Annual Report and Accounts 2023

for the year ended
31 December 2023

CROSSWORD
CYBERSECURITY

CONTENTS

STRATEGIC REPORT

Financial Highlights	04
About Crossword Cybersecurity PLC	06
Chair's Statement	07
Chief Executive Officer's Statement	08
Financial and Operational Review	10
Products & Services	11
Section 172(1) Statement	15
Environmental, Social and Governance	17
Principal Risks & Uncertainties	22

GOVERNANCE REPORT

The Board	26
Corporate Governance Report	29
Directors' Report & Statement of Directors' Responsibilities	37

FINANCIAL STATEMENTS

Independent Auditor's Report	44
Consolidated Financial Statements	54
Notes to Financial Information	59
Company Information	87

Crossword offers a range of cybersecurity solutions to help companies understand and reduce cybersecurity risk. We do this through a combination of people and technology, in the form of SaaS and software products, consulting, and managed services. Crossword's areas of emphasis are cybersecurity strategy and risk, supply chain cyber, threat detection and response, and digital identity.

We partner with organisations to keep them secure in the digital world, reducing cyber risks by providing a portfolio of innovative products and services, powered by university and other research driven insights.

In the area of **cybersecurity strategy and risk**, our consulting services include cyber maturity assessments, industry certifications, and virtual chief information security officer (vCISO) managed services.

Crossword's end-to-end **supply chain cyber** standard operating model (SCC SOM) is supported by our industry leading SaaS platform, Rizikon Assurance, along with cost-effective cyber audits, security testing services and complete managed services for supply chain cyber risk management. **Threat detection and response** services include our Nightingale AI-based network monitoring, our Trillion™ suite of threat intelligence products, Trillion Breach, Harvista and Arc, and incident response. Crossword's work in **digital identity** is based on the World Wide Web Consortium W3C verifiable credentials standard and our current solution, Identiproof, enables secure digital verification of individuals to prevent fraud.

Crossword serves medium and large clients including FTSE 100, FTSE 250 and S&P listed companies in various sectors, such as defence, insurance, investment and retail banks, private equity, education, technology and manufacturing and has offices in the UK, Poland and Oman. Crossword is traded on the AIM market of the London Stock Exchange.

Visit Crossword at www.crosswordcybersecurity.com

FINANCIAL HIGHLIGHTS

15% revenue growth to **£4.2m**

Effective measures to drive Services gross margin resulted in improvement from 16% to 21%

Continued growth in ARR in 2023

77% growth in the higher margin product revenues helped to drive margin improvement

Revenue growth was experienced across all revenue lines

Administrative expenses have decreased by 10% in 2023 compared to 2022 (excluding one off expenses)

Gross margin increased to 29% compared to 24% in 2022 (excluding other income)

OPERATIONAL HIGHLIGHTS

- AI Workshops in partnership with major industry partners and leading academics to investigate the application of Generative AI to cybersecurity
- Software Engineering services revenue in 2023 helped to strengthen ties with a key partner
- Launched Ransomware Readiness Assessment service in March 2023, helping organisations reduce their exposure to ransomware attacks
- Awarded a threat intelligence contract with a FTSE 250 engineering company, which is already a Consulting client
- Inclusion in the CYBERTECH100, an annual list of 100 of the world's most innovative CyberTech companies
- £2.62m Convertible Loans issued to support sales and marketing, product and services development and to provide general working capital

POST PERIOD HIGHLIGHTS

TRILLION HarVista

Launch of Trillion Harvista, a first of its kind solution which allows enterprise security teams to search conversations on the dark web in a clean and sanitised environment.

Partnership with TD Synnex for Trillion™ platform to become available through the distributor's extensive community of small and medium-sized resellers across Europe.

Launch a new CyberAI Practice. The practice, which sits within Crossword Cybersecurity's Consulting business, consolidates Crossword's artificial intelligence (AI) expertise into a centre of excellence that will deliver AI-focused cybersecurity consulting services and products to help clients harness the power of AI in the organisation.

OUTLOOK

- Crossword has a strong sales pipeline, the continued conversion of which will drive revenue to achieve market expectations for the full year to 31 December 2024
- Crossword's diversified product and services offering will drive scale while managing risk
- Crossword is targeting a drop by half in administrative expenses as a percentage of revenue in 2024 compared to 2022
- Focus on margin improvement will ensure that there is a clear, carefully managed route to achieving profitability in the short term
- The Company is projecting strong revenue growth in 2024
- Crossword is on track to deliver EBITDA and cash breakeven on a monthly basis during the second half of 2024

Crossword Cybersecurity keeps organisations secure in the digital world through a combination of software products and expert-led cybersecurity consulting and service.

Since admission to AIM in 2018, Crossword has grown revenues more than three-fold from £1.3 million (excluding discontinued operations) in 2019 to £4.2 million in 2023, through a combination of organic growth and acquisitions.

CROSSWORD'S SERVICES

Crossword provides a wide range of cybersecurity consulting services, enabling organisations to remain compliant, become resilient and reduce vulnerabilities. Our highly experienced cybersecurity consultants come from a diverse background, enabling your organisation to receive specialist support and advice.

Our expert GRC (Governance, Risk and Compliance) Consulting team has knowledge and experience across most standards, frameworks and legislation, helping clients across many different sectors and industry remain compliant and mitigate risk.

We pride ourselves on providing expert and seamless services as an extension of our clients' in-house teams and have highly accredited teams throughout the business, including CREST, Cyber Essentials Plus and ISO27001 to deliver the very best in cybersecurity consulting.

Crosswords security operations centre (SOC) is where our security team of SOC engineers and analysts monitor and analyse our clients' organisation's security posture on an ongoing basis. The SOC engineers detect, identify, and analyse potential anomalous behaviours that may trigger cybersecurity incidents, utilising the numerous cyber services that combine to form Nightingale managed security monitoring.

CROSSWORD'S PRODUCTS

Crossword's products are driven by research from some of the UK's leading universities and other research-driven insights. Crossword has developed strong and extensive research and development relationships with many UK university academic centres of excellence in cybersecurity. Crossword offers a portfolio of cybersecurity software products, having successfully integrated three acquisitions since its admission to AIM. Crossword's products serve some of the fastest growing sectors in cybersecurity, including supply chain risks, threat intelligence and credentials breaches.

CYBERSECURITY INDUSTRY DRIVERS

Several inter-connected factors are driving the growth in cybersecurity software and services.

» Increasing use of cyber-attacks by nation states against each other as a result of a significant intensification in geopolitical confrontation;

» Increased interconnectivity of networks and trust domains;

» Increasing number of devices;

» Operational technology and internet of things, and interactions drives growth in attack opportunities;

» Remote working (accelerated by the pandemic) and resultant movement of data to the cloud;

» Increased dependency on third party suppliers of managed services and software;

» Commoditisation of higher-end cyber capabilities, lowering the barrier to entry for cyberthreat actors;

» The disruptive potential of AI based on Large Language Models (or LLMs). LLMs have led to the emergence of many new tools, which must be assessed and assured so that adoption is controlled and does not pose legal, reputational, or commercial threats.

With 39% of UK businesses experiencing a cyber-attack in 2022, according to the UK's National Cyber Security Centre (NCSC), the constantly increasing number and growing sophistication of cyberattacks means that spending on cybersecurity defence is a key priority for business and governments. The UK Cybersecurity Market size is estimated at USD 15.72 billion in 2024, and is expected to reach USD 25.81 billion by 2029, growing at a CAGR of 10.42% during the forecast period (2024-2029) (Mordor Intelligence).

Within the UK cybersecurity sectoral analysis 2023, almost 2,000 cybersecurity firms in the UK Government are being tracked. In the 12 months to April 2023, the sector has demonstrated strong growth across a number of key measures. The sector's revenue has grown to more than £10.5 billion, and the sector has added over 5,300 jobs across all regions of the UK.

The above cybersecurity industry drivers, combined with a strong set of products and services, mean that Crossword is well positioned to keep growing strongly.

CHAIR'S STATEMENT

Sir Richard Dearlove KCMG OBE

HEADING TO PROFITABILITY, WITH GROWTH

2023 was a pivotal year for Crossword. Revenue growth of 15% to £4.2m was achieved while the costs of the business were managed, to improve margin and create stable overheads to support business growth. Crossword is now on track to monthly EBITDA and cash breakeven, which it aims to achieve in the second half of 2024. Crossword in its near term strategy of achieving monthly EBITDA and cash breakeven later in 2024.

Following three acquisitions in 2021 and 2022, Crossword's strategy in 2023 was organic revenue growth. With the acquisitions successfully integrated, cross selling and key account management have been the drivers for growth. The structure of the sales and customer success team and cross departmental collaboration are integral to our growth plans.

Well documented issues within the UK equity markets have taken their toll on Crossword's AIM market capitalisation. The Company remains hopeful that government initiatives and the hard work of The Quoted Companies Alliance will result in a truer reflection of Company value on AIM.

BOARD GOVERNANCE

To ensure that we maintain a robust framework of controls and high standards, the Board continues to adhere to the Quoted Companies Alliance ("QCA") Corporate Governance Code in line with the London Stock Exchange's requirement for all AIM quoted companies to adopt a recognised corporate governance code. The Corporate Governance Statement on page 29 of this report provides further details.

