

REGISTERED NUMBER: 04328430

BECRYPT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



BECRYPT LIMITED
COMPANY INFORMATION

DIRECTORS

B Parsons MBE
D G Thomas
N Hopkinson (appointed 1 January 2021)
G T Cantwell (appointed 1 January 2021)
C J Colwell (resigned 31 May 2021)
N Scott (appointed 1 August 2021)

COMPANY SECRETARY

C J Colwell (resigned 31 May 2021)
N Scott (appointed 1 August 2021)

REGISTERED NUMBER

04328430

REGISTERED OFFICE

Artillery House
11-19 Artillery Row
London
SW1P 1RT

INDEPENDENT AUDITOR

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

BECRYPT LIMITED CONTENTS

Strategic Report	1 – 3
Directors' Report	4 – 5
Independent Auditor's Report	6 – 9
Consolidated Statement of Comprehensive Income	10
Consolidated Balance Sheet	11
Company Balance Sheet	12
Consolidated and Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15 - 27

BECRYPT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

REVIEW OF THE BUSINESS

The consolidated statement of comprehensive income for the 12 months ended 31 March 2021 is set out on page 10.

These results, showing an improvement upon last year for most key metrics, represent a degree of progress in the ongoing transformation of the business. Turnover of £6.49m has grown by 13% compared to last year and the Operating Loss of £0.16m, inclusive of a £0.12m Covid-related cost, is also significantly better than last year. The closing cash balance of £1.6m remained in line with the position at the start of the year.

While the pace of change in transformation of the business is slower than the Board would wish, the scale of the change is considerable; in the year ended 31 March 2017, 93% of the revenues were generated from 'Legacy' (Protect Suite) software; in the past financial year to 31 March 2021, that has dropped to 26%, with the attendant £4.3m decrease in 'Legacy' product revenue being almost entirely replaced with £4.0m of 'New' software and services.

Turnover of £6.49m, 13% higher than last year, is analysed below:

- Our newer software and services offerings again grew by 36% to £4.55m [last year: £3.34m]. Our services offerings - Software Engineering projects and Managed End User Device contracts - revenue grew by 27%, though these tend to be lower margin revenue streams compared to that from software licenses. Software revenues from Desktop (our security-focused Paradox operating system) and Mobile (our advanced mobile device management MDM+ solution) grew by 49%, due to a combination of additional licensing into a strategic customer account and new subscription based software license sales;
- The legacy software disk encryption suite of products (Protect Suite) continues to see a decline in turnover to £1.69m [last year: £2.21m]. Whilst data protection regulation will underpin modest, but decreasing, levels of new sales, the continuing challenging market conditions for software disk encryption reinforces the strategic shift towards the newer products and services outlined above;
- The reseller agreement that Bcrypt had since 2016 to bring Cyber1st's high-grade secure mobile communications product to market was terminated by mutual consent in November 2020. Turnover from this third-party hardware product was £0.25m [last year: £0.21m], with the Cost of Goods Sold charge of £0.20m also remaining in line with last year.

Cost of Goods Sold mainly represents the buy price that we pay to 3rd party suppliers as part of the Managed End User Device service, as well as the cost for Cyber1st hardware and support. The cost is higher than last year due to the growth in Managed End User Device service revenue, part of which is dependent upon 3rd party products and services.

Operating costs, being the total of Research and Development and Administrative expenses, were 3% lower than last year, with both people costs and other discretionary overhead remaining under close control. Headcount averaged 64 compared to 65 last year. A non-cash additional cost accrual of £0.13m was booked for excess holiday pay, as staff were allowed to carry forward a higher than normal level of annual leave due to Covid, though we expect this accrual to unwind in the next financial year.

The increase in gross margin, brought about by higher turnover, lower cost of goods sold and lower operating costs resulted in an Operating Loss before Tax for the year of £0.16m [last year: operating loss £0.95m].

The net cash balance at 31 March 2021 is £1.58m [31 March 2020: £1.57m]. While there are some significant, but offsetting, underlying changes in both trade debtors and creditors, the cash balance ended the year in line with the opening position, which the Board considers to be a reasonable position given the operating loss for the year.

