

REGISTERED NUMBER: 04328430

BECRYPT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



**BECRYPT LIMITED
COMPANY INFORMATION**

DIRECTORS

B Parsons MBE
D G Thomas
N Hopkinson
N Scott

COMPANY SECRETARY

N Scott

REGISTERED NUMBER

04328430

REGISTERED OFFICE

1st Floor (West) Albion House,
55 New Oxford Street,
London,
England,
WC1A 1BS

INDEPENDENT AUDITOR

Crowe U.K. LLP
Aquis House
49 – 51 Blagrove Street
Reading
Berkshire
RG1 1PL

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BECRYPT LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

INTRODUCTION

Becrypt is a cybersecurity software and services company specialising in protecting organisations within the critical national infrastructure against elevated cyber threats.

With a heritage in data and device encryption, today our solutions span operating system security, mobile device management, cross-domain technologies and secure collaboration and managed services. Our core strengths can be highlighted as follows:

- For over 20 years, Becrypt has developed and provided accredited cybersecurity products within the High Assurance global marketplace.
- Existing and new products are developed at pace by a UK-based team of specialist architects and engineers in partnership with customers to address the ever-changing threat landscape.
- Our flagship product, Paradox, is being adopted as “The” secure operating system for endpoint devices in elevated threat environments across governments and security-conscious organisations.
- We are a “security first” company, whether architecting new products, influencing and adopting new standards, or achieving accreditation for flexible managed security services.

These core strengths mean Becrypt is well positioned to take advantage of opportunities in the global marketplace, in particular:

- The need for robust protection against common threats such as ransomware.
- The need for enhanced protection against elevated or targeted cyber-attacks.
- The need to keep pace with evolving regulation across the critical national infrastructure, including financial services and the nuclear industry.

Becrypt has the skills, experience and technology to meet these challenges across a wide range of market sectors and global marketplaces.

TRADING RESULTS

Becrypt has delivered a solid financial performance with a significant investment in people.

Turnover for the year ended 31 March 2023 was £6.6m, an increase of 6% compared to last year, with a 17% growth in new products and services offset by a 48% decline in legacy products. After an exceptional charge of £0.4m, there was an Operating Loss of £0.6m.

As at 31 March 2023, total cash balances were £2.5m with no debt. With the Operating Loss for the year and the movement in Deferred Revenue, the short-term working capital balance was £2.8m compared with £3.6m last year.

Gross profit fell slightly to £5.5m (2022: £5.7m) and gross margin to 84% (2022: 92%) with the impact of our new cloud service offering and its associated third party operating and software costs.

Operating costs, being the total of Research and Development and Administrative expenses, at £5.8m were 5% higher than last year, with both people costs and other discretionary overheads remaining under close control. During the year we moved to a smaller office to support our hybrid working environment whilst increasing our headcount in the Research and Development teams to support our Revenue growth.

The £0.4m exceptional item relates to professional fees incurred on an aborted corporate transaction.

BECRYPT LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Expenditure on Research and Development activities totalled £2.5m (2022: £2.2m). In accordance with FRS 102 recognition criteria, the Board has continued to determine that all expenditure is expensed to the Profit and Loss and no expenditure is capitalised.

The Taxation credit of £0.37m (2022: £0.2m) reflects the R&D claim the Company makes each year.

The Loss after Tax for the year amounted to £0.3m (2022: Profit after Tax of £0.4m).

REVENUE HIGHLIGHTS

- The scale of the change in Revenue from our next generation of products and services is considerable; 8% of revenue is now from Legacy software.
- A new contract with a strategic partner to support the Ministry of Defence collaboration programmes.
- A research engagement for a new secure application within the UK Security Sector.
- Continued growth in the user base with our Central Government customer.
- The successful launch and Government Accreditation of "Becrypt Cloud-S", our UK sovereign collaboration platform.

These orders include software licences, subscriptions, support and maintenance and professional services, some of which will be recognised over the length of the contracts.

FINANCIAL POSITION AND CASHFLOW

The net cash balance at 31 March 2023 was £2.5m (2022: £1.0m).