In December 2023, Tara Cemlyn-Jones resigned from the Board. I would like to thank Tara for the contribution she has made to Crossword during her time on the Board and wish her the best for the future.

I am pleased to announce that Stuart Jubb joined the board of the Company as executive director in early April 2024. Stuart joined Crossword in February 2016 to head up Crossword's newly established cybersecurity Consulting division. From 1 January 2022, Stuart has been Group Managing Director of Crossword, with responsibility for Consulting, Sales and Managed Services, and in September 2023 also became responsible for Product. Prior to joining Crossword, Stuart worked at KPMG where he was Associate Director, Defence & Security. Prior to that, he was Chief Operating Officer of a global Consulting team of over 200 in KPMG Advisory. Stuart spent nine years as an officer in HM Forces, after commissioning from the Royal Military Academy Sandhurst, serving in Afghanistan, NATO and elsewhere.

STAKEHOLDERS SUPPORT

Crossword is grateful for the ongoing support of our shareholders. £2.62m convertible loan notes were issued in 2023, including £2m to Gresham House Asset Management Limited, Crossword's largest shareholder, and £250k to Tom Ilube CEO. This funding is for sales & marketing, product and services development and support and working capital, and will support Crossword in its near term strategy of EBITDA and cash breakeven later in 2024.

Crossword's mission is to reduce cyber risks for our clients by providing a portfolio of innovative products and services, powered by university and other research-driven insights. We are grateful for the trust our client and partners place in us to achieve our mission. This is clearly evidenced by referrals and cross selling of our product and services portfolio.

I am very appreciative of the hard work and expertise of the Crossword team over the past year, and I would like to acknowledge them all.

Crossword's core values are responsibility towards its customers and staff, openness, flexibility, and constant learning. This company culture underpins everything we do and will act as a catalyst in leveraging our growth into profitability.

OUTLOOK

Since the launch of ChatGPT in November 2022, businesses across all industry sectors have awoken to the disruptive potential of AI based on Large Language Models (LLMs). LLMs have led to the emergence of many new tools, which must be assessed and assured so that adoption is controlled and does not pose legal, reputational, or commercial threats. Simultaneously, the dual-use nature of LLMs has empowered would-be attackers by lowering information and capability barriers to launching successful attacks. Cybersecurity teams are at the forefront of these changes. Crossword is well poised to support clients with frameworks that let businesses adopt new technology and services, whilst ensuring their safety.

Crossword is looking forward to a strong performance in 2024, predicting revenue growth and breakeven on a monthly basis in the second half of 2024.

Sir Richard Dearlove KCMG OBE
Chair, Crossword Cybersecurity PLC
22 April 2024

CHIEF EXECUTIVE OFFICER'S STATEMENT

Tom Ilube

It is my pleasure, as Chief Executive Officer, to present the Annual Report and audited accounts for Crossword Cybersecurity PLC ('Crossword' or the 'Company' or the 'Group') for the financial year ended 31 December 2023.

Crossword's revenue grew by 15% in 2023. Although the UK economy was in recession during H2 2023, Crossword continued to grow, which demonstrates the resilience of the cybersecurity sector. However, we didn't achieve our aspirations for revenue growth during 2023, as we experienced our clients being somewhat cautious in committing to projects, particularly in the second half of the year. As we entered 2024, with inflation continuing to fall, costs of living improving and optimism in economic outlook, this caution is dissipating, and we are seeing our pipeline growing and converting into contracts at a pleasing rate.

A key priority for Crossword in 2023 was to drive to profitability. We are well on our way to achieving EBITDA profitability, with administrative expenses having stabilised in 2023. Excluding one-off professional fees in 2022 and 2023, administrative expenses have decreased by 10% in 2023 compared to 2022. This represents a reduction of 27% in administrative expenses as a percentage of revenue in 2023.

The UK Cybersecurity Market size is estimated at USD 15.72 billion in 2024, and is expected to reach USD 25.81 billion by 2029, growing at a CAGR of 10.42% during the forecast period (2024-2029) (Mordor Intelligence). As the digital economy grows, digital crime grows with it. Soaring numbers of online and mobile interactions are creating millions of attack opportunities. Many lead to data breaches that threaten both people and businesses. At the current rate of growth, damage from cyberattacks will amount to about $10.5 trillion annually by 2025, a 300 percent increase from 2015 levels (McKinsey). In France recently, half the populations' data was stolen in a major cybersecurity breach - the largest ever in France - leaving 33 million people at risk. In this particular incident, two French service providers for medical insurance companies were targeted, with the companies admitting that millions of people's data were potentially exposed to the hackers (Euronews).

In 2023, Crossword's development teams worked hard to upgrade and develop our products and services. The launch of Trillion HarVista early in 2024 was one of the outputs of their work. Part of the Trillion Threat Intelligence suite of products and services, Trillion HarVista enables security teams, for the first time, to be able to identify the threats developing both from hacker discussions and shared compromised credential data all from a single interface, without the risk of searches on hostile websites being linked to your organisation.

During 2023, Crossword was awarded a contract with a FTSE 250 engineering company, to provide forward looking Dark Web Threat

Intelligence services. The service will be delivered via Crossword's Trillion platform using its market leading credential leak and discussion monitoring services. The solution will be backed up by expert human analysis to deliver the service. The FTSE 250 engineering company is already a Consulting client of Crossword's. The close relationship between the Consulting team and the product team at Crossword helped identify the benefits the client will derive from the Dark Web Threat Intelligence services.

We were pleased to be included in the CYBERTECH100 in 2023, an annual list of 100 of the world's most innovative CyberTech companies selected by a panel of industry experts and analysts. Companies were selected for inclusion in the fourth annual CYBERTECH100 based on their innovative use of technology to solve a significant industry problem or generate cost savings or efficiency improvements across the security value chain. CYBERTECH100 considers that these are the companies every financial institution needs to know about as they consider and develop their information security and financial crime fighting strategies.

The quality of Crossword's engineering team, our experienced consultants, and our impressive portfolio of clients, positioned Crossword to lead a significant initiative with major industry partners and leading universities, including academics from Oxford University and MIT in the USA and AI researchers from the world famous Alan Turing Institute, to investigate the application of Generative AI to cybersecurity. This funded CyberAI Initiative was designed to bring together several world-leading universities, chosen for their expertise in GenerativeAI/Large Language Models, and a select group of industry partners in an in-depth programme.

The first phase of the CyberAI Initiative commenced in October 2023 with a three-month exercise to explore the Generative AI landscape in depth, share a full understanding of how Generative AI/Large Language Model techniques are currently being applied to cybersecurity challenges, assess the landscape of current and emerging solutions appearing in the market, identify a long list of real world problems that would benefit from a Generative AI/Large Language Model techniques approach, demonstrate several of these approaches and select a target list of challenges that the CyberAI Initiative could take forward.

Following the successful first phase of our CyberAI programme, we are evaluating the suitability of AI based technologies and services to improve our current product and services and developing new services which incorporate future technology concepts early to enable us to get ahead of the competition.

Crossword is grateful for the ongoing support of our shareholders. £2.62m convertible loan notes were issued in 2023, including £2m invested by Gresham House Asset Management Limited, Crossword's largest shareholder, and £250k invested myself. This funding is for sales & marketing, product and services development and support and working capital, and will support Crossword in its short-term strategy of EBITDA and cash breakeven later in 2024.

In December 2023, Tara Cemlyn-Jones resigned from the Board. I would like to thank Tara for the contribution she has made to Crossword during her time on the Board and wish her the best for the future.

Crossword is focused on achieving EBITDA profitability and cash breakeven on a monthly basis and delivering revenue growth in 2024. We hope that our positive performance and commitment from those in power to addressing the issues in UK equities will result in a better reflection of Crossword's value on the AIM market.

I would like to thank the Crossword team for their hard work in delivering our mission to reduce cyber risks for our clients by providing a portfolio of innovative products and services, powered by university and other research-driven insights. Crosswords strong culture and values of responsibility, openness, flexibility and learning have been in evidence in many ways throughout 2023, and hold us in good stead for 2024.

Tom Ilube, Chief Executive Officer
Crossword Cybersecurity PLC
22 April 2024

FINANCIAL AND OPERATIONAL REVIEW

2023 was a year of growth and operational achievements.

TRADING

Revenue for the 12 months ended 31 December 2023 was £4.2m, an increase of 15% over the prior year. Within that Product revenue grew by 77%. As a proportion of overall revenue, Product revenue grew from 14% in 2022 to 21% in 2023.

Overall gross margin improved from 24% in 2022 to 29% in 2023 (excluding other income). Revenue growth in the higher margin Product revenue is a requirement for Crossword to deliver overall gross margin improvement. Improvement in Services gross margin is also a key driver. In 2023, Services gross margin grew from 16% to 21% as a result of economies of scale. Investment in Managed Services continued during 2023, with revenue and margin growth expected in 2024.

ARR (Annual Recurring Revenue) at the end of 2023 was £2.5m, a growth of 3% compared to the same period in the prior year. Recurring revenue made up 65% of total revenue in 2023.

The number of clients, and average revenue per client continued to grow during 2023.