BECRYPT LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

The business has been, and continues to be, funded from operational cash-flow and remains debt-free; however, the importance of having sufficient capital to enable the business to build on the early successes of the newer software and services offerings is paramount. To that end, the Board will continue to review all options for the future funding of the business.

Having supported the business as Chief Financial Officer since 2012, John Colwell resigned his position in May 2021. The Board are extremely grateful for his significant contribution over the years and look forward to his continued input and support as a shareholder.

COVID-19 IMPACT

We have remained fully operational throughout the various lockdowns. Our office has been closed since mid-March 2020, but through a combination of flexible and remote working, all of our usual business practices, processes and customer contacts have continued to function. The most significant effect of the changed working practices resulting from Covid on the operating results is the one-off charge referred to in the Overheads paragraph above. No staff were placed on furlough during the pandemic, nor were any Covid grants or loans utilised; we have taken advantage of the HMRC VAT deferral scheme, under which the Q1-2020 VAT payment of £0.15m is being paid in monthly instalments over a 9 month period commencing April-2021. Plans are in place to adopt a hybrid working model at a future date, the timing of which will be dependent upon the government's timetable for the easing of the current lockdown restrictions.

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 through providing a stimulating work environment, as well as a number of employee initiatives and incentive schemes;
- Loss or compromise of critical IT systems - we have company-wide information security 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.

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 13% compared to last year;
- Operating (Loss) / Profit before Tax - loss of £0.16m reported in the year;
- Net funds – the Group has no debt and the cash balance is £1.58m;
- Sales Pipeline – the Board reviews the value and classification of the sales pipeline, and all major opportunities, at the monthly Board Meeting. While the number and value of opportunities for our newer products has again grown substantially over the year, the Board has elected not to disclose further information regarding the sales pipeline in the Strategic Report as it is deemed commercially sensitive.

BECRYPT LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

OUTLOOK

The Board has confidence that the business strategy focused on the high-assurance market will deliver growth in the short to medium term. The confidence is built upon the progress being made across a number of strategic sales opportunities, from which pilots have commenced or are anticipated to commence shortly. The key business challenge in the short-term is to increase the depth of the sales pipeline and improve the velocity with which opportunities are moving through the pipeline.

B Parsons
Director

DocuSigned by:

F194CD796EBA482..

Date

9/24/2021

**BECRYPT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their report and the financial statements for the year ended 31 March 2021.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £119,539 (2020: loss £539,111). The directors did not recommend the payment of a dividend (2020: £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 (appointed 1 January 2021)
G T Cantwell (appointed 1 January 2021)
C J Colwell (resigned 31 May 2021)
N Scott (appointed 1 August 2021)

BECRYPT LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Disclosure of information to auditor

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

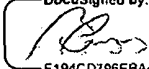
- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company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

B Parsons
Director

DocuSigned by:

F194CD796EBA482..

Date

9/24/2021

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

Opinion

We have audited the financial statements of Becrypt Limited (the 'company') and its subsidiaries (the 'group') for the year ended 31 March 2021, 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 company's affairs as at 31 March 2021 and of the group's profit 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 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 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.

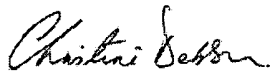
These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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 : 27 September 2021

BECRYPT LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	<i>Restated</i> 2020 £
Turnover	4	6,487,238	5,762,099
Cost of sales		<u>(875,263)</u>	<u>(748,617)</u>
GROSS PROFIT		5,611,975	5,013,482
Research and development	20	(2,533,055)	(2,107,687)
Administrative expenses		<u>(3,239,066)</u>	<u>(3,852,663)</u>
OPERATING LOSS	5	(160,146)	(946,868)
Interest receivable		-	-
Interest payable		<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(160,146)	(946,868)
Tax	8	<u>279,685</u>	<u>407,757</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>119,539</u>	<u>(539,111)</u>

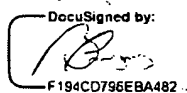
There was no other comprehensive income for 2021 (2020: £nil).