The Company finished the year with a working capital balance of £2.8m (2022: £3.6m).

Whilst there are the usual seasonal cash fluctuations during the year, the Board considers working capital and cash balances to be in a strong position entering the new financial year and allows the Company to continue to invest in products and services and quickly react to changing market conditions.

COVID-19 IMPACT

The success of our flexible hybrid working model has allowed the Company to re-evaluate its office space with the decision to move to smaller premises during the financial year.

BUSINESS SPECIFIC RISKS

In addition to the Covid-19 impact outlined above, the Board monitors business specific risks on a regular basis. The principal risks are listed below, together with mitigating actions:

- Loss of competitiveness of our products - we have regular Product Management reviews and maintain close relations with our key customers, our partners, industry experts and other external bodies.
- Loss of business to our competitors - the mobile security market is highly competitive, with rapid changes in technology, as well as changes in industry standards. We mitigate this risk by maintaining a strong research and development effort, by focusing on our core markets and by actively reviewing the market place and our sales pipeline.
- Loss of key staff - we seek to encourage staff retention by providing competitive remuneration packages, a stimulating work environment, and a number of employee initiatives and incentive schemes.
- Loss or compromise of critical IT systems - we have company-wide information security and business continuity policies in place; we are compliant with externally assessed cyber security standards and we review cyber security risks on a regular basis at Board level.

BECRYPT LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

KEY FINANCIAL PERFORMANCE INDICATORS

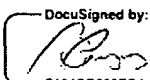
The Board considers that the following are the key financial performance indicators within the business and monitors these on a regular basis as part of the review and decision-making processes:

- Turnover - increased by 6% compared to last year.
- Operating Loss before Tax – a loss of £0.6m reported in the year.
- Short-term working capital – the Group has no debt and a working capital balance of £2.8m.
- Annual Recurring Revenue – year end ARR was £4.8m.
- Sales Pipeline – the Board regularly reviews the value and staging of the sales pipeline, however has elected not to disclose further information in the Strategic Report as it is deemed commercially sensitive.

OUTLOOK

With significant wins in a number of strategic accounts during the year, the Board is confident that the continued business strategy focused on the High-Assurance market will deliver growth in the short to medium term. Whilst the key business challenge is to improve the speed with which opportunities move through the pipeline, the Board believes the Company has sufficient working capital to absorb any short-term timing fluctuations in its execution plan.

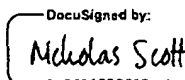
By order of the Board

DocuSigned by:

F194CD796E8A482

Dr Bernard Parsons

Chief Executive Officer

Date: 19-07-2023

DocuSigned by:

3A9580F0B75F443

Nicholas Scott

Chief Financial officer

Date: 19-07-2023

**BECRYPT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

The directors present their report and the financial statements for the year ended 31 March 2023.

Principal activity

The principal activity was the development and sale of cyber security technology solutions.

Results and dividends

The loss for the year, after taxation, amounted to £277,487 (2022: £438,281 profit). The directors did not recommend the payment of a dividend (2022: *Nil*).

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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 for the financial statements and then apply them consistently;
- make judgments 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 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 group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to 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.

Directors

The directors who served during the year were:

B Parsons MBE
D G Thomas
N Hopkinson
N Scott

BECRYPT LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Disclosure of information to auditor

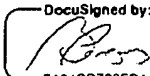
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

F194CD796EBA482

B Parsons
Director

Date 19-07-2023

BECRYPT LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BECRYPT LIMITED

Opinion

We have audited the financial statements of Bcrypt Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss and cashflows 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

BECRYPT LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BECRYPT LIMITED

Other Information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception.

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the company, 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.

BECRYPT LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BECRYPT LIMITED

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and relevant UK taxation legislation.

We identified the greatest risks of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks included sample testing a sample of income across the year and deferred income as at year end to agree to supporting documentation, and reviewing income received either side of the year end to ensure this has been recognised correctly.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

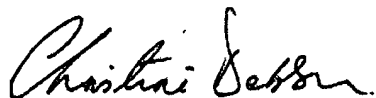
These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BECRYPT LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BECRYPT LIMITED

Use of our report

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.