Total comprehensive loss for the year was £3.92m. Administrative costs reduced by £497k in 2023 compared to the prior year. Administrative expenses have not increased in 2023. Excluding one-off professional fees in 2022 and 2023, administrative expenses have decreased by 10% in 2023 compared to 2022. This represents a reduction of 27% in administrative expenses as a percentage of revenue in 2023.

Staff numbers did not increase in 2023.

INVESTING FOR GROWTH

During 2023 £2.62m convertible loan notes were issued in 2023, including £2m invested by Gresham House Asset Management Limited, Crossword's largest shareholder, and £250k to CEO Tom Ilube. This funding is for sales & marketing, product and services development and support and working capital, and will support Crossword in its short-term strategy of EBITDA and cash breakeven later in 2024.

In March 2024, Crossword entered into agreements for five year, unsecured, convertible loans to the value of £275,000, including certain directors of the Company. Following the issue of these loan notes, the Company has fully utilised the £2.5m additional debt capacity authorised at the general meeting held on 27 July 2023. Tom Ilube (CEO), Sir Richard Dearlove (Non-Executive Chair) and David Secher (Non-Executive Director) have been issued loan notes on the same terms as other investors, to the value of £40,000, £15,000, and £10,000 respectively.

FOCUS ON PROFITABILITY AND CASH BREAKEVEN

Crossword remains focused on delivering EBITDA profitability and cash breakeven on a monthly basis in the second half of 2024.

Net cash outflows of the Group in 2023 were £1.3m. Excluding proceeds from issue and repayments of loan notes, the debt fundraise and cash paid for acquisitions, net cash outflows of the Group were £3.5m (2022: £4.4m).

Crossword Cybersecurity PLC finished the year with a cash balance of £0.7m.

TAXATION

The Group continues to claim research and development tax credits, with £234k accounted for in 2023 (2022: £747k).

ACQUISITIONS

Crossword's three acquisitions during 2021 and 2022, have been fully integrated into the business; people, products and services, and clients. Part of the integration was the identification of cross selling opportunities. One example of the drive to cross sell was the contract awarded by a FTSE 250 engineering company to provide forward looking Dark Web Threat Intelligence services. The service is delivered via Crossword's Trillion platform using its market leading credential leak and discussion monitoring services. The FTSE 250 engineering company was already a Consulting client of Crossword's. The close relationship between the Consulting team and the product team at Crossword helped identify the benefits the client will derive from the Dark Web Threat Intelligence services.

DEVELOPMENT

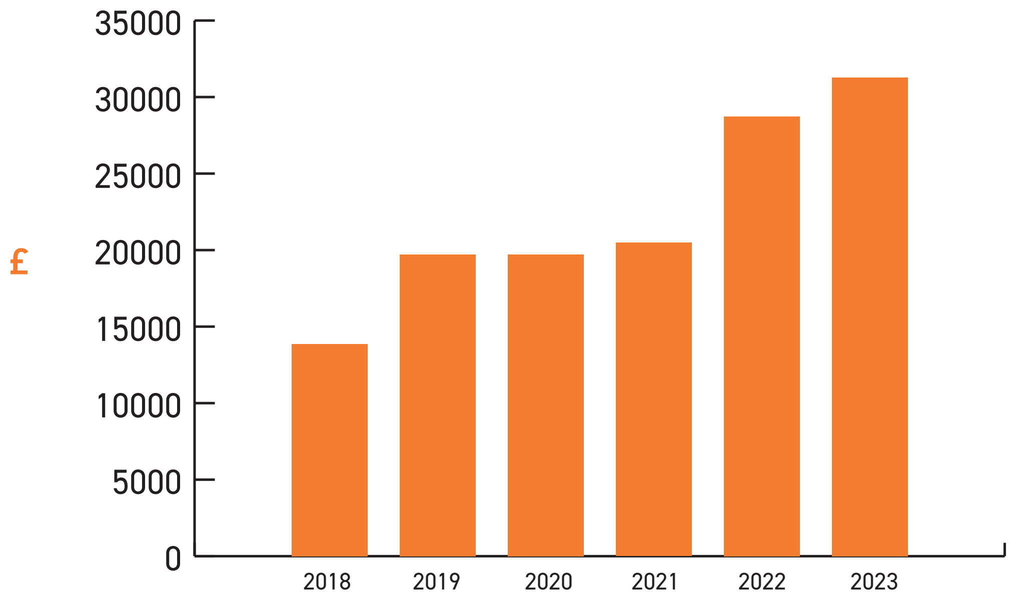
In the final quarter of 2023, Crossword led a significant initiative in investigating the application of Generative AI to cybersecurity. This has been conducted with major industry partners and leading universities, including academics from Oxford University and MIT in the USA and AI researchers from the world famous Alan Turing Institute.

Following this first phase of the CyberAI programme, Crossword launched a new CyberAI practice in March 2024. The CyberAI Practice will provide organisations with advisory, security testing and engineering services, which will allow organisations to manage AI threats and grasp the opportunities to improve efficiency, cybersecurity, and create new experiences for end users. Following its launch, the CyberAI Practice is offering the following services:

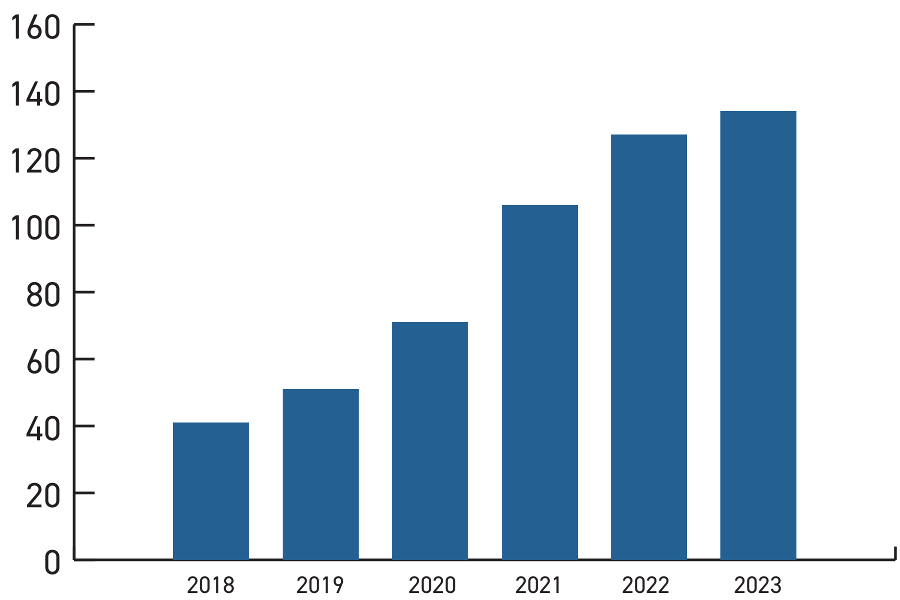
» Engineering – Modular services designed to support the assessment and development of LLM architectures, LLM security testing, design and security architecture reviews, and wider LLM-related engineering services

» CyberAI onsite workshops – Education and maturity workshops to help organisations understand the market, assess their needs and existing AI use, and consult on whether to 'build or buy'

AVERAGE REVENUE PER CLIENT



NUMBER OF CLIENTS



PRODUCTS & SERVICES

Crossword's product and services offering continued to grow during 2023, including a new Supply Chain Cyber service, and new products launched within Rizikon and Trillion in early 2024. In addition a new CyberAI practice has been established, assisting CISOs in understanding, utilising and optimising AI within their organisations.

These additions complement the existing product and service portfolio, adding further opportunity for Crossword to be a full service cybersecurity provider, enabling clients to reduce risk in their organisation without having to procure multiple suppliers.

EXISTING PRODUCTS AND SERVICES:

CYBER TRANSFORMATION

Effective cyber transformation involves more than just implementing technology. It's about managing the uncertainty resulting from change to your people, processes, and technology. Crossword's prioritised, tailored, risk-based approach enables organisations to transform with confidence, capitalising on the benefits of change while managing the risks. The service is a completely tailored programme to your organisation, which is a prioritised, scalable and flexible approach to cyber transformation which adapts to your specific drivers and constraints. This will ensure a rate of change that is adapted to your capacity to absorb and embed changes to your people, processes, and technology.

PENETRATION TESTING

Our penetration testing methodology, tools and techniques are accredited by the industry recognised certification body CREST. We simulate the hackers so you can know what they know by testing your defences. We do this by attempting to breach your systems and access your data, then inform you on how it can be done and what you can do to prevent it. The team mimics the steps taken by a potential real-world attacker, using the same tools and techniques, to test the security of your network, applications and IT infrastructure. Gain assurance that your organisation's security measures are robust and fit for purpose with a point in time view of the current security posture of the network and any weaknesses which may exist.

ASSESSMENT AND CERTIFICATION

With cyber attacks becoming more sophisticated in both scale and implementation, it is important to fully understand your risk profile. Crossword's Consulting team will carry out a comprehensive risk assessment of your organisation against leading national and international cyber standards and accreditations such as ISO27001, NIST, IASME Cyber Assurance, Cyber Essentials, along with several others.