BECRYPT LIMITED
REGISTERED NUMBER: 04328430
CONSOLIDATED BALANCE SHEET
31 MARCH 2021

	Notes	£	2021 £	Restated 2020 £
FIXED ASSETS				
Tangible assets	10		98,292	95,432
CURRENT ASSETS				
Stocks	12	2,891		14,975
Debtors	13	1,948,201		1,999,871
Cash at bank and in hand	14	<u>1,578,165</u>		<u>1,570,043</u>
			3,529,257	3,584,889
CREDITORS: Amounts falling due within one year	15	<u>(3,356,289)</u>		<u>(3,497,971)</u>
NET CURRENT ASSETS			<u>172,968</u>	<u>86,918</u>
TOTAL ASSETS LESS CURRENT ASSETS			271,260	182,350
CREDITORS: Amounts falling due after more than one year	16		<u>(46,958)</u>	<u>(87,534)</u>
NET ASSETS			<u>224,302</u>	<u>94,816</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			285	247
Profit and loss account			<u>112,490</u>	<u>(16,958)</u>
			<u>224,302</u>	<u>94,816</u>

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

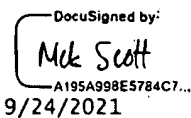
B Parsons
Director

DocuSigned by:

F194CD796EBA482...

Date

9/24/2021

N Scott
Director

DocuSigned by:

A195A998E5784C7...
9/24/2021

Date

The notes on pages 15 to 27 form part of these financial statements

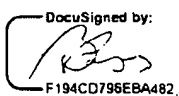
BECRYPT LIMITED
REGISTERED NUMBER: 04328430
COMPANY BALANCE SHEET
31 MARCH 2021

	Notes	£	2021	£	Restated 2020 £
FIXED ASSETS					
Tangible assets	10			98,292	95,432
Investments	11			<u>10,748</u>	<u>10,748</u>
				109,040	106,180
CURRENT ASSETS					
Stocks	12	2,891			14,975
Debtors	13	2,148,719			2,219,227
Cash at bank and in hand	14	<u>1,273,186</u>			<u>1,333,261</u>
				3,424,796	3,567,463
CREDITORS: Amounts falling due within one year	15			<u>(3,280,825)</u>	<u>(3,427,078)</u>
NET CURRENT ASSETS				<u>143,971</u>	<u>140,385</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				253,011	246,565
CREDITORS: Amounts falling due after more than one year	16			<u>(46,958)</u>	<u>(87,534)</u>
NET ASSETS				<u>206,053</u>	<u>159,031</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				285	247
Profit and loss account				<u>94,241</u>	<u>47,257</u>
				<u>206,053</u>	<u>159,031</u>

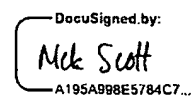
The profit for the financial year dealt with in the Financial Statements of the company was £46,984 (2020: loss of £619,576).

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

B Parsons
Director

DocuSigned by:

F194CD796EBA482

N Scott
Director

DocuSigned by:

A195A988E5784C7...

Date: 09/24/2021

Date: 09/24/2021

The notes on pages 15 to 27 form part of these financial statements

BECRYPT LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
31 MARCH 2021

GROUP	Share capital £	Share premium £	Capital redemption £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2019	176	111,304	47	247	530,590	642,364
Comprehensive income for the year (restated)						
Loss for the year (restated)	-	-	-	-	(539,111)	(539,111)
Currency translation differences	-	-	-	-	(8,437)	(8,437)
At 1 April 2020 (restated)	176	111,304	47	247	(16,958)	94,816
Comprehensive income for the year						
Profit for the year	-	-	-	-	119,539	119,539
Share options granted	-	-	-	38	-	38
Currency translation differences	-	-	-	-	9,909	9,909
At 31 March 2021	<u>176</u>	<u>111,304</u>	<u>47</u>	<u>285</u>	<u>112,490</u>	<u>224,302</u>