Christine Dobson (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

49 – 51 Aquis House

Blagrove Street

Reading

RG1 1PL

Date : 8 August 2023

BECRYPT LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

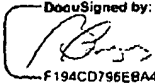
	Notes	2023 £	2022 £
Turnover	4	6,611,289	6,243,780
Cost of sales		<u>(1,068,643)</u>	<u>(506,788)</u>
GROSS PROFIT		5,542,646	5,736,992
Research and development	20	(2,527,787)	(2,171,384)
Administrative expenses		(3,301,909)	(3,369,469)
Exceptional item		<u>(361,074)</u>	<u>-</u>
OPERATING (LOSS)/PROFIT	5	(648,124)	196,139
Interest receivable		<u>-</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(648,124)	196,139
Tax	8	<u>370,637</u>	<u>242,142</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(277,487)</u>	<u>438,281</u>
Currency translation differences		<u>(877)</u>	<u>6,549</u>
Other comprehensive (expense)/income for the year		<u>(877)</u>	<u>6,549</u>
Total comprehensive (expense)/income for the year		<u>(278,364)</u>	<u>444,830</u>

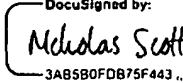
The notes on pages 15 to 26 form part of these financial statements

BECRYPT LIMITED
REGISTERED NUMBER: 04328430
CONSOLIDATED BALANCE SHEET
31 MARCH 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Tangible assets	10	359,162	102,785
CURRENT ASSETS			
Stocks	12	8,117	2,086
Debtors	13	2,258,676	4,611,097
Debtors falling due after more than one year	13	27,245	-
Cash at bank and in hand	14	<u>2,500,402</u>	<u>1,023,520</u>
		4,794,440	5,636,703
CREDITORS: Amounts falling due within one year	15	<u>(3,885,862)</u>	<u>(3,640,139)</u>
NET CURRENT ASSETS		<u>908,578</u>	<u>1,996,564</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,267,740	2,099,349
CREDITORS: Amounts falling due after more than one year	16	<u>(803,497)</u>	<u>(1,356,742)</u>
NET ASSETS		<u>464,243</u>	<u>742,607</u>
CAPITAL AND RESERVES			
Called up share capital	17	176	176
Share premium account		111,304	111,304
Capital redemption reserve		47	47
Other reserves		73,760	73,760
Profit and loss account		<u>278,956</u>	<u>557,320</u>
		<u>464,243</u>	<u>742,607</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

B Parsons
 Director
 DocuSigned by:

 F19ACD796EBA482
 Date: 19-07-2023

N Scott
 Director
 DocuSigned by:

 3A85B0FDB75F443
 Date: 19-07-2023

The notes on pages 15 to 26 form part of these financial statements

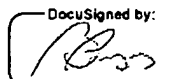
BECRYPT LIMITED
REGISTERED NUMBER: 04328430
COMPANY BALANCE SHEET
31 MARCH 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Tangible assets	10	359,162	102,785
Investments	11	<u>10,748</u>	<u>10,748</u>
		369,910	113,533
CURRENT ASSETS			
Stocks	12	8,117	2,086
Debtors	13	2,278,924	4,639,789
Debtors falling due after more than one year	13	27,245	-
Cash at bank and in hand	14	<u>2,451,655</u>	<u>964,787</u>
		4,765,941	5,606,662
CREDITORS: Amounts falling due within one year	15	<u>(3,872,714)</u>	<u>(3,606,547)</u>
NET CURRENT ASSETS		<u>893,227</u>	<u>2,000,115</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,263,137	2,113,648
CREDITORS: Amounts falling due after more than one year	16	(803,497)	(1,356,742)
NET ASSETS		<u><u>459,640</u></u>	<u><u>756,906</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	176	176
Share premium account		111,304	111,304
Capital redemption reserve		47	47
Other reserves		73,760	73,760
Profit and loss account		<u>274,353</u>	<u>571,619</u>
		<u><u>459,640</u></u>	<u><u>756,906</u></u>