VIRTUAL CISO (vCISO)

Our vCISO service enables you to get expert information security support entirely tailored to your organisational requirements, ensuring the right mix and level of security controls are in place. Securing a Virtual CISO service enables you to work collaboratively with senior security experts without the need to recruit in-house, enabling you to save on associated hiring time and costs, while giving you overall peace of mind that the required cybersecurity requirements of your business are being met. This bespoke package includes initial workshopping to gain a real understanding of your business strategy, goals and how your information systems support your operations. This enables your vCISO to keep you informed of industry-specific developments, such as changes in regulations and frameworks, attack profiles and any vulnerabilities.

TRILLION Breach

Trillion constantly monitors the billions of account credentials passing through dark markets and criminal forums, looking for the few hidden accounts that might affect your customers. Our intelligent risk engines identify which leaked usernames and passwords have the greatest potential to result in corporate damage. This product was rebranded to Trillion Breach in 2023.

IDENTIPROOF

Identiproof is an easy to implement, fully secure and privacy protecting verifiable credentials Middleware from a co-author of the W3C Recommendation. Verifiable credentials use cryptographic protocols to create tamperproof, digital credentials issued by a trusted authority which can be verified by anyone that the holder presents them to - all without compromising privacy.

TRILLION Arc

Arc is a service which enables your customer facing authentication services to query in real time for access attempts using username and password pairs already known to criminals - so you can instantly step in and avoid losses. This product was rebranded to Trillion Arc in 2023.

NIGHTINGALE SECURITY MONITORING

Our Nightingale service is run through our security operations centre (SOC) where our security team of SOC engineers and analysts are responsible for monitoring and analysing your organisation's security posture on an ongoing basis. Our SOC engineers detect, identify, and analyse, potential anomalous behaviours that may trigger cybersecurity incidents, utilising the numerous cyber services that combine to form Nightingale managed security monitoring.

RIZIKON

Rizikon is the modular, automation driven Third Party GRC system which provides a centralised location for organisations to track and manage supplier compliance with your company policies through enterprise grade reporting.

Take control of your third-party risk with 360 degree risk scorecards, and compliance dashboards through Rizikon, improving third-party assurance and risk management through automated, secure and standardised questionnaires, leading to increased visibility of your suppliers.

NEW SERVICES ADDED IN 2023

SUPPLY CHAIN CYBER

Increasing cyber resilience is the approach to Supply Chain Cyber. We ensure that at the very heart of your third party risk assurance programme is the expertise of our cybersecurity specialists and platforms. Assisting your organisation in being resilient to third party breaches is our focus. This is achieved through a robust fully managed end-to-end process, which includes a unique set of processes through our Standard Operating Model (SOM).

ENGINEERING SERVICES

Our Engineering Services team provides specialist software architecture design, prototyping and development services. Our team specialises in architecture design and prototyping and works with clients in cutting edge technologies to accelerate high-tech innovation. Particularly in the areas of modern software architectures, Cloud migration, Event Streaming and AI.

NEW PRODUCTS AND SERVICES ADDED IN EARLY 2024

TRILLION HarVista

Trying to manually determine if your organisation or key personnel are the target or victim of cybercrime can be a slow and hazardous endeavour. Knowing where to look, getting the access you need and trawling through thousands of pages of potentially hostile content all bring challenges, but with HarVista those obstacles are removed in an instant. HarVista builds on the knowledge we have collectively gained over many years of monitoring and tracking criminal groups, and has been developed into a powerful tool to give our customers secure search capabilities across a broad range of discussion forums and chat channels.

CYBERAI PRACTICE

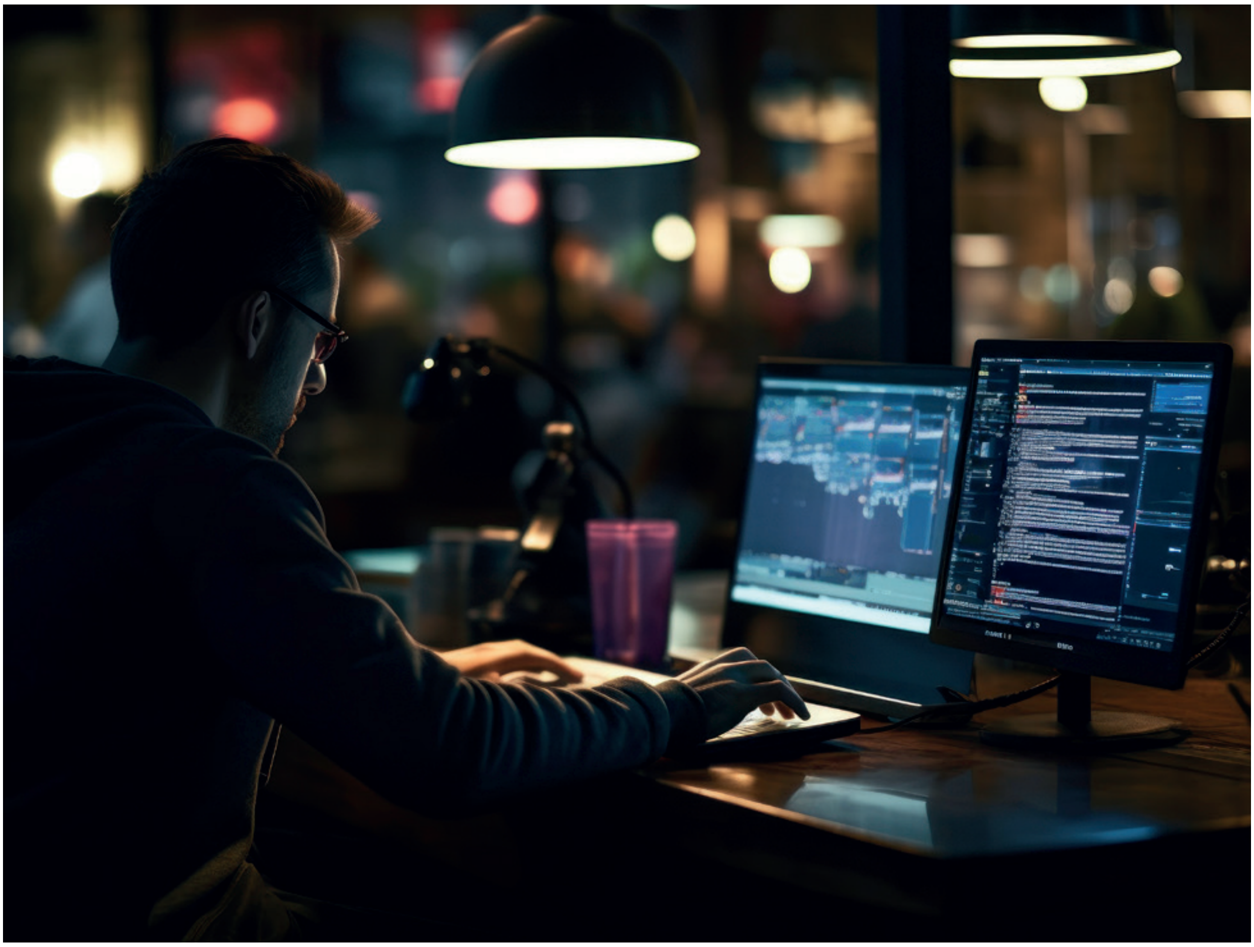
At the beginning of 2024 we launched our CyberAI Practice which will focus Crossword's Generative AI expertise into a core service offering, that will deliver expert cybersecurity consulting services and products to help organisations mitigate risk and harness the power of Generative AI, and in particular, LLMs. As part of Crossword's innovation strategy, the CyberAI Practice is dedicated to finding new and innovative ways to help clients embrace technology in a suitably secure manner. It includes the following key services:

- **CyberAI onsite workshops** – Education and maturity workshops to help organisations understand the market, assess their needs and existing AI use, and consult on whether to build or buy
- **Engineering** – Modular services designed to support the assessment and development of LLM architectures, LLM security testing, design and security architecture reviews, and wider LLM-related engineering services

SECTION 172(1) STATEMENT

The Company has complied with the requirements of s414CZA of the Companies Act 2006 by including certain information within the Strategic and Governance Reports, that informs members of the Company how the Directors have considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty under section 172 to promote the success of the Company. The following table outlines where the key content as required by the regulations can be found in this report.

Matters considered by the Board	Where to read more in this Annual Report
The likely consequences of any decision in the long term	Strategic Report on page 03 Corporate Governance Report on page 29 Directors Report on page 40
The interests of the Company's employees	Corporate Social Responsibility on page 17 Corporate Governance Report on page 29
The need to foster the Company's business relationships with suppliers, customers and others	Corporate Governance Report on page 29
The impact of the Company's operations on the community and the environment	Corporate Social Responsibility on page 17 Corporate Governance Report on page 29
The desirability of the Company maintaining a reputation for high standards of business conduct	Performance Review on page 10 Strategic Report on page 03 Corporate Governance Report on page 29
The need to act fairly between members of the Company	Corporate Governance Report on page 29 Directors Report on page 40



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At Crossword a keen focus is kept on our wider stakeholder and social responsibilities. Crossword holds itself to high standards in relation to stakeholders, in areas such as shareholders governance, employees, community, environment and customers. Although Crossword is outside the scope of regulatory requirements, we recognise that we have a responsibility to manage our environmental impacts carefully. We value people and we believe our greatest strength is our diverse team. Our culture is that distinct differentiator which drives our decisions and actions. The Board is committed to promoting a strong ethical and values-driven culture throughout the Company and has a people-oriented ethos where hard work and commitment is recognised.