COMPANY	Share capital £	Share premium £	Capital redemption £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2019	176	111,304	47	247	666,833	778,607
Comprehensive income for the year (restated)						
Loss for the year (restated)	-	-	-	-	(619,576)	(619,576)
At 1 April 2020 (restated)	176	111,304	47	247	47,257	159,031
Comprehensive income for the year						
Profit for the year	-	-	-	-	46,984	46,984
Share options granted	-	-	-	38	-	38
At 31 March 2021	<u>176</u>	<u>111,304</u>	<u>47</u>	<u>285</u>	<u>94,241</u>	<u>206,053</u>

BECRYPT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £	<i>Restated</i> 2020 £
Cash flows from operating activities		
Profit/(loss) for the financial year	119,539	(539,111)
Adjustments for:		
Depreciation of tangible assets	50,245	55,067
Taxation charge	(279,685)	(407,757)
Decrease/(increase) in stocks	12,084	(3,351)
Decrease in debtors	243,114	523,104
Decrease in creditors	(182,258)	(644,682)
Corporation tax received	88,241	160,279
Foreign exchange loss	<u>9,909</u>	<u>(8,437)</u>
Net cash generated from operating activities	<u>61,189</u>	<u>(864,888)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(53,105)	(63,433)
Consideration for new share options	38	-
Interest received	<u>-</u>	<u>-</u>
Net cash from investing activities	<u>(53,067)</u>	<u>(63,433)</u>
Net increase/(decrease) in cash and cash equivalents	8,122	(928,321)
Cash and cash equivalents at beginning of year	<u>1,570,043</u>	<u>2,498,364</u>
Cash and cash equivalents at the end of year	<u>1,578,165</u>	<u>1,570,043</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>1,578,165</u>	<u>1,570,043</u>
	<u>1,578,165</u>	<u>1,570,043</u>

The notes on pages 15 to 27 form part of these financial statements

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 11 - 19 Artillery Row, London, SW1P 1RT. 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 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 2021 the group had a net cash position of £1.6m (*31 March 2020: £1.6m*). 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. In making their assessment the directors have considered the impact on the business of Covid-19, including the ability of the company to continue to service customers, the impact on future revenues and cash collections and the financial position of the group.

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 company 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.

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.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2.4 Turnover (continued)

Periodic 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 receivable 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.

2.10 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.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2.11 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.

2.12 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.

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.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

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

Preparation of the financial statements requires management to make judgements and estimates 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.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

4. TURNOVER

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	6,273,925	5,513,611
Europe, excluding the United Kingdom	110,659	68,884
Rest of the World	<u>102,654</u>	<u>179,604</u>
	<u>6,487,238</u>	<u>5,762,099</u>

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

	2021 £	2020 £
Sales of services	6,345,341	5,624,432
Sales of goods	<u>141,194</u>	<u>137,667</u>
	<u>6,486,535</u>	<u>5,762,099</u>

5. OPERATING LOSS

	2021 £	2020 £
This operating loss is stated after charging:		
Depreciation of tangible fixed assets	50,245	55,067
Exchange differences	19,525	(11,791)
Operating lease charges	381,949	370,627
Auditors' remuneration:		
• audit fees	22,630	21,570
• non-audit taxation compliance services	4,570	2,200
• non-audit taxation advisory services	<u>-</u>	<u>2,152</u>

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

6 EMPLOYEES

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	3,752,558	3,725,349	3,752,558	3,719,393
Social security costs	392,459	360,225	392,459	360,225
Cost of defined contribution scheme	<u>211,203</u>	<u>197,173</u>	<u>211,203</u>	<u>197,173</u>
	<u>4,356,220</u>	<u>4,282,747</u>	<u>4,356,220</u>	<u>4,276,791</u>

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

	2021 No.	2020 No.
Engineering	37	37
Sales & Marketing	6	7
Technical Support	11	13
Admin & Management	<u>10</u>	<u>8</u>
	<u>64</u>	<u>65</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	2021 £	2020 £
Directors' emoluments	290,458	384,221
Directors' pension costs	<u>20,829</u>	<u>29,060</u>
	<u>311,287</u>	<u>413,281</u>

During the year retirement benefits were accruing to 1 director (2020: 1) in respect of the defined contribution pension scheme and 2 directors (2020: 2) in respect of personal pension schemes.