The loss for the financial year dealt with in the Financial Statements of the company was £297,265 (2022: profit of £477,378).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

B Parsons
 Director
 Date:

DocuSigned by:

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 19-07-2023

N Scott
 Director
 Date:

DocuSigned by:

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 19-07-2023

The notes on pages 15 to 26 form part of these financial statements

BECRYPT LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
31 MARCH 2023

GROUP	Share capital £	Share premium £	Capital redemption £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2021	176	111,304	47	285	112,490	224,302
Comprehensive income for the year						
Profit for the year	-	-	-	-	511,756	511,756
Share options charge	-	-	-	73,475	(73,475)	-
Currency translation differences	-	-	-	-	6,549	6,549
At 1 April 2022	176	111,304	47	73,760	557,320	742,606
Comprehensive income for the year						
Loss for the year	-	-	-	-	(277,487)	(277,487)
Currency translation differences	-	-	-	-	(877)	(877)
At 31 March 2023	<u>176</u>	<u>111,304</u>	<u>47</u>	<u>73,760</u>	<u>278,956</u>	<u>464,243</u>
COMPANY	Share capital £	Share premium £	Capital redemption £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2021	176	111,304	47	285	94,241	206,053
Comprehensive income for the year						
Profit for the year	-	-	-	-	550,853	550,853
Share options charge	-	-	-	73,475	(73,475)	-
At 1 April 2022	176	111,304	47	73,760	571,619	756,906
Comprehensive income for the year						
Loss for the year	-	-	-	-	(297,265)	(297,265)
At 31 March 2023	<u>176</u>	<u>111,304</u>	<u>47</u>	<u>73,760</u>	<u>274,353</u>	<u>459,640</u>

The notes on pages 15 to 26 form part of these financial statements

BECRYPT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	(277,487)	438,281
Adjustments for:		
Depreciation of tangible assets	141,695	86,170
Taxation charge	(370,637)	(242,142)
(Increase)/decrease in stocks	(6,032)	805
Decrease/(increase) in debtors	2,477,160	(3,019,954)
(Decrease)/increase in creditors	(307,522)	1,593,631
Corporation tax received	218,653	599,200
Share option charge	-	73,475
Foreign exchange loss	(877)	6,549
Net cash generated from operating activities	<u>1,874,954</u>	<u>(463,985)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(405,388)	(90,660)
Loss on sale of tangible fixed assets	7,316	-
Net cash from investing activities	<u>(398,072)</u>	<u>(90,660)</u>
Net increase/(decrease) in cash and cash equivalents	1,476,882	(554,645)
Cash and cash equivalents at beginning of year	<u>1,023,520</u>	<u>1,578,165</u>
Cash and cash equivalents at the end of year	<u>2,500,402</u>	<u>1,023,520</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,500,402</u>	<u>1,023,520</u>
	<u>2,500,402</u>	<u>1,023,520</u>

The notes on pages 15 to 26 form part of these financial statements

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1 COMPANY INFORMATION

Becrypt Limited is a private limited company, limited by shares (registered number 04328430), incorporated and domiciled in the UK. Its registered office is 1st Floor (West) Albion House, 55 New Oxford Street, London, England, WC1A 1BS. The principal activity of the company is the development and sale of cyber security technology solutions.

2 ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Going concern

At 31 March 2023 the group had a net cash position of £2.5m (31 March 2022: £1.02m). The directors consider these to be adequate cash reserves and that the company has no requirement for external finance. The directors have prepared forecasts for a period of at least 12 months from the date of approval of the financial statements. After reviewing these forecasts and having made the appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue operating for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing the financial statements.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

2.4 Turnover (continued)

Turnover from the sale of perpetual software licences is recognised where there is confirmation of an agreement with a customer, delivery of software has taken place, revenue collection is probable, the fee is fixed and determinable and all contingencies relating to the sale have been resolved.

