

KECRYPT SYSTEMS LIMITED

Unaudited Financial Statements

For the period ended 31 July 2006



Company Registration Number: 5554837

KECRYPT SYSTEMS LIMITED

Financial statements for the period ended 31 July 2006

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KECRYPT SYSTEMS LIMITED

Directors, officers and advisors

Directors

J. A. Dale
G. A. Hone
R. F. Wells

Secretary and registered office

G. A. Hone
Business and Technology Centre
Bessemer Drive
Stevenage
Hertfordshire
SG1 2DX

Registered number

5554837

Principal place of business

Business and Technology Centre
Bessemer Drive
Stevenage
Hertfordshire
SG1 2DX

Accountants

Day, Smith & Hunter
Star House
Pudding Lane
Maidstone
Kent
ME14 1LT

KECRYPT SYSTEMS LIMITED

Directors' report for the period ended 31 July 2006

The directors present their report and the financial statements of the company for the period ended 31 July 2006.

Incorporation

The company was incorporated on 6 September 2005 and commenced to operate from that date.

Issue of Shares

Upon incorporation 1,500,000 ordinary shares £0.01 each were issued at par. Since that date additional shares have been issued as follows.

20 December 2005	300,000 ordinary shares of £0.01 each at £0.02 per share
26 January 2006	337,500 ordinary shares of £0.01 each at £0.07 per share
26 January 2006	1,500,000 ordinary shares of £0.01 each at £0.01 per share
26 January 2006	1,350,001 ordinary shares of £0.01 each at £0.07 per share
26 January 2006	1,350,001 ordinary shares of £0.01 each at £0.07 per share

Principal activity

The principal activity of the company is software development.

Directors

The directors who served during the period were:

J. A. Dale (appointed 6th September 2005)
G. A. Hone (appointed 30th January 2006)
R. F. Wells (appointed 6th February 2006)

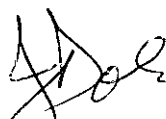
Directors' interests

The beneficial interests of the directors and their families in the share capital of the company were as follows:

	31 July 2006	At date of appointment
Ordinary shares of 1p each		
J. A. Dale	1,500,000	1,500,000
G. A. Hone	637,500	637,500
R. F. Wells	1,500,000	1,500,000

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board



J. A. DALE

Approved by the Board on 7 November 2006

KECRYPT SYSTEMS LIMITED**Profit and loss account for the period ended 31 July 2006**

	<u>Notes</u>	<u>2006</u>
		<u>£</u>
Administrative expenses		164,301
Other operating income		<u>800</u>
		163,501
Taxation on loss on ordinary activities	5	<u>(15,768)</u>
Loss for the financial period		<u><u>(147,733)</u></u>

The notes on pages 5 to 7 form part of these financial statements.

KECRYPT SYSTEMS LIMITED

Balance sheet at 31 July 2006

	Notes	2006	
		£	£
Fixed assets			
Intangible assets	6		127,404
Tangible assets	7		1,289
			128,693
Current assets			
Debtors	8	20,904	
Cash at bank and in hand		44,640	
		65,544	
Creditors: amounts falling due within one year	9	(15,370)	
Net current assets			50,174
Total assets less current liabilities			178,867
Creditors: amounts falling due after more than one year	10		(66,600)
Net assets			112,267
Capital and reserves			
Called up share capital	11		63,375
Share premium account	12		196,625
Deficit on profit and loss account			(147,733)
Shareholders' funds			112,267

These accounts have been prepared in accordance with the special provisions relating to small companies within part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

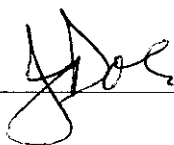
The directors are of the opinion that the company is entitled to the exemptions from audit conferred by section 249A(1) of the Companies Act 1985 for the period ended 31 July 2006.

The directors confirm that no member or members have requested an audit pursuant to subsection 2 of section 249B of the Companies Act 1985.

The directors are responsible for:-

- a) ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and
- b) preparing accounts which give a true and fair view of the state of affairs of the company as at 31 July 2006 and of its results for the period then ended in accordance with the requirements of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

Approved by the board of directors on 7 November 2006 and signed on its behalf.



J. A. Dale - Director

The notes on pages 5 to 7 form part of these financial statements.

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the period ended 31 July 2006

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

b) Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Computer equipment	33%	on cost
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c) Intellectual Property

Intellectual property is written off to the profit and loss account over 3 years which is the directors estimate of its useful economic life.

d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. The trading results of overseas operations are translated at average rates of exchange for the year.

Exchange differences arising from the retranslation of the opening net investment in overseas operations and from translating their trading results at average and closing rates of exchange are taken directly to retained profits. All other gains and losses on exchange are dealt with in the profit and loss account.

e) Research and development expenditure

Research and development expenditure is written off in the profit and loss account in the year in which it is incurred except development expenditure incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with sales from the relevant projects.

2 Turnover

The turnover and loss before taxation is attributable to the one principal activity of the company.

3 Operating Loss

This is stated after charging:

	2006
	£
Depreciation and amortisation	15,268

4 Directors' emoluments

	2006
	£
Emoluments	60,063

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the period ended 31 July 2006 (continued)

5 Tax on profit on ordinary activities

	2006
	£
United Kingdom corporation tax at current rates	-
Tax refunds receivable	(15,768)
	(15,768)

6 Intangible fixed assets

	Research and development	Intellectual property	Total
	£	£	£
Cost:			
Additions and at 31 July 2006	65,698	76,600	142,298
Amortisation:			
Provision for the period	-	14,894	14,894
At 31 July 2006	-	14,894	14,894
Net book value:			
At 31 July 2006	65,698	61,706	127,404

Further sums may be payable in respect of intellectual property rights should certain "trigger events" occur in the future. (Note 13)

7 Tangible fixed assets

	Computer equipment
	£
Cost:	
Additions and at 31 July 2006	1,663
Depreciation:	
Provision for the period	374
At 31 July 2006	374
Net book value:	
At 31 July 2006	1,289

8 Debtors

	2006
	£
Other debtors	20,904

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the period ended 31 July 2006 (continued)

9 Creditors: amounts falling due within one year

	2006
	£
Trade creditors	4,858
Other creditors	5,692
Other tax and social security	4,820
	<u>15,370</u>

10 Creditors: amounts falling due after more than one year

	2006
	£
Other creditors	<u>66,600</u>

11 Called-up share capital

	2006
	£
Authorised	
Equity shares:	
Ordinary shares of 1p each	<u>50,000,000</u>
Allotted, called up and fully paid	
Equity shares:	
Ordinary shares of 1p each	<u>63,375</u>

12 Reserves

	Share premium account	Profit and loss account
	£	£
Loss for the period	-	147,733
Premium on shares issued	196,625	-
At 31 July 2006	<u>196,625</u>	<u>(147,733)</u>

13 Contingent liabilities

The agreement under which the company acquired intellectual property rights specifies that additional sums may become payable in the future should certain "trigger events" occur.