The highest paid director received remuneration of £145,393 (2020: £140,375).

The value of the company's contributions paid to the defined contribution pension scheme in respect of the highest paid director amounted to £10,580 (2020: £11,035).

During the year one director received 9,000 share options (2020: Nil) under the share option scheme. None of the directors exercised any share options in the year (2020: Nil).

In the year ended 31 March 2020, payments were also made to S G Bellamy, a non-executive director at the time, in respect of consultancy services supplied to Becrypt Limited, totalling £15,000.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

8. TAXATION

	2021	Restated 2020
	£	£
Corporation tax		
Current tax	<u>(279,685)</u>	<u>(407,757)</u>
Total current tax	<u>(279,685)</u>	<u>(407,757)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%) as set out below:

	2021	2020
	£	£
Loss on ordinary activities before tax	<u>(160,146)</u>	<u>(946,868)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%).	(30,427)	(179,905)
Effects of:		
Expenses not deductible for tax purposes	543	8,803
Deferred tax not recognised	41,754	164,097
Adjustments in respect of Research and Development	(279,685)	(407,757)
Adjust deferred tax to average rate of 19%	-	19,306
Other permanent differences at 19%	-	199
Tax not charged on foreign subsidiaries	(14,330)	(15,288)
Fixed asset timing differences	<u>2,460</u>	<u>2,788</u>
Total tax credit for the year	<u>(279,685)</u>	<u>(407,757)</u>

A potential deferred tax asset of £424,332 (2020: £428,524) in respect of tax losses brought forward has not been recognised in these financial statements.

Factors that may affect future tax charges

The company has £2,272,865 (2020: £2,093,825) of tax losses available to be carried forward against future profits.

9. PARENT COMPANY PROFIT 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 2021

10. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	Land & Buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
COST:				
At 1 April 2020	77,014	382,993	116,202	576,209
Additions	-	53,105	-	53,105
Disposals	-	-	-	-
At 31 March 2021	<u>77,014</u>	<u>436,098</u>	<u>116,202</u>	<u>629,314</u>
DEPRECIATION:				
At 1 April 2020	46,600	323,440	110,737	480,777
Charge for the year on onward assets	13,247	34,265	2,733	50,245
Disposals	-	-	-	-
At 31 March 2021	<u>59,847</u>	<u>357,705</u>	<u>113,470</u>	<u>531,022</u>
NET BOOK VALUE:				
At 31 March 2021	<u>17,167</u>	<u>78,393</u>	<u>2,732</u>	<u>98,292</u>
At 31 March 2020	<u>30,414</u>	<u>59,553</u>	<u>5,465</u>	<u>95,432</u>

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

11. FIXED ASSET INVESTMENTS – COMPANY ONLY

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2020	<u>10,748</u>
At 31 March 2021	<u>10,748</u>
Net book value	
At 31 March 2021	<u>10,748</u>
At 31 March 2020	<u>10,748</u>

The investment at 31 March 2020 and 31 March 2021 represents 100% of the ordinary share capital of:

- Bcrypt Inc, a company incorporated in USA (Registered office: 9690 Deereco Rd, Suite 500, Timonium, MD, 21093) and;
- Bcrypt 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 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Finished goods and goods for resale	<u>2,891</u>	<u>14,975</u>	<u>2,891</u>	<u>14,975</u>

13. DEBTORS

	GROUP		COMPANY	
	2021 £	Restated 2020 £	2021 £	Restated 2020 £
Trade debtors	743,517	914,976	743,517	914,976
Amounts owed by group undertakings	-	-	200,613	219,644
Other debtors	605,484	677,139	605,389	676,851
Tax recoverable	<u>599,200</u>	<u>407,756</u>	<u>599,200</u>	<u>407,756</u>
	<u>1,948,201</u>	<u>1,999,871</u>	<u>2,148,719</u>	<u>2,219,227</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 2021

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Cash at bank and in hand	<u>1,578,165</u>	<u>1,570,043</u>	<u>1,273,186</u>	<u>1,333,261</u>