Subscription software licences are recognised over the period to which they relate.

Turnover from support and maintenance contracts are recognised rateably on a straight-line basis over the term of the contract.

Turnover from consultancy services and project work sold on a time and materials basis is normally recognised as services are performed. When such work is sold on a fixed price basis, turnover is normally recognised as milestones are met.

Turnover from the sale of third-party hardware products is recognised where delivery of the hardware to the customer has taken place.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Improvements to leasehold property	-	over life of lease
Computer equipment	-	33% straight line
Fixtures, fittings and equipment	-	33% straight line

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

2.8 Debtors

Debtors are measured at transaction price, less any impairment. Loans receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

2.10 Creditors

Creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. All basic financial instruments are held at amortised cost.

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Translation

The trading results of the group undertakings are translated into sterling at the average exchange rate for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses of average rates are recognised in 'other comprehensive income'.

2.13 Operating leases

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

2.14 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Full provision is made for deferred tax balances arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

2.16 Research and development

Research and development expenditure is expensed through the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

2.17 Share based payments

The group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The group has no cash-settled arrangements.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from estimates upon which financial statements has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected.

In respect of revenue recognition, specifically regarding those parts of Becrypt Limited's turnover which have been generated from material and complex fixed price customer projects. Managerial judgement is applied regarding, among other aspects, conformance with acceptance criteria and project milestones; degree of completion; estimation of total contract costs to assess whether any loss provisions are to be made; and customer credit standing.

4. TURNOVER

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	6,484,323	6,034,999
Europe	62,956	105,884
Rest of the World	<u>64,010</u>	<u>102,897</u>
	<u>6,611,289</u>	<u>6,243,780</u>

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Sales of services	6,587,590	6,191,316
Sales of goods	<u>23,699</u>	<u>52,464</u>
	<u>6,611,289</u>	<u>6,243,780</u>

5. OPERATING (LOSS)/PROFIT

	2023 £	2022 £
This operating (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets	141,695	86,170
Exchange differences	(3,887)	8,710
Operating lease charges	306,066	324,399
Exceptional item	361,074	-
Auditors' remuneration:		
• audit fees	27,800	24,450
• non-audit taxation compliance services	<u>7,400</u>	<u>4,900</u>

The exceptional item of £361,074 relates to professional fees incurred on an aborted corporate transaction.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

6 EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Group 2023 £	<i>Group 2022 £</i>	Company 2023 £	<i>Company 2022 £</i>
Wages and salaries	3,694,904	3,431,050	3,694,904	3,431,050
Share options charge	-	73,475	-	73,475
Social security costs	407,322	369,457	407,322	369,457
Cost of defined contribution scheme	<u>215,767</u>	<u>207,845</u>	<u>215,767</u>	<u>207,845</u>
	<u>4,317,993</u>	<u><i>4,081,827</i></u>	<u>4,317,993</u>	<u><i>4,081,827</i></u>

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	<i>2022 No.</i>
Engineering	36	34
Sales & Marketing	5	4
Technical Support	5	10
Admin & Management	<u>10</u>	<u>11</u>
	<u>56</u>	<u><i>59</i></u>

The directors consider that there is no key management, as defined in FRS102, other than the directors. Directors' emoluments are disclosed in Note 7.

7. DIRECTORS' EMOLUMENTS

GROUP	2023 £	<i>2022 £</i>
Directors' emoluments	363,990	371,900
Directors' pension costs	<u>25,331</u>	<u>24,549</u>
	<u>389,321</u>	<u><i>396,449</i></u>

During the year retirement benefits were accruing to 1 director (2022: 1) in respect of the defined contribution pension scheme and 2 directors (2022: 2) in respect of personal pension schemes.

The highest paid director received remuneration of £144,657 (2022: £145,598).

The value of the company's contributions paid to the defined contribution pension scheme in respect of the highest paid director amounted to £12,317 (2022: £12,546).

During the year one director received 5,000 share options (2022: 9,000) under the share option scheme. None of the directors exercised any share options in the year (2022: Nil).