COMPANY VALUES

FLEXIBILITY

We adapt to changing needs and empower our employees with the trust and autonomy they need to deliver high quality work.

LEARNING

We promote a continuous learning culture and believe that knowledge and competence drives performance and growth of the individual and organisation.

RESPONSIBILITY

We take the ownership to demonstrate a high standard of work as we are personally responsible for the work we deliver.

OPENNESS

We encourage openness between all employees and with clients. We are inclusive, adaptive, collaborative, and committed to accepting people from diverse backgrounds.

ENVIRONMENT

At Crossword Cybersecurity, we are committed to fostering a culture of environmental responsibility and sustainability. In line with this commitment, we have implemented several initiatives aimed at reducing our environmental footprint and promoting eco-friendly practices.

When considering our recent office move, one of the significant drivers was the focus on sustainability by the building owners and managers. In order to fulfil our recycling aims we needed to work with a company who had a shared passion with their clients. Moving into a Workspace building means that Crossword's recycling program, becomes a manageable goal as we are aligned with the objectives of the building managers. By segregating and recycling paper, plastic, glass, and other materials, we have significantly minimised our environmental impact and contributed to the conservation of natural resources.

Additionally, our hybrid working policy plays a crucial role in our environmental sustainability efforts. By allowing employees the flexibility to work remotely or come into the office as they choose, we have successfully reduced the need for daily commuting. This not only decreases traffic congestion and air pollution but also minimises our carbon emissions, contributing to a healthier planet.

Furthermore, our travel policy prioritises sustainable transportation methods. We encourage employees to utilise public transport whenever possible, reducing the carbon footprint associated with business travel. By advocating for greener commuting options, we are taking proactive steps towards mitigating our environmental impact and promoting a more sustainable future for all.

In summary, our commitment to environmental sustainability extends beyond mere words; it is evident in our everyday actions and policies. Through initiatives such as office recycling, hybrid working, and sustainable travel practices, we are dedicated to making a positive difference for our planet and future generations.

COMMUNICATION AND CONNECTION

Communication and connection are integral components of our commitment to fostering a supportive and inclusive environment at Crossword. Through various channels and initiatives, we prioritise engagement, collaboration, and recognition among our team members. Here's a closer look at some of the key initiatives that contribute to our culture of communication and connection:

Coffee Mornings/Subject Matter Expert (SME) Talks:

Our regular coffee mornings / SME talks serve as informal gatherings where team members present a topic of interest. Ranging from 'Launching a startup' to 'Travels around South America' these short sessions allow the company to come together to connect, educate, and build relationships.

Bi-weekly Staff Calls:

To ensure alignment and transparency, we conduct bi-weekly staff calls where updates, achievements, and challenges are shared with all team members. These calls not only facilitate communication but also foster a sense of belonging and unity among our global workforce.

Quarterly Newsletters:

Our quarterly newsletters serve as a platform for sharing company news, updates, and accomplishments with our team members. Featuring highlights from different departments, employee spotlights, and upcoming events, these newsletters keep our workforce informed and engaged with the latest developments at Crossword.

Office Visits and Annual Away Days:

Through office visits and annual away days, team members have the opportunity to collaborate, network, and strengthen relationships beyond their usual work environments. These events promote cross-functional collaboration and reinforce our shared sense of purpose.

Christmas Celebrations:

Our annual Christmas celebrations bring joy and festivity to our workplace, fostering a sense of community and togetherness among our team members. From festive decorations to special events and activities, these celebrations create memorable experiences and strengthen bonds among colleagues.

New Starter Buddy System:

To facilitate smooth transitions and integration for new team members, we have implemented a buddy system where experienced employees mentor and support newcomers. This initiative promotes knowledge sharing, fosters relationships, and ensures that new hires feel welcomed and supported from day one.

CEO Appreciation Awards:

We believe in recognizing and appreciating outstanding contributions and achievements within our organisation. Our CEO Appreciation Awards honour individuals who demonstrate exceptional performance, leadership, and dedication to our company values and goals.

Long Service Awards:

We celebrate the commitment and loyalty of our team members through our Long Service Awards, which recognize employees who have reached significant milestones of 5 and 10 years with Crossword. These awards acknowledge their dedication, contributions, and loyalty, and serve as a testament to the enduring strength of our organisation.

Through these communication and connection initiatives, we remain committed to nurturing a culture of collaboration, recognition, and engagement at Crossword.

EMPLOYEE WELLNESS AT THE FOREFRONT OF OUR CULTURE

At Crossword we prioritise a holistic approach to wellness, recognizing that well-being encompasses physical, mental, emotional, and social aspects of life. Our approach with employees is to ensure that they are putting their well-being first so that they can have a happy and fulfilling career with Crossword, along with focusing on good health, resilience, and fulfilment in all areas of life. Here's how we embody this approach;

Comprehensive Health Benefits: We provide robust health insurance coverage that includes core health care coverage for our employees, and helps with preventive care, mental health services, as well as access to wellness programs. This ensures that our employees have access to the resources they need to maintain their physical and mental health.

Work-Life Balance: We live our value of Flexibility, each employee can access flexible work arrangements, such as remote work options, flexible scheduling, and generous paid time off, to help employees manage their time effectively and reduce stress.

Employee Assistance Programs: Our employees have access to confidential counselling services and resources to support employees facing personal or professional challenges. Whether it's dealing with stress, financial issues, or family concerns, our Employee Assistance Program provides a supportive environment for employees to seek help and guidance.

Wellness Initiatives: We organise wellness initiatives and activities at least once every year, to promote healthy lifestyles and foster a sense of community among employees. These initiatives may include Virtual Yoga, talks on stress management, nutrition workshops, mindfulness sessions, and Financial management talks. In recognition of World Mental Health Day on 10th October 2023, we organised activities to emphasise the importance of mental wellbeing. Activities included Chair Massages at the office, a hand and face Reflexology session, a Vitality wellness Webinar, a workshop on Managing Stress and building resilience, and a Tea and Talk sharing experience.

Leadership Support: Our leadership team actively promotes a culture of wellness by leading by example and prioritising their own well-being. They encourage open communication about wellness issues and support initiatives that promote a healthy work environment. One of the members of our Senior Leadership conducted a coffee morning chat on World Menopause Day to bring awareness to the subject of menopause which was very well attended and received.

By being open and responsive to employees' varied situations, we aim to foster a culture of trust and support where employees feel valued and empowered to prioritize their health and well-being. Ultimately, our goal is to ensure that employees feel supported and empowered to navigate sickness-related challenges while maintaining their productivity and overall well-being.

Feedback and Evaluation: We regularly seek feedback from employees through our annual Workplace Engagement Survey to assess the effectiveness of our initiatives and identify areas for improvement. This feedback-driven approach ensures that our wellness initiatives are responsive to the evolving needs and preferences of our workforce.

WHAT DOES IT TAKE TO EMBRACE EQUITY?

As Crossword celebrated International Women's Day 2023, Marketing Manager, Sam Tanner, reflected on the campaign theme Embracing Equity and what it takes for an organisation to embrace true inclusion and belonging for women in the corporate world.

Today I'm reminded about the number of times that I've been rounded up out of the blue with all of the other women in the office on International Women's Day (IWD) and told to smile for a photo. Those photos will have been posted on LinkedIn with a line about how the company values its female employees, and the moment immediately forgotten as everyone gets back to work.

It's easy to pay lip service to yet another awareness campaign but doing so doesn't change anything. Driving change requires education and action. So when Crossword's Women's Network organised a day of celebration for IWD, including a group discussion, one of our key intentions was to understand and work out ways we can actually make a difference and ensure we always enable a gender-inclusive workplace.

This year's IWD campaign theme is 'Embracing Equity' and its aim 'is to get the world talking about why equal opportunities aren't enough' and how 'true inclusion and belonging require equitable action'.

We started by discussing the difference between gender equality and gender equity. Here's what we learned:

Equality means each individual or group of people is given the same resources or opportunities.

Equity recognises that each person has different circumstances, and allocates the exact resources and opportunities needed to reach an equal outcome.

Next we moved on to brainstorm steps Crossword could take to start building equity further into the company culture. We realised that to do so we'd need to actively initiate regular company-wide discussions about gender equity, and ensure it is always clear the company is open to learn and grow to fit the needs of our people.

We also noted that forging gender equity isn't a fight for women alone. We must ALL challenge gender stereotypes, call out discrimination, and make suggestions to help avoid bias and promote inclusion. We agreed that male allies in this journey are essential in the advancement of women.

Our CFO, Mary Dowd summed up the day beautifully when she said: "Embracing gender equity is a continuous journey for us and today's session put us firmly on the right path. We're deeply committed as an organisation to learn all we can and do all it takes to beat gender stereotypes and empower women".

It certainly helps that our journey to embracing gender equity sits firmly within Crossword's core values of openness, responsibility and learning, all of which enable and facilitate these kinds of conversations and make the change process easier. We are also incredibly fortunate to have our CEO, Tom Ilube, as chief ally and delighted he is being honoured tomorrow night as a finalist for the everywoman in Technology 'Male Agent of Change' award.