15. CREDITORS: Amounts falling due within one year

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Trade creditors	309,800	494,033	309,777	494,033
Other taxation and social security	657,790	450,543	657,790	449,885
Other creditors	9,862	14,490	9,862	14,490
Accruals and deferred income	<u>2,378,837</u>	<u>2,538,905</u>	<u>2,303,396</u>	<u>2,468,670</u>
	<u>3,356,289</u>	<u>3,497,971</u>	<u>3,280,825</u>	<u>3,427,078</u>

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

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Accruals and deferred income	<u>46,958</u>	<u>87,534</u>	<u>46,958</u>	<u>87,534</u>

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

17. SHARE CAPITAL

	2021 £	2020 £
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 2021, 149,500 options, as listed below, were outstanding over the 0.02p Ordinary Shares:

Date of Grant	No. of shares	Exercise price	Expiry date
10 May 2012	10,000	£5.00	9 May 2022
1 November 2012	16,000	£5.00	31 October 2022
30 August 2013	6,000	£4.50	29 August 2023
18 October 2013	12,000	£4.50	17 October 2023
1 August 2014	9,000	£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	24,500	£3.50	5 February 2028
20 December 2020	60,000	£1.70	19 December 2020

Share options will normally become exercisable in the event of a sale or a takeover or on admission to a recognised market.

18. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pensions cost charge represents contributions payable by the company to the fund and amounted to £211,203 (2020: £197,173). Contributions totalling £3,947 (2020: £2,207) 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 2021 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
No later than 1 year	372,600	372,600
Later than 1 year and not later than 5 years	<u>153,123</u>	<u>525,723</u>
	<u>525,723</u>	<u>898,323</u>

The total lease payment expenditure in the year was £381,949 (2020: £370,627).

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

20. RESEARCH AND DEVELOPMENT

Becrypt's engineering team, comprising development and quality assurance staff, perform product development work for the company 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:

	2021	2020
	£	£
Wages and salaries	2,207,710	2,002,442
Other costs	<u>115,798</u>	<u>105,245</u>

21. RELATED PARTY TRANSACTIONS

During the year the group made repayments of £3,230 (2020 recharges of: £5,176) to fellow subsidiaries, with the balance in movement being foreign exchange. An amount totalling £171,827 (2020: £194,582) is due from Becrypt Inc to Becrypt Limited at the year end. An amount totalling £28,786 (2020: £25,062) is due from Becrypt Pty Limited to Becrypt Limited.

22. PRIOR PERIOD RESTATEMENT

Group:

	Corporation tax debtor as at 31 March 2020 £	Retained earnings as at 1 April 2019 £	Loss for the year ended 31 March 2020 £	Retained earnings as at 31 March 2020 £
As previously stated	88,241	530,590	(858,626)	(336,473)
Prior period adjustment	319,515	-	319,515	319,515
As restated	<u>407,756</u>	<u>530,590</u>	<u>(539,111)</u>	<u>(16,958)</u>

The prior period adjustment relates to the change in accounting policy for research and development claims, to be recognised on an accruals basis, rather than a cash basis.

As a result of adopting the revised research and development recognition accounting policy, the Group result for the year 2020 has decreased the loss to £539,111 and the corporation tax debtor increased to £407,756.

BECRYPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

22. PRIOR PERIOD RESTATEMENT (CONTINUED)

Company:	Corporation tax debtor as at 31 March 2020 £	Retained earnings as at 1 April 2019 £	Loss for the year ended 31 March 2020 £	Retained earnings as at 31 March 2020 £
As previously stated	88,241	666,833	(939,091)	(272,258)
Prior period adjustment	319,515	-	319,515	319,515
As restated	407,756	666,833	(619,576)	47,257

The prior period adjustment relates to the change in accounting policy for research and development claims, to be recognised on an accruals basis, rather than a cash basis.

As a result of adopting the revised research and development recognition accounting policy, the company result for the year 2020 has decreased the loss to £619,576 and the corporation tax debtor increased to £407,756.

23. 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.