakings	-	-	76,738	-
Balance carried forward	104,375	27,637	104,375	*27,637*

24 Profit and loss account

Group

	Profit and loss account £
At 1 January 2009	2,861,909
Profit for the year	861,835
Equity dividend paid	(606,480)
Net actuarial loss on defined benefit pension scheme	(405,000)
At 31 December 2009	2,712,264

Company

	Profit and loss account £
At 1 January 2009	-
Profit for the year	606,480
Equity dividend paid	(606,480)
At 31 December 2009	-

25 Reconciliation of movements in shareholders' funds

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Profit for the year	861,835	*1,120,304*	606,480	*200,000*
Equity dividend paid	(606,480)	*(200,000)*	(606,480)	*(200,000)*
Issue of shares	-	*199,486*	-	*199,486*
Recognition of share based payments	76,738	*27,637*	76,738	*27,637*
Net actuarial loss on defined benefit pension scheme	(405,000)	*(53,000)*	-	-
Net (reduction in)/addition to shareholders' funds	(72,907)	*1,094,427*	76,738	*227,123*
Opening shareholders' funds	4,814,901	*3,720,474*	1,952,992	*1,725,869*
Closing shareholders' funds	4,741,994	*4,814,901*	2,029,730	*1,952,992*

26 Minority interest

	Group 2009 £	Group 2008 £
Balance brought forward	(10,603)	-
Acquired during the year	-	*240*
Share of loss after taxation	-	*(10,843)*
Balance carried forward	(10,603)	*(10,603)*

27 Notes to the cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2009 £	2008 £
Operating profit	1,449,163	*1,660,800*
Depreciation	110,901	*103,394*
Profit on disposal of tangible fixed assets	-	*(103,277)*
Amortisation of intangible fixed assets	328,097	*260,970*
(Increase)/decrease in stocks	(5,337)	*41,276*
(Increase)/decrease in debtors	(586,909)	*1,166,104*
Increase/(decrease) in creditors	117,648	*(597,467)*
FRS 17 adjustment	(21,000)	*55,000*
Share option expense	76,738	-
Net cash inflow from operating activities	1,469,301	*2,586,800*

27 Notes to the cashflow statement *(continued)*

Analysis of changes in net funds

	1 January 2009 £	Cash flows £	31 December 2009 £
Cash at bank	2,262,020	(539,676)	1,722,344
Bank loan	(288,000)	24,000	(264,000)
Hire purchase agreements	(39,703)	22,978	(16,725)
Loan stock	(1,080,000)	-	(1,080,000)
Net funds	854,317	(492,698)	361,619

Reconciliation of net cash flow to movement in net funds

	2009 £	*2008 £*
(Decrease)/increase in cash	(539,676)	*854,399*
Cash flow relating to financing	46,978	*48,864*
Change in net funds arising from cash flows	(492,698)	*903,263*
Hire purchase agreements acquired	-	*(49,153)*
Movement in net funds	(492,698)	*854,110*
Net funds brought forward	854,317	*207*
Net funds carried forward	361,619	*854,317*

28 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