Indeed, we've got all of our fingers crossed for Tom for tomorrow night. And as International Women's Day 2023 draws to a close, I'm feeling a renewed sense of purpose fuelled by the inclusive company culture at Crossword. These things will stay with me long after the inevitable LinkedIn post. And that is definitely worth celebrating.

The IWD website demonstrates the difference nicely with this image.

Image source: Robert Wood Johnson Foundation

GIVING

Crossword continued to support the mental health charity MIND in 2023. One of the fundraising initiatives was raising money by walking the Thames Bridges trek, which was over 25km. The Ops team enjoyed the day and was challenged to raise as much money as possible for MIND. Crossword continues to support initiatives to fundraise and raise awareness for MIND.

Noble Box program

A noteworthy initiative in 2023 was the Noble Box program, spearheaded by our dedicated team in Poland. This philanthropic endeavour aims to assist the disadvantaged and needy, particularly during the pre-Christmas period. Through Noble Box (Szlachetna Paczka), we provide both material and mental support to families and individuals facing difficult life circumstances. Our team members actively participate in this program, contributing their time and resources to make a difference in the lives of others.

In our commitment to environmental sustainability and community welfare, we have undertaken initiatives to repurpose resources in beneficial ways. Recognizing the value of outdated laptops that could no longer be utilised within our organisation, we made the decision to donate them to a charity.

We are proud of the strides we have made in supporting individuals experiencing mental health crises and giving back to our communities. Through initiatives such as the Noble Box programme and our commitment to the environment, we remain focused on our mission to make a meaningful difference to the lives of others. We extend our gratitude to all those who have supported us in these endeavours and look forward to continuing our journey towards a brighter, more compassionate future.

SOCIAL

Crossword employees benefited by relaxing, team building and having fun, at many social events during 2023. Events varied considerably and included wall climbing club, evening entertainment with an employee's band, movie night, book club etc.

The 2023 Away Day was a hybrid event. Crossword makes sure to create the opportunity for business integration. Every opinion matters and this event is a precious time that allows us to find out the insides of business and get to know employees' opinions during group activities and discussions.

Christmas celebrations - spending time before Christmas with our colleagues is an important part of our culture. This is a good opportunity to build connections with our co-workers. We put emphasis on creating a space for such an integration.

WOMEN'S NETWORK

In 2023, the Crossword Women's Network continued its commitment to fostering an inclusive workplace where the diverse voices and contributions of women are empowered. The network hosted networking sessions, fostering a community where women from various departments and levels could connect, share insights, and build professional relationships along with experience sharing sessions.

PRINCIPAL RISKS & UNCERTAINTIES

The Board has overall responsibility for ensuring that risk is appropriately managed throughout the business.

The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Company.

Risks to the achievement of strategic objectives are identified by the Executive. The degree of risk is evaluated by reference to the impact and probability of the risk, considering inherent and residual risk. The Executive considers the nature and extent of the risks, the threat of such risks becoming reality, the ability to reduce the incidence and impact on its business if the risk materialises, and the costs and benefits resulting from operating relevant controls.

A Risk Register is prepared and regularly reviewed by the Executive, and shared with the Audit Committee for independent review and robust challenge. The Risk Register includes a plan for mitigation of risks above the risk appetite of the business.

RISKS RELATING TO THE GROUP AND THE INDUSTRY IN WHICH IT OPERATES

1. INTELLECTUAL PROPERTY ACQUISITION AND DEVELOPMENT

Crossword has acquired intellectual property (IP) rights from universities via licensing, IP transfer arrangements and acquisitions, and develops its own IP. Failure to secure good quality IP, and to quickly and appropriately meet new cybersecurity challenges, will make it difficult for the Group to generate new products.

The success of this strategy depends on the ability of Crossword to source and develop suitable IP and use its expertise in business management, marketing and product development to build solutions attractive to its potential customer base. Ultimately, Crossword will only succeed if it is able to acquire, design, develop and sell new software solutions in a timely fashion that deliver operational reliability and effectiveness.

2. TECHNOLOGICAL CHANGES

Generally, product markets are exposed to rapid technological change, changes in use, changes to customer requirements and preferences, and services employing new technologies and the emergence of new industry standards and practices. The Group operates in a market with such changes, which have the potential to render the Group's existing technology and products obsolete or uncompetitive.

To remain competitive, the Group must ensure continued product improvement, and the development of new markets and capabilities to maintain a pace congruent with changing technology.

This added strain may stretch the Company's capital resources, which may adversely impact the revenues and profitability of the Company. The Company's success is dependent on the ability to effectively respond and adapt to technological changes and changes to customer preferences.

There can be no assurance that the Company will be able to effectively anticipate future technological changes or changes in customer preferences. Furthermore, there is also no assurance that the Company will have sufficient financial resources to effectively respond in a timely manner if such a change is anticipated.

3. REPUTATIONAL RISKS

As a cybersecurity company, Crossword is very conscious of its external reputation. If the Group is compromised as a result of a cyber incident, it would impact its clients' confidence. As Crossword expands its products and services, it is holding more client data and intellectual property, increasing the potential impact in the event of a cyber incident.

Crossword has an experienced cybersecurity expert acting as its Chief Information Security Officer (CISO) and a strong technical team who actively seek to mitigate threats. Nonetheless, should an event take place which adversely affects the reputation of the Group, its future prospects and value could suffer.

4. COMPETITION

There is no guarantee against new entrants or current competitors providing superior technologies, products or services to the market. There is no certainty that new entrants or current competitors will not provide equivalent products for a lower price. The Company may be forced to make changes to one or more of its products or to its pricing strategy to effectively respond to changes in customer preferences in order to remain competitive. This may impact negatively on the Company's financial performance.

The Group's Consulting division operates in an environment that includes large international accounting firms and consultancies and a number of smaller niche players.

There are very low start-up costs for any new entrant into the market and the Group cannot prevent any person or organisation from seeking to compete with it. There is a risk that an existing competitor or a new entrant may, over time, be able to win work from the Group's existing and future customers. In addition, larger competitors may, in the future, adopt more aggressive expansion strategies, which could include hiring additional experienced consultants and changing their business model and service offering to one that is directly comparable to that of the Group. This could, in theory, result in a material loss of customers from the Group to larger competitors and therefore have a material adverse impact on the financial performance of the Group.

5 KEY SYSTEM FAILURE, DISRUPTION OR INTERRUPTION

The Company's reliance on technology exposes the Company to a significant risk in the event that such technology, or the Company's systems, experience damage, interruption or failure in some form. A malfunctioning or disruption in service of the Company's technology and systems, or those of key third parties, could result in a diminished confidence in the Company's services, resulting in a consequential material adverse effect on the Company's operations and results.

The functioning of the IT systems on which it relies could be disrupted for reasons either within or beyond its control, including but not limited to: accidental damage; disruption to the supply of utilities or services; security breaches; extreme weather events; systems failure; or workforce actions. There is a risk that such disruption may materially and adversely affect Crossword's ability to offer services to customers and therefore materially and adversely affect its reputation, performance or financial condition.

6. ABILITY TO RECRUIT AND RETAIN SKILLED PERSONNEL

The Company believes that it has the appropriate incentive structures and culture to attract and retain the calibre of employees and contractors necessary to ensure the efficient management and development of the Company. However, any difficulties encountered in hiring, and retaining, appropriate employees and/or contractors and the failure to do so, or a change in market conditions that renders current incentive structures unattractive, may have a detrimental effect upon the trading performance of the Company. With a recognised shortage of skilled technical people, the ability to attract new employees and contractors with the appropriate expertise and skills cannot be guaranteed. The impact of the cost of living crisis and high rates of mental health issues in all work forces are areas of focus for Crossword.

7. FINANCIAL CONTROLS AND INTERNAL REPORTING PROCEDURES

The Company's future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

GENERAL BUSINESS RISKS

8. TAXATION RISK

The Company is subject to taxation and the application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. The recent proposed changes to the research and development tax incentives may have an adverse effect on the Company's results of operations.

The continuing status of the Ordinary Shares as a qualifying holding for VCT and/or EIS purposes will be conditional (amongst other things) on the qualifying conditions being satisfied throughout the period of ownership. There can be no assurance that the Company will continue to conduct its activities in a way that will secure or retain qualifying status for VCT and/or EIS purposes.

9. LEGAL RISK

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Company that are governed by law outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a limited choice with regard to arbitration rules, venue and language.

Mitigation measures for these risks may also be limited.

10. INSURANCE RISK

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality.

The occurrence of an event for which the Group did not have adequate insurance cover could have a materially adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

11. POLITICAL AND ECONOMIC CONDITIONS

The Group could be affected by unforeseen events outside its control including economic and political events and trends, inflation and deflation or currency exchange fluctuations. The impact is likely to include interrupted power supply, disruption to financial markets and higher inflation. Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's activities and sales, restricting the Group's ability to realise a profit. The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

12. CURRENCY EXCHANGE RISK

The Group's functional currency is Sterling. One subsidiary, Crossword Cybersecurity Sp. Z.o.o is based in Poland, and another subsidiary, Crossword Cybersecurity LLC, is based in Oman. Crossword Cybersecurity Sp. Z.o.o, where the functional currency is zloty, accounts for approximately 11 per cent of the total costs of the business. Crossword Cybersecurity LLC's functional currency is Omani rials, which is pegged to the US Dollar. Exposure to this and other exchange rates may affect the Company's results. The Company may consider implementing policies to limit its currency exposure and will consider currency hedging instruments when they prove to be available and cost-effective.

