REGISTERED NUMBER: 06133617 (England and Wales)

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2012

FOR

ISC8 EUROPE LIMITED

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ISC8 EUROPE LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS	ISC8, Inc Marcus Alexander Williams
SECRETARY	Nair Commercial Services Limited
REGISTERED OFFICE:	11th floor Whitefriars Lewins Mead Bristol BS1 2NT
REGISTERED NUMBER:	06133617 (England and Wales)
AUDITORS:	Hayvenhursts Limited Chartered Accountants & Statutory Auditor Fairway House Links Business Park St Mellons Cardiff CF3 OLT
BANKERS:	Lloyds TSB Bank Plc 55 Corn Street Bristol BS1 1NT

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report with the accounts of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of marketing services to its parent company ISC8, Inc

REVIEW OF BUSINESS
The directors consider the results for the year to be satisfactory and anticipate similar levels of activity during the year ending 31 December 2012

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2012

DIRECTORS
ISC8, Inc has held office during the whole of the period from 1 January 2012 to the date of this report

Other changes in directors holding office are as follows

Keith Emerson Glover - resigned 12 November 2012
Marcus Alexander Williams - appointed 12 November 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors 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 the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

ISC8 EUROPE LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

AUDITORS
The auditors, Hayvenhursts Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:

Marcus Alexander Williams - Director

Date 30 SEP '13

REPORT OF THE INDEPENDENT AUDITORS TO ISC8 EUROPE LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages five to twelve, together with the full financial statements of ISC8 Europe Limited for the year ended 31 December 2012 prepared under Section 396 of the Companies Act 2006

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006 Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 445 of the Companies Act 2006 It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section and to report our opinion to you

Basis of opinion

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section

Gareth Richard Williams (Senior Statutory Auditor)
for and on behalf of Hayvenhursts Limited
Chartered Accountants & Statutory Auditor
Fairway House
Links Business Park
St Mellons
Cardiff
CF3 OLT

Date 30 September 2013

ISC8 EUROPE LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
TURNOVER		1,312,635	1,210,539
Administrative expenses		1,251,680	1,152,252
OPERATING PROFIT	4	60,955	58,287
Interest payable and similar charges	5	-	642
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		60,955	57,645
Tax on profit on ordinary activities	6	11,883	28,952
PROFIT FOR THE FINANCIAL YEAR		49,072	28,693

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these abbreviated accounts

ISC8 EUROPE LIMITED (REGISTERED NUMBER: 06133617)

BALANCE SHEET
31 DECEMBER 2012

		2012		2011	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	7		138,948		162,182
Tangible assets	8		4,869		21,979
			143,817		184,161
CURRENT ASSETS					
Debtors	9	2,987,734		472,388	
Cash at bank		34,222		80,461	
		3,021,956		552,849	
CREDITORS					
Amounts falling due within one year	10	3,029,586		649,895	
NET CURRENT LIABILITIES			(7,630)		(97,046)
TOTAL ASSETS LESS CURRENT LIABILITIES			136,187		87,115
CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss account	12		136,087		87,015
SHAREHOLDERS' FUNDS	16		136,187		87,115

The financial statements were approved by the Board of Directors on 30 SEP '13 and were signed on its behalf by

Marcus Alexander Williams - Director

The notes form part of these financial statements

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 CONSOLIDATION

The company is a parent company subject to the small companies regime The company and its subsidiary comprise a small group The company is therefore not required to and has not chosen to prepare group accounts

2 ACCOUNTING POLICIES

Basis of preparing the financial statements
The directors have prepared the financial statements on a going concern basis, which assumes that the company will achieve sufficient financial resources, in order to meet its short and medium term liability requirements The company relies on the support of its parent company, ISC8, Inc who have confirmed that they will continue to provide this for the foreseeable future

Accounting convention
The financial statements have been prepared under the historical cost convention

Financial Reporting Standard number 1
Bivio Networks Europe Limited is included in the consolidated financial statements of Bivio Networks, Inc Consequently the company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996)

Changes in accounting policies
In preparing the financial statements for the current year, the company has adopted FRS20 'share- based payment' The adoption of FRS20 has resulted in a change of accounting policy for 'share- based payment transactions FRS20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period For equity- settled transactions the fair value is determined at the date of grant using an appropriate pricing method If an award fails to vest as a result of certain types of performance condition not being satisfied, the charge to the profit and loss account will be adjusted to reflect this

Turnover
Turnover represents net invoiced sales of services, excluding value added tax

The company is contracted by its ultimate parent, ISC8, Inc to provide marketing and sales services within specific contracted regions The company is remunerated by its parent for these services

The total turnover of the company for the year has been derived from its principal activity undertaken in the UK, Italy, Dubai and Singapore

Intangible fixed assets
Goodwill is amortised over 10 years

Registration Trademarks is being amortised over 3 years straight line

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Fixtures and fittings	-	Straight line over 3 years
Computer equipment	-	Straight line over 3 years

Deferred tax
Deferred taxation ids provided in full on the timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Deferred tax assets and liabilities are not discounted

Foreign currencies
Transactions in foreign currencies are recorded are recorded using the rate of exchange a the date of transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of

continued

exchange prevailing at the balance sheet All differences are taken to the Profit and Loss Account

continued

2 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Share based payments
The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which thy are granted and is recognised over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award Fair value is determined by the director using an appropriate pricing model In valuing equity settled transactions, no account is taken of any vesting conditions, or other conditions linked to the price of the shares of Red Bend Limited (market conditions)

