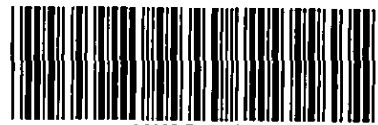


KECRYPT SYSTEMS LIMITED

Unaudited Financial Statements

For the year ended 31 July 2008

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COMPANIES HOUSE

Company Registration Number: 5554837

KECRYPT SYSTEMS LIMITED
Financial statements for the year ended 31 July 2008

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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
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

KECRYPT SYSTEMS LIMITED

Directors' report for the year ended 31 July 2008

The directors present their report and the financial statements of the company for the year ended 31 July 2008.

Principal activity

The principal activity of the company is software development.

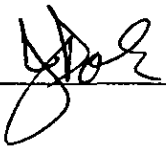
Directors

The directors who served during the year were:

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

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 on6-2-2009.....

KECRYPT SYSTEMS LIMITED**Profit and loss account for the year ended 31 July 2008**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		<u>£</u>	<u>£</u>
Turnover		-	25,000
Cost of sales		-	25,000
Gross loss		-	-
Administrative expenses		244,139	219,118
Other operating income		(1,250)	(400)
		<u>242,889</u>	<u>218,718</u>
Operating loss	2	(242,889)	(218,718)
Taxation on loss on ordinary activities	4	(25,678)	(28,314)
Loss for the financial year	11	<u>(217,211)</u>	<u>(190,404)</u>

The notes on pages 5 to 8 form part of these financial statements.

KECRYPT SYSTEMS LIMITED

Balance sheet at 31 July 2008

	Notes	2008		2007	
		£	£	£	£
Fixed assets					
Intangible assets	5		315,537		219,845
Tangible assets	6		1,851		2,849
			<u>317,388</u>		<u>222,694</u>
Current assets					
Debtors	7	29,916		40,313	
Cash at bank and in hand		<u>5,028</u>		<u>45,991</u>	
		34,944		86,304	
Creditors: amounts falling due within one year	8	<u>(107,680)</u>		<u>(60,235)</u>	
Net current (liabilities)/assets			<u>(72,736)</u>		<u>26,069</u>
Total assets less current liabilities			<u>244,652</u>		<u>248,763</u>
Creditors: amounts falling due after more than one year	9		-		(26,900)
Net assets			<u><u>244,652</u></u>		<u><u>221,863</u></u>
Capital and reserves					
Called up share capital	10		180,796		91,153
Share premium account	11		569,204		418,847
Deficit on profit and loss account	11		(555,348)		(338,137)
Share warrants	12		<u>50,000</u>		<u>50,000</u>
Shareholders' funds	12		<u><u>244,652</u></u>		<u><u>221,863</u></u>

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 2007).


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 year ended 31 July 2008.

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:-

- ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and
- preparing accounts which give a true and fair view of the state of affairs of the company as at 31 July 2008 and of its results for the year 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 6-2-2009 and signed on its behalf.

 J. A. Dale - Director

The notes on pages 5 to 8 form part of these financial statements.

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the year ended 31 July 2008

1 Accounting policies

a) Going concern

The financial statements are prepared as a going concern on the basis of continued support from the shareholders in the form of newly issued ordinary share capital.

b) 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 2007).

c) 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:

Equipment, fixtures and fittings 33% on cost

d) 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.

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 Operating Loss

This is stated after charging:

	2008	2007
	£	£
Depreciation and amortisation	28,360	26,479

3 Directors' emoluments

	2008	2007
	£	£
Emoluments	138,024	121,603

4 Tax on loss on ordinary activities

	2008	2007
	£	£
United Kingdom corporation tax at current rates	-	-
Tax refunds receivable	(25,678)	(28,314)
	(25,678)	(28,314)

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the year ended 31 July 2008 (continued)

5 Intangible fixed assets

	Research and development	Intellectual property	Total
	£	£	£
Cost:			
At 1 August 2007	183,672	76,600	260,272
Additions	106,992	15,250	122,242
At 31 July 2008	290,664	91,850	382,514
Amortisation:			
At 1 August 2007	-	40,427	40,427
Provision for the year	-	26,550	26,550
At 31 July 2008	-	66,977	66,977
Net book value:			
At 31 July 2008	290,664	24,873	315,537
At 31 July 2007	183,672	36,173	219,845

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

6 Tangible fixed assets

	Equipment, fixtures and fittings
	£
Cost:	
At 1 August 2007	4,169
Additions	812
At 31 July 2008	4,981
Depreciation:	
At 1 August 2007	1,320
Provision for the year	1,810
At 31 July 2008	3,130
Net book value:	
At 31 July 2008	1,851
At 31 July 2007	2,849

7 Debtors

	2008	2007
	£	£
Other debtors	29,916	40,313

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the year ended 31 July 2008 (continued)

8 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	18,045	7,638
Other creditors	73,941	43,751
Other tax and social security	15,694	8,846
	<u>107,680</u>	<u>60,235</u>

9 Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Other creditors	-	26,900

10 Called up share capital

	2008	2007
	£	£
Authorised		
Equity shares:		
Ordinary shares of 1p each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
Equity shares:		
Ordinary shares of 1p each	<u>180,796</u>	<u>91,153</u>

During the year the company issued 7,000,000 1p Ordinary shares for 2p per share, 1,250,000 1p Ordinary shares for 4p per share and 714,286 1p Ordinary shares for 7p each. These shares rank pari passu with the shares already in existence.

11 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 August 2007	418,847	(338,137)
Loss for the year	-	(217,211)
Premium on shares issued	150,357	-
At 31 July 2008	<u>569,204</u>	<u>(555,348)</u>

KECRYPT SYSTEMS LIMITED

Notes to the financial statements for the year ended 31 July 2008 (continued)

12 Reconciliation of movement in shareholders' funds

	2008	2007
	£	£
Loss for the year	(217,211)	(190,404)
New shares issued during the year	240,000	250,000
Share warrants issued during the year	-	50,000
Net addition to shareholders' funds	22,789	109,596
Shareholders' funds at 1 August 2007	221,863	112,267
Shareholders' funds at 31 July 2008	244,652	221,863

On 1 November 2006 the company issued share warrants granting the purchasers the option to purchase 443,625 1p ordinary shares for £50,000. Should the warrants be exercised a further £50,000 is payable.

On 7 February 2007 further warrants were issued for no consideration which entitles the holders of the warrants the option to purchase 111,112 1p ordinary shares for £6,261.

All warrants must be converted within 10 years of the date of issue.

Upon conversion the proceeds will be transferred into the share capital and share premium accounts.

The ordinary shares to be allotted on exercise of the subscription rights shall rank pari passu with the ordinary shares in issue on the exercise date.

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.

14 Related parties

During the year the company paid R Wells £2,640 (2007 - £3,000) for office services provided.

Included in trade creditors (note 8) is an amount due to R Wells of £15 (2007 £1,742).

Included in trade creditors (note 8) is an amount due to J Dale of £nil (2007 £2,468).

Included in trade creditors (note 8) is an amount due to A Hone of £nil (2007 £24).