13. GOING CONCERN RISK

There is a risk that the Group will not be able to raise cash when it is required. This could be as a result of poor performance within the Group, non-delivery of cash break even targets or turmoil within the markets.

The Strategic Report was approved by the Board of Directors on 22 April 2024.

Tom Ilube
Tom Ilube (Apr 22, 2024 19:18 GMT+1)

Tom Ilube, CEO
22 April 2024

GOVERNANCE REPORT

THE BOARD

The Directors in office at the date of this report are as shown below:

Sir Richard Dearlove KCMG OBE

Non-Executive Chairman

Appointment Date: 1 September 2016

Skills and Experience:
Sir Richard brings to the Board extensive experience across government, education and global business.

Sir Richard joined MI6 in 1966, undertaking various overseas and head office roles before being promoted to Chief of the Secret Intelligence Service in 1999. He retired from the Service in 2004

External Appointments:
Sir Richard is presently Chair of Trustees of University of London, Chair of Ascot Underwriting Limited at Lloyd's of London, Director of the Ascot Group, the Bermuda based group of international insurance companies and until June 2023 was Director of Kosmos Energy, the New York Stock Exchange listed oil and gas exploration company. Sir Richard is also a Director of The Cambridge Security Initiative 2017, the Cambridge Arts Theatre Trust Limited, Lower Tamar Fishing Club Limited and Endsleigh Fishing Club Limited. He also holds several advisory roles.

Committee Memberships: None

Thomas Ilube CBE

Chief Executive Officer

Appointment Date: 6 March 2014

Skills and Experience:
Tom is founder and CEO of Crossword. Tom served as Chief Information Officer of Egg Banking PLC, which at the time was a pioneering main market listed UK internet bank. Tom chaired the UK Government Technology Strategy Board's Network Security Innovation panel. He was a member of the High Level Expert Group on cybersecurity at the International Telecommunication Union (ITU), a Geneva-based UN agency. He was awarded a Doctor of Science (Honoris Causa) by City, University of London, an Honorary Doctor of Technology by the University of Wolverhampton and was appointed a CBE in the 2018 Birthday Honours for services to Technology and Philanthropy.

External Appointments:
Non-Executive Director of WPP PLC and Chair of the RFU. Director of Iternal Limited, Honorary Fellow of St Anne's College, Oxford and of Jesus College, Oxford and Chair of the African Gifted Foundation.

Committee Memberships: None

Mary Dowd

Chief Financial Officer

Appointment Date: 14 June 2018

Skills and Experience:
Mary brings over 20 years' experience of working alongside business leaders.

She has demonstrated a track record of managing finance teams to ensure timely delivery of relevant financial information to all stakeholders, providing clear leadership, continuous process improvement, and excellent communication.

She also brings to Crossword extensive experience of working in acquisitive businesses and providing transactional support.

Mary graduated from University College Galway, Ireland and has a postgraduate Diploma in Business Studies from the same university. She is a Fellow of the Chartered Institute of Management Accountants.

External Appointments:
Trustee at The Groundwork South Trust Limited and member of the Audit and Risk Committee of the University of Essex.

Committee Memberships: None

Dr Robert Coles

Independent Non-Executive Director

Appointment Date: 25 May 2021

Skills and Experience:
Robert is a highly experienced IT Risk and Cybersecurity leader. He has over 30 years commercial experience, including Chief Information Security Officer of the NHS. Prior to this, Robert worked for GSK, National Grid, and Merrill Lynch. He held various senior information security roles at Royal Bank of Scotland and he was a partner in KPMG.

Robert is a Senior Fellow at the Centre for Assurance Research and Engineering at George Mason University, Washington DC. He was awarded a PhD in Psychology by the University of Leeds for his work on the perceptions of information and IT risk and has published and presented on this and other topics. He continues to undertake research in these areas. He was also awarded an MBA from Manchester Business School. He has extensive links with major industry information security networking groups. Robert is Chair of the Group's subsidiary, Crossword Consulting Limited.

External Appointments:
Director & Chair of Cumberland House Consulting Ltd, Director & Chair of Think Cyber Security Ltd, Governor/Trustee and Audit Committee Member of the University of Brighton

Committee Memberships:
Audit and Nomination (Member)

Dr David Secher

Senior Independent Non-Executive Director

Appointment Date: 16 June 2014

Skills and Experience:
David is an international expert in intellectual property, technology transfer and research management. His experience includes Japan, Jordan, South Africa, Brazil, Chile, Australia, Argentina, India, Saudi Arabia and Lebanon as well as Europe and the USA. David is a Life Fellow and until 2018 was Senior Bursar at Gonville & Caius College, Cambridge where he was responsible for the investment of a £210m endowment.

David was co-founder and chairman of Praxis (now PraxisAuril), the leading UK technology transfer training programme, of which he is now Patron. He served as Director of Research Services, University of Cambridge, where he was responsible for creating and directing a new division of 80 staff, for designing and implementing an intellectual policy for the university and for technology transfer throughout the university resulting in £2m licensing revenue, 40 new licences and six spin outs per year.

David was Chief Executive of N8 Limited, a consortium of eight research-intensive universities in the North of England, securing initial funding of £6m from Regional Development Agencies. His earlier career was in molecular biology research with MRC Laboratory of Molecular Biology, Celltech Limited and Cancer Research Campaign (now Cancer Research UK).

David held or was named on three patents and is the holder of a Lifetime Queen's Award for Enterprise Promotion for creating 'environments that favour enterprise, specialising in the practical aspects of commercialising the results of academic research'.

External Appointments:
David is a Director of Cambridge KT Limited, Trustee of the Cambridge Trust, Trustee of Cambridge United Charities, Trustee of The Trinity Challenge, Governor of Coventry University Group and Treasurer of the César and Celia Milstein Foundation.

Committee Memberships: Audit (Chair), and Remuneration (Member).

THE BOARD CONTINUED

Ruth Anderson

Independent Non-Executive Director

Appointment Date: 1 February 2018

Skills and Experience:
Ruth has over 20 years experience in a range of technology, security, resilience and risk roles. She brings to the Board extensive experience across defence and law enforcement sectors and within financial services, developing and implementing cyber risk governance frameworks resilience to cyber risk frameworks.

Ruth is currently Chief Operating Officer for Technology, Security and Data divisions at Lloyds Banking Group. She was previously a Director of Cyber in the Financial Services Department of KPMG. She served as the Head of Specialist Operational Support and also as the Head of Intelligence at the Child Exploitation and Online Protection Centre, where she delivered the first-ever strategic threat assessment on child abuse in the online environment.

Prior to this, Ruth served in intelligence and security in the British Army.

External Appointments:
None.

Committee Memberships:
Audit (Member), Remuneration (Member) and Nomination (Member).

Andy Gueritz

Independent Non-Executive Director

Appointment Date: 21 September 2015

Skills and Experience:
Andy is an experienced Senior Advisor with a successful track record in helping clients improve and transform their business by managing technology better and creating new technology-based ventures. In recent years, Andy has advised clients in a broad range of industries on topics such as business/technology strategy and investment planning; customer data analytics; transformation for innovation and agility; performance improvement and cost optimisation, and other ways using technology to get and deliver better value. Before becoming a consultant, he attained Board-level responsibility in a successful career in software development and systems implementation.

Andy is a Chartered Fellow of the BCS (FBCS), Chartered IT Professional (CITP), Chartered Engineer (C.Eng), Fellow of the IET (FIET), and a European Engineer registered at FEANI.

He holds a First Class Honours degree in Electrical and Electronic Engineering with Computer Science from Queen Mary University of London

External Appointments:
Sixhills Consulting Limited.

Committee Memberships:
Audit (Member), Remuneration (Chair) and Nomination (Chair).

Stuart Jubb

Group Managing Director

Skills and Experience:
Stuart joined Crossword from KPMG where he was Associate Director, Defence & Security. Prior to that, he was Chief Operating Officer of a global Consulting team of over 200 in KPMG Advisory. Stuart spent nine years as an officer in HM Forces, after Sandhurst, serving in Afghanistan, NATO and elsewhere.

CORPORATE GOVERNANCE REPORT

CHAIR'S INTRODUCTION

The Directors acknowledge the importance of high standards of corporate governance and have adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code') 2018, given the Group's size and the constitution of the Board. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

The Chair and the Board accept the importance and responsibility of setting good corporate culture, values and behaviours. The Board also acknowledges its responsibility in delivering the long-term success of the Company for the benefit of shareholders and other stakeholders.

This Corporate Governance Report describes how the Company has applied the principles and standards set out in the Code during the year and, to the extent it has not done so, any deviations from them. It is the Board's view that the Company has complied with all of the provisions of the Code during the year ended 31 December 2023.

1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

The Company's Strategic Report is on pages 04 to 24 of this report.

