

**Report of the Director and
Financial Statements for the Year Ended 31 December 2013
for
BLUE CUBE SECURITY LIMITED**

Wyatts Statutory Auditors
York House
1 Seagrave Road
London
SW6 1RP

THURSDAY



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BLUE CUBE SECURITY LIMITED

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for the year ended 31 December 2013**

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BLUE CUBE SECURITY LIMITED

**Company Information
for the year ended 31 December 2013**

DIRECTOR: G J Haycock-West

SECRETARY: Ms A S Cater

REGISTERED OFFICE: 13 Riverview Business Park
Station Road
Forest Row
East Sussex
RH18 5FS

REGISTERED NUMBER: 07118478 (England and Wales)

AUDITORS: Wyatts Statutory Auditors
York House
1 Seagrave Road
London
SW6 1RP

BLUE CUBE SECURITY LIMITED

Report of the Director for the year ended 31 December 2013

The director presents his report with the financial statements of the company for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of marketing and distribution of IT software, security solutions, consultancy and product sales.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTOR

G J Haycock-West held office during the whole of the period from 1 January 2013 to the date of this report.

The company is a wholly-owned subsidiary of Blue Cube Security Holdings Ltd. The directors share holdings are shown in the financial statements of that company.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Wyatts Statutory Auditors, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
G J Haycock-West - Director

Date: 14/07/2014

**Report of the Independent Auditors to the Members of
Blue Cube Security Limited**

We have audited the financial statements of Blue Cube Security Limited for the year ended 31 December 2013 on pages four to eleven. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 a Report of the Auditors 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.

Respective responsibilities of director and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Director to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Director.



Karen Wyatt (Senior Statutory Auditor)
for and on behalf of Wyatts Statutory Auditors
York House
1 Seagrave Road
London
SW6 1RP

Date:14/07/2014

BLUE CUBE SECURITY LIMITED**Profit and Loss Account
for the year ended 31 December 2013**

| | Notes | 31.12.13 £ | 31.12.12 £ |
|---|----------|-----------------------|------------------------|
| TURNOVER | | 5,864,930 | 3,835,318 |
| Cost of sales | | <u>4,581,087</u> | <u>3,047,102</u> |
| GROSS PROFIT | | 1,283,843 | 788,216 |
| Administrative expenses | | <u>1,091,545</u> | <u>824,979</u> |
| | | 192,298 | (36,763) |
| Other operating income | | <u>16,709</u> | <u>12,696</u> |
| OPERATING PROFIT/(LOSS) | 2 | 209,007 | (24,067) |
| Interest receivable and similar income | | <u>5,385</u> | <u>1,171</u> |
| | | 214,392 | (22,896) |
| Interest payable and similar charges | | <u>3,497</u> | <u>4,548</u> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 210,895 | (27,444) |
| Tax on profit/(loss) on ordinary activities | 3 | <u>59,383</u> | <u>(2,823)</u> |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | <u>151,512</u> | <u>(24,621)</u> |

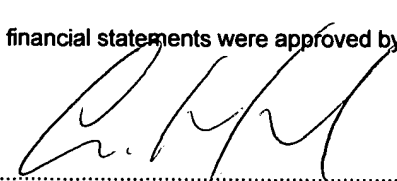
The notes form part of these financial statements

Balance Sheet
31 December 2013

| | Notes | 31.12.13 £ | £ | 31.12.12 £ | £ |
|--|-------|------------------|-----------------------|------------------|-----------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 4 | | 1,875 | | 9,375 |
| Tangible assets | 5 | | 76,908 | | 15,911 |
| | | | <u>78,783</u> | | <u>25,286</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 6 | 3,155,236 | | 2,194,775 | |
| Prepayments and accrued income | | 61,495 | | - | |
| | | <u>3,216,731</u> | | <u>2,194,775</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 7 | 2,983,229 | | 2,100,153 | |
| NET CURRENT ASSETS | | | <u>233,502</u> | | <u>94,622</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>312,285</u> | | <u>119,908</u> |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 8 | | (42,312) | | - |
| PROVISIONS FOR LIABILITIES | 10 | | <u>(1,735)</u> | | <u>(3,182)</u> |
| NET ASSETS | | | <u><u>268,238</u></u> | | <u><u>116,726</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 15 | | 15 |
| Profit and loss account | 12 | | 268,223 | | 116,711 |
| SHAREHOLDERS' FUNDS | | | <u><u>268,238</u></u> | | <u><u>116,726</u></u> |

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the director on 14/07/2014 and were signed by:


G J Haycock-West - Director

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover represents net invoiced sales of goods and services excluding value added tax.

Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total expected consideration at completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2010, is being amortised evenly over its estimated useful life of four years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery etc - 25% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Employee benefit trusts

The Company has created a trust whose beneficiaries will include employees of the Company and their dependents. Assets held under this trust will be controlled by trustees who will be acting independently and entirely at their own discretion.

Where assets are held in the trust and these are considered by the Company to be in respect of services already provided by employees to the Company, the Company will account for these as assets of the Company until the earlier of it no longer having de facto control of these assets and it not obtaining future economic benefit from these assets. The value transferred will be charged in the Company's profit and loss account for the year to which it relates.

2. OPERATING PROFIT/(LOSS)

The operating profit (2012 - operating loss) is stated after charging/(crediting):

| | 31.12.13 £ | 31.12.12 £ |
|--|---------------|---------------|
| Depreciation - owned assets | 7,094 | 5,304 |
| Depreciation - assets on hire purchase contracts | 18,542 | - |
| Goodwill amortisation | 7,500 | 7,500 |
| Auditors' remuneration | 4,500 | - |
| Foreign exchange differences | 485 | (7,618) |
| Pension costs | 2,000 | 54,000 |
| Employer Financed Retirement Benefit Scheme Contribution | - | 121,500 |
| | <u>2,312</u> | <u>44,240</u> |
| Director's remuneration and other benefits etc | <u>2,312</u> | <u>44,240</u> |

3. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

| | 31.12.13 £ | 31.12.12 £ |
|---|---------------|----------------|
| Current tax: | | |
| UK corporation tax | 34,442 | (2,997) |
| Payment for group tax losses | 26,388 | - |
| Total current tax | 60,830 | (2,997) |
| Deferred tax | (1,447) | 174 |
| Tax on profit/(loss) on ordinary activities | <u>59,383</u> | <u>(2,823)</u> |

UK corporation tax has been charged at 20.44% (2012 - 25.06%).

BLUE CUBE SECURITY LIMITED**Notes to the Financial Statements - continued
for the year ended 31 December 2013****3. TAXATION - continued****Factors affecting the tax charge/(credit)**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 31.12.13 | 31.12.12 |
|---|-----------------------|------------------------|
| | £ | £ |
| Profit/(loss) on ordinary activities before tax | <u>210,895</u> | <u>(27,444)</u> |
| Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.445% (2012 - 25.063%) | 43,117 | (6,878) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 5,380 | 4,099 |
| Capital allowances in excess of depreciation | - | (218) |
| Depreciation in excess of capital allowances | 1,479 | - |
| Waiver of non-trading loan relationship | 6,542 | - |
| Group loss relief | (22,076) | - |
| Payment for group losses | <u>26,388</u> | <u>-</u> |
| Current tax charge/(credit) | <u>60,830</u> | <u>(2,997)</u> |

4. INTANGIBLE FIXED ASSETS

| | Goodwill |
|-----------------------|----------------------|
| | £ |
| COST | |
| At 1 January 2013 | |
| and 31 December 2013 | <u>30,000</u> |
| AMORTISATION | |
| At 1 January 2013 | 20,625 |
| Charge for year | <u>7,500</u> |
| At 31 December 2013 | <u>28,125</u> |
| NET BOOK VALUE | |
| At 31 December 2013 | <u>1,875</u> |
| At 31 December 2012 | <u>9,375</u> |

BLUE CUBE SECURITY LIMITED

**Notes to the Financial Statements - continued
for the year ended 31 December 2013**

5. TANGIBLE FIXED ASSETS

| | Office equipment £ | Fixtures and fittings £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|-----------------------|--------------------------|----------------------------------|------------------------|----------------------------|-------------|
| COST | | | | | |
| At 1 January 2013 | 17,382 | 3,863 | - | 7,299 | 28,544 |
| Additions | 7,984 | - | 74,167 | 4,482 | 86,633 |
| At 31 December 2013 | 25,366 | 3,863 | 74,167 | 11,781 | 115,177 |
| DEPRECIATION | | | | | |
| At 1 January 2013 | 7,352 | 1,341 | - | 3,940 | 12,633 |
| Charge for year | 4,503 | 631 | 18,542 | 1,960 | 25,636 |
| At 31 December 2013 | 11,855 | 1,972 | 18,542 | 5,900 | 38,269 |
| NET BOOK VALUE | | | | | |
| At 31 December 2013 | 13,511 | 1,891 | 55,625 | 5,881 | 76,908 |
| At 31 December 2012 | 10,030 | 2,522 | - | 3,359 | 15,911 |