No expense is recognised for awards th at do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market conditions are satisfied, providing that all other conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and therefore the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity

When the terms of equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, any expense is recognised over the remainder of the new vesting period for the incremental fair value of the modified award, both as measured on the date of modification No reduction is recognised if this modification is negative

Where an equity settled award is cancelled it is treated as if it has vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately, Any compensation paid up to the fair value of the award at cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account

The company has taken advantage of the transitional provisions of FRS20 in respect of the equity settled awards so as to apply FRS20 only to be equity settled awards granted after 7 November 2002 that had not vested at 1 January 2006

3 STAFF COSTS

	2012	2011
	£	£
Wages and salaries	**635,038**	512,798
Social security costs	**104,693**	145,705
	739,731	658,503

The average monthly number of employees during the year was as follows

	2012	2011
Operations	**10**	9

continued

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Other operating leases	62,723	30,855
Depreciation - owned assets	16,658	30,765
Goodwill amortisation	23,158	23,158
Patents and licences amortisation	76	229
Auditors' remuneration	3,890	3,650
Foreign exchange differences	11,305	(132)
Directors' remuneration	-	-

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank interest	-	642

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2012	2011
	£	£
Current tax		
UK corporation tax	11,883	28,952
Tax on profit on ordinary activities	11,883	28,952

continued

6 TAXATION - continued

Factors affecting the tax charge
The tax assessed for the year is lower than the standard rate of corporation tax in the UK The difference is explained below

	2012	2011
	£	£
Profit on ordinary activities before tax	50,353	57,645
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 500% (2011 - 20 241%)	12,336	11,668
Effects of		
Expenses not deductible for tax purposes	758	4,290
Income not taxable for tax purposes	(7,981)	-
Capital allowances in excess of depreciation	(187)	-
Depreciation in excess of capital allowances	-	4,774
Adjustments to tax charge in respect of previous periods	(1,252)	25
Foreign tax rates	(799)	11,713
other unexplained difference	-	(1,429)
Other short term timing differences	10,757	(2,089)
Marginal relief	(2,614)	-
Fixed asset differences	866	-
Current tax charge	11,884	28,952

7 INTANGIBLE FIXED ASSETS

	Goodwill	Patents and licences	Totals
	£	£	£
COST			
At 1 January 2012 and 31 December 2012	231,580	686	232,266
AMORTISATION			
At 1 January 2012	69,474	610	70,084
Amortisation for year	23,158	76	23,234
At 31 December 2012	92,632	686	93,318
NET BOOK VALUE			
At 31 December 2012	138,948	-	138,948
At 31 December 2011	162,106	76	162,182

continued

8 TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2012			
and 31 December 2012	30,256	62,988	93,244
DEPRECIATION			
At 1 January 2012	17,989	53,728	71,717
Charge for year	8,731	7,927	16,658
At 31 December 2012	26,720	61,655	88,375
NET BOOK VALUE			
At 31 December 2012	3,536	1,333	4,869
At 31 December 2011	12,267	9,260	21,527

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Amounts owed by group undertakings	2,931,863	410,694
Other debtors	516	30,656
VAT	26,042	21,312
Prepayments	29,313	9,726
	2,987,734	472,388

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	14,025	27,032
Amounts owed to group undertakings	862,884	519,408
Tax	377	8,798
Other creditors	1,980,832	-
Accrued expenses	171,468	94,657
	3,029,586	649,895

11 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	2012 £	2011 £
100	Ordinary	£1	100	100

continued

12 RESERVES

	Profit and loss account £
At 1 January 2012	87,015
Profit for the year	49,072
At 31 December 2012	136,087

13 CONTINGENT LIABILITIES

In the opinion of the directors, there were no contingent liabilities as at 31 December 2012

14 RELATED PARTY DISCLOSURES

ISC8 Europe Limited, a wholly owned subsidiary of ISC8, Inc has taken advantage of the exemption available under Financial Reporting Standard No 8 not to disclose related party transactions with entities that are part of the group, as 90% of its voting rights are controlled within the group

During the year under review ISC8,Inc owed £2,038,846 to ISC8 Europe Limited

15 ULTIMATE CONTROLLING PARTY

The company is a subsidiary undertaking of ISC8,inc incorporated in the United States of America

The largest and smallest group in which the results of the company are consolidated is that headed by ISC8, Inc, incorporated in the United States of America The consolidated financial statements of this company may be obtained from ISC8, Inc, Willow Road, Suite 200, Pleasanton, California, USA 94588 No other group accounts include the results of the company

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	49,072	28,693
Net addition to shareholders' funds	49,072	28,693
Opening shareholders' funds	87,115	58,422
Closing shareholders' funds	136,187	87,115

17 SHARE-BASED PAYMENT TRANSACTIONS

All employees are entitled to a grant of ISC8, Inc stock options Each grant is at the discretion of the board of Directors of the parent company, ISC8, Inc

The contractual life of the options is 10 years and options vest over a 4 year for each employee

At the beginning of the year, during the year and as such at the 31 December 2012 there were no stock options outstanding to exercise