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

8. TAXATION

	2023 £	2022 £
Corporation tax		
Current tax	<u>(370,636)</u>	<u>(242,142)</u>
Total current tax	<u>(370,636)</u>	<u>(242,142)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: *higher than*) the standard rate of corporation tax in the UK of 19% (2022: 19%) as set out below:

	2023 £	2022 £
(Loss)/profit on ordinary activities before tax	<u>(667,905)</u>	<u>282,307</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%).	(126,902)	53,638
Effects of:		
Expenses not deductible for tax purposes	68,985	(18,603)
Deferred tax not recognised	(43,318)	(4,762)
Adjustments in respect of Research and Development	(394,126)	(242,142)
Adjustments to tax charge in respect of previous periods	23,489	-
Additional deduction for R&D expenditure	121,211	-
Other permanent differences at 19%	-	(27,671)
Fixed asset timing differences	<u>(19,976)</u>	<u>(2,602)</u>
Total tax charge/(credit) for the year	<u>(370,637)</u>	<u>(242,142)</u>

A potential deferred tax asset of £568,217 (2022: £552,066) in respect of tax losses carried forward has not been recognised in these financial statements.

Factors that may affect future tax charges

The company has £2,272,865 (2022: £2,208,264) of tax losses available to be carried forward against future profits.

The March 2021 budget announced that the standard rate of corporation tax will increase from 19% to 25% from 1 April 2023 for companies with profits in excess of £250,000.

9. PARENT COMPANY LOSS FOR THE YEAR

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statement.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

10. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	Land & Buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
COST:				
At 1 April 2022	77,014	483,215	116,202	676,431
Additions	51,246	354,142	-	405,388
Disposals	<u>(77,014)</u>	<u>(344,795)</u>	<u>(116,202)</u>	<u>(538,011)</u>
At 31 March 2023	<u>51,246</u>	<u>492,562</u>	<u>-</u>	<u>543,808</u>
DEPRECIATION:				
At 1 April 2022	72,177	386,884	114,588	573,649
Charge for the year on onward assets	11,049	130,485	161	141,695
Disposals	<u>(77,014)</u>	<u>(338,935)</u>	<u>(114,749)</u>	<u>(530,698)</u>
At 31 March 2023	<u>6,212</u>	<u>178,434</u>	<u>-</u>	<u>184,646</u>
NET BOOK VALUE:				
At 31 March 2023	<u>45,034</u>	<u>314,128</u>	<u>-</u>	<u>359,162</u>
At 31 March 2022	<u>4,837</u>	<u>96,331</u>	<u>1,614</u>	<u>102,782</u>

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

11. FIXED ASSET INVESTMENTS – COMPANY ONLY

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2022	<u>10,748</u>
At 31 March 2023	<u>10,748</u>
Net book value	
At 31 March 2023	<u>10,748</u>
At 31 March 2022	<u>10,748</u>

The investment at 31 March 2022 and 31 March 2023 represents 100% of the ordinary share capital of:

- Becrypt Inc, a company incorporated in USA (Registered office: 9690 Deereco Rd, Suite 500, Timonium, MD, 21093) and;
- Becrypt Pty Limited, a company incorporated in Australia (Registered office: Level 40, 2 Park Street, Sydney, NSW 2000, Australia).

The principal activity of these entities is the marketing and sale of cyber security technology solutions.

Both subsidiaries have been included in the group consolidated accounts.