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

| | Motor vehicles £ |
|-----------------------|------------------------|
| COST | |
| Additions | 74,167 |
| At 31 December 2013 | 74,167 |
| DEPRECIATION | |
| Charge for year | 18,542 |
| At 31 December 2013 | 18,542 |
| NET BOOK VALUE | |
| At 31 December 2013 | 55,625 |

6. DEBTORS

| | 31.12.13 £ | 31.12.12 £ |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 2,829,974 | 1,533,997 |
| Other debtors | 132,286 | 400,103 |
| | 2,962,260 | 1,934,100 |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | 190,038 | 257,737 |
| Other debtors | 2,938 | 2,938 |
| | 192,976 | 260,675 |
| Aggregate amounts | 3,155,236 | 2,194,775 |

BLUE CUBE SECURITY LIMITED

**Notes to the Financial Statements - continued
for the year ended 31 December 2013**

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31.12.13 | 31.12.12 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 12,388 | 181,228 |
| Hire purchase contracts | 26,599 | - |
| Trade creditors | 2,238,371 | 1,362,418 |
| Taxation and social security | 204,417 | 97,829 |
| Other creditors | 501,454 | 458,678 |
| | <u>2,983,229</u> | <u>2,100,153</u> |

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31.12.13 | 31.12.12 |
|-------------------------|---------------|----------|
| | £ | £ |
| Hire purchase contracts | <u>42,312</u> | <u>-</u> |

9. SECURED DEBTS

The following secured debts are included within creditors:

| | 31.12.13 | 31.12.12 |
|-----------------|---------------|----------------|
| | £ | £ |
| Bank overdrafts | <u>12,388</u> | <u>181,228</u> |

The company's financing facilities are secured on the company's assets.

10. PROVISIONS FOR LIABILITIES

| | 31.12.13 | 31.12.12 |
|--------------------------------|--------------|----------------|
| | £ | £ |
| Deferred tax | <u>1,735</u> | <u>3,182</u> |
| | | Deferred tax |
| | | £ |
| Balance at 1 January 2013 | | 3,182 |
| decelerated capital allowances | | <u>(1,447)</u> |
| Balance at 31 December 2013 | | <u>1,735</u> |

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31.12.13 | 31.12.12 |
|---------|----------|----------------|-----------|-----------|
| | | | £ | £ |
| 150 | Ordinary | £1 | <u>15</u> | <u>15</u> |

BLUE CUBE SECURITY LIMITED

Notes to the Financial Statements - continued for the year ended 31 December 2013

12. RESERVES

| | Profit and loss account £ |
|---------------------|------------------------------------|
| At 1 January 2013 | 116,711 |
| Profit for the year | 151,512 |
| At 31 December 2013 | <u>268,223</u> |

13. ULTIMATE PARENT COMPANY

The company is a subsidiary of Blue Cube Security Holdings Limited, a company incorporated and resident in the UK.

14. DIRECTOR'S ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 31 December 2013 and 31 December 2012:

| | 31.12.13 £ | 31.12.12 £ |
|--------------------------------------|----------------|---------------|
| G J Haycock-West | | |
| Balance outstanding at start of year | - | 65,615 |
| Amounts advanced | 191,790 | 30,000 |
| Amounts repaid | (80,000) | (95,615) |
| Balance outstanding at end of year | <u>111,790</u> | <u>-</u> |

The maximum outstanding during the year was £139,802. The loan is interest free and has been repaid since the year end.

15. RELATED PARTY DISCLOSURES

During the year, the company agreed to waive repayment of £32,000 of the intercompany loan to the co-subsiary Bluefields GRP Ltd.

At 31 December 2013, Blue Cube Security Ltd was owed £140,038 by Bluefields GRP Ltd.

At 31 December 2013, Blue Cube Security Ltd was owed £50,000 by Blue Cube Security Holdings Ltd.

During the year Blue Cube Security charged Bluefields GRP Ltd £16,709 for management charges, £1,185 for other services at cost and £5,386 for interest.

16. POST BALANCE SHEET EVENTS

Since the year end, the company has established an Employee Benefit Trust to assist in the reward and motivation of the company's employees.

17. ULTIMATE CONTROLLING PARTY

This was controlled throughout the year by Gary J Haycock-West, a director of both companies and a shareholder of Blue Cube Security Holdings Limited.