12. STOCKS

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Finished goods and goods for resale	<u>8,117</u>	<u>2,086</u>	<u>8,117</u>	<u>2,086</u>

13. DEBTORS

	GROUP		COMPANY	
	2023 £	2022 £	2023 £	2022 £
Trade debtors	1,412,688	3,812,562	1,400,368	3,812,468
Amounts owed by group undertakings	-	-	32,567	28,786
Other debtors	451,863	556,393	451,863	556,393
Tax recoverable	<u>394,125</u>	<u>242,142</u>	<u>394,125</u>	<u>242,142</u>
	<u>2,258,676</u>	<u>4,611,097</u>	<u>2,278,923</u>	<u>4,639,789</u>
Prepayments: due after more than one year	<u>27,245</u>	-	<u>27,245</u>	-
	<u>2,285,921</u>	<u>4,611,097</u>	<u>2,306,168</u>	<u>4,639,789</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2023 £	2022 £	2023 £	2022 £
Cash at bank and in hand	<u>2,500,402</u>	<u>1,023,520</u>	<u>2,451,655</u>	<u>964,787</u>

15. CREDITORS: Amounts falling due within one year

	GROUP		COMPANY	
	2023 £	2022 £	2023 £	2022 £
Trade creditors	504,282	257,833	504,282	257,810
Other taxation and social security	619,531	1,003,949	619,531	1,003,949
Other creditors	5,023	2,263	5,023	2,263
Accruals and deferred income	<u>2,757,026</u>	<u>2,376,094</u>	<u>2,743,878</u>	<u>2,342,525</u>
	<u>3,885,862</u>	<u>3,640,139</u>	<u>3,872,714</u>	<u>3,606,547</u>

16. CREDITORS: Amounts falling due after more than one year

	GROUP		COMPANY	
	2023 £	2022 £	2023 £	2022 £
Accruals and deferred income	<u>803,497</u>	<u>1,356,742</u>	<u>803,497</u>	<u>1,356,742</u>

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

17. SHARE CAPITAL

	2023 £	2022 £
ALLOTTED, CALLED UP AND FULLY PAID		
880,000 Ordinary Shares of 0.02p each	<u>176</u>	<u>176</u>

Share options

On 19 October 2006, the company implemented a share option scheme.

At 31 March 2023, 125,500 options (2022: 135,000 options), as listed below, were outstanding over the 0.02p Ordinary Shares:

Date of Grant	No. of shares	Exercise price	Expiry date
30 August 2013	6,000	£4.50	29 August 2023
18 October 2013	12,000	£4.50	17 October 2023
1 August 2014	8,000	£4.00	31 July 2024
16 December 2016	3,000	£3.50	15 December 2026
12 January 2017	9,000	£3.50	11 January 2027
6 February 2018	22,500	£3.50	5 February 2028
20 December 2020	30,500	£1.70	19 December 2030
21 July 2021	9,000	£1.70	21 July 2031
30 June 2022	16,500	£6.00	30 June 2032
10 March 2023	9,000	£6.00	10 March 2033

A charge of £nil has been recognised in the Statement of comprehensive income in the year (2022: £73,475).

18. PENSION COMMITMENTS

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pensions cost charge represents contributions payable by the group to the fund and amounted to £215,767 (2022: £207,845). Contributions totalling £3,343 (2022: £2,263) were payable to the fund at the balance sheet date and are included in creditors, within 'other creditors'.

19. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2023 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £	2022 £
No later than 1 year	248,745	211,443
Later than 1 year and not later than 5 years	<u>326,286</u>	<u>116,640</u>
	<u>575,031</u>	<u>328,083</u>

The total lease payment expenditure in the year was £306,066 (2022: £324,399).

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

20. RESEARCH AND DEVELOPMENT

Becrypt's engineering team, comprising development and quality assurance staff, perform product development work for the group and also provide software engineering services on behalf of customers. The expenditure on this entire team, shown as research and development in the Consolidated Statement of Comprehensive Income, during the period was:

	2023	2022
	£	£
Wages and salaries	2,399,569	2,058,472
Other costs	<u>128,218</u>	<u>112,912</u>

21. RELATED PARTY TRANSACTIONS

During the year the group made payments of £Nil (2022: £171,827) to fellow subsidiaries, with the balance in movement being foreign exchange. An amount totalling £32,566 (2022: £28,786) is due from Becrypt Pty Limited to Becrypt Limited.

22. ULTIMATE CONTROLLING PARTY

The company is owned by a number of shareholders and individually no shareholder is able to exert control. Therefore the directors are of the opinion that there is no ultimate controlling party.