Crossword's vision is to partner with organisations to keep them secure in the digital world. The Group reduces cyber risks for their clients by providing a portfolio of innovative products and services, powered by university and other research-driven insights.

Crossword offers a range of cybersecurity solutions to help companies understand and reduce cybersecurity risk. We do this through a combination of people and technology, with SaaS and software products, consulting, and managed services. Crossword's areas of emphasis are cybersecurity strategy and risk, supply chain cyber, threat detection and response, and digital identity and the aim is to build up a portfolio of cybersecurity products and services with recurring revenue models in these four areas. We work with UK universities and our products and services are often powered by academic research-driven insights.

In the area of cybersecurity strategy and risk our consulting services include cyber maturity assessments, industry certifications, and virtual chief information security officer (vCISO) managed services.

Crossword's end-to-end supply chain cyber standard operating model (SCC SOM) is supported by our SaaS platform, Rizikon Assurance, along with cost-effective cyber audits, security testing services and complete managed services for supply chain cyber risk management. Threat detection and response services include our Nightingale AI-based network monitoring, our Trillion™ Breach, Harvista and Arc breached credentials tracking platforms, and incident response.

Crossword's work in digital identity is based on the World Wide Web Consortium W3C verifiable credentials standard and our current solution, Identiproof, enables secure digital verification of individuals to prevent fraud.

Crossword serves medium and large clients including FTSE 100, FTSE 250 and S&P listed companies in various sectors, such as defence, insurance, investment and retail banks, private equity, education, technology and manufacturing and has a presence in the UK, Poland, Oman and Singapore. Crossword is traded on the AIM market of the London Stock Exchange.

Where appropriate, Crossword will transfer the IP to separate companies in which it will retain a commercial interest. So far, Crossword has been instrumental in the development of two such companies, ByzGen Limited and CyberOwl Limited.

2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

Crossword is committed to engaging with its shareholders to ensure that its strategy, business model and performance is clearly understood. The Company communicates with shareholders and potential investors through a variety of channels, including webinars, regular financial reporting, direct contact with its major shareholders and release of regulatory announcements, which are available on its website.

Regulatory announcements include details of the Company's website and the relevant contact at the Company, as well as its professional advisors.

The Annual General Meeting (AGM) provides another opportunity for dialogue between shareholders and the Board. The Chair of the Board and of the Committees, together with other Directors, routinely attend the AGM and are available to answer questions raised by the shareholders. At the meeting, each vote, the number of proxy votes received for, against and withheld is announced.

The results of the AGM are subsequently published on the Company's website and released via a regulatory information service provider.

A range of corporate information, including all Company announcements, is also available to shareholders, investors and the public on the Company's corporate website, www.crosswordcybersecurity.com

3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

Crossword considers its relationships with internal and external stakeholders. Apart from our shareholders, our most important stakeholder groups are our employees, our clients and partners. The Board is regularly updated on stakeholder feedback and their potential impact on our business to enable them to understand and consider the feedback in decision-making. The Board understands that maintaining the support of all its stakeholders is paramount for the long-term success of the Company.

EMPLOYEES

Crossword aims to provide an environment which will attract, retain and motivate its team. The Company has permanent staff across the UK, Poland, Oman and Singapore. Employee engagement with the senior management, who pride themselves on their availability and flexibility, is frequent through daily discussions and meetings. Staff are encouraged to give regular feedback in relation to their needs, interests and expectations on away days, general discussions or one-to-one meetings with their line managers. These can then be addressed at the fortnightly management meeting to all senior members of the team where further actions will be discussed. Furthermore, the team engages in a bi-weekly call where staff are able to communicate with all levels of the team across all jurisdictions.

Crossword reviews its processes and policies, which are guided by our values of Responsibility, Openness, Learning and Flexibility, to make continuous improvements for its staff.

The Company has developed its induction programme for new staff, engages with employees to maintain its culture and values and expected behaviours, performs exit interviews in the event people decide to leave the business, and follow-up interviews with new employees.

Crossword is supportive of career development of its employees and provides training programmes and Masters degree opportunities where appropriate.

CROSSWORD'S CLIENTS AND PARTNERS

Crossword develops mutually beneficial commercial relationships with companies to support sourcing and commercialising cybersecurity intellectual property originating from university and other research projects and evaluating and exploiting routes to distributing and reselling its products. Crossword recognises that the establishment of a close working relationship with its partners is essential for its long-term success.

Crossword maintains its relationship with its partners through regular meetings, mutual understanding and aligned objectives. Feedback from partners is communicated to the relevant teams and the Board as appropriate.

Crosswords interacts closely with its clients to understand the cyber issues organisations are facing, in order to support clients and help them to reduce cyber risks. Crossword provides a portfolio of innovative products and services, aimed at addressing risks clients have identified.

SOCIAL RESPONSIBILITY

Crossword partners with charities both in the UK and Poland. Crossword employees propose and vote on which charity they would like to support. In the UK in 2023, Crossword supported Mind, the mental health charity. In Poland, Crossword is supporting one of the largest, most recognisable and effective social schemes in Poland which implements and develops a system of smart, personalised aid that is unique in the world. In both the UK & Poland, IT equipment which is no longer suitable for use in the Company is redeployed for use in charities, supporting those in need and reducing waste.

4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

AUDIT, RISK AND INTERNAL CONTROL

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board, in light of an ongoing assessment of significant risks facing the Group.

» The Board is ultimately responsible for the effectiveness of the Group's system of internal controls. Its key strategy has been to establish financial reporting procedures that provide the Board of Directors with a reasonable basis upon which to make judgements as to the financial position and prospects of the Group. Executive Directors and Non-Executive Directors have been appointed by the Board to assist with the implementation of this strategy and report progress to the Board.

» The Audit Committee has the primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets not less than three times in each financial year and has unrestricted access to the Group's external auditors.

» Regular budgeting and forecasting is conducted to monitor the Group's ongoing cash requirements and cash flow forecasts are circulated to the Board.

» The Group has a Risk Register which identifies the potential possibility and impact of risks associated with the Group and allocates an owner to mitigate each risk. The Risk Register is updated by the Chief Financial Officer and reviewed by the Executive, the Audit Committee and the Board.

Non-financial controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness.

However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

» Close management of the day-to-day activities of the Group by the Executive Directors;

» An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation whilst minimising risks;

» Central control over key areas such as capital expenditure authorisation and banking facilities;

» A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board; and

» Detailed monthly reporting of performance against budget.

» The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Group's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include:

» Anti-bribery and Corruption Policy

» Information Security Policy

» Data Protection Policy

» Share Dealing Code.

All policies are documented and senior managers and Directors are responsible for monitoring the compliance with these policies.

Approval process

An approvals matrix exists and is published on the Company's intranet to ensure clear and appropriate levels of authority across the business.

5: MAINTAINING THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM, LED BY THE CHAIR

Composition, qualification and independence of the board

The Board comprises five Non-Executive and two Executive Directors. The names and responsibilities of the current Directors, together with their biographical details, are set out on pages 26 to 28.

25% of the Board are female. 75% of the Board are male.

The Board considers each of the Non-Executive Directors to be independent in character and judgement. Two of the Non-Executive Directors do not meet the strict criteria for independence set out in the QCA Code, due to their participation in the Company's share option arrangements, as part of their remuneration arrangements.

The Board considers that the ownership of shares and participation in the Company's share options to certain of the Non-Executive Directors encourages the alignment of their interests with those of the Company's shareholders and are not material enough to compromise their independence, character and judgement.

Therefore, the Company considers all Non-Executive Directors to be independent for the purposes of the QCA Code.

The Non-Executive Directors provide independent, robust and constructive challenge to the Executive Management and monitor the performance of the management team in delivering the agreed objectives.

Appointment and tenure

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments, some of which has been delegated to the Nomination Committee. Appointments are made on merit, taking account of the balance of skills, experience and knowledge required.

The Company's Articles of Association require that all Directors retire by rotation at regular intervals and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

All Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively.

6: ENSURE THAT, BETWEEN THEM, THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board believes that its composition brings a desirable range of skills and experience to address the Group's challenges and opportunities, while at the same time ensuring that no individuals or a small group of individuals can dominate the Board's decision-making.

The current Board, although considered to have a sufficient level of skills in all areas of the business, is always looking to improve and further its knowledge of the industry. All Directors receive regular and timely information on the Group's operational and financial performance and on technical issues.

Induction

Upon appointment, all Directors are provided with training in respect of their legal, regulatory and governance responsibilities and obligations, in accordance with the UK regulatory regime.

The induction includes face-to-face meetings with Executive Management and site visits to orientate and familiarise the new Directors with the Company's industry, organisation, business, strategy, commercial objectives and key risks.

The Board is kept up to date on legal, regulatory and governance matters at Board meetings. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Board effectiveness review

The Board undertook a further evaluation of its performance during the financial year and has continued throughout the year to measure progress against the recommendations resulting from the Board evaluation and will continue to assess its effectiveness in implementing new processes to achieve the recommendations. Furthermore, the Board conducted a further evaluation in January 2024 to assess current performance and the progress made against the key focus areas. The Nomination Committee and Board were satisfied that previous recommendations and focus areas had been implemented and were being continually assessed. Some key themes and focus areas resulting from the 2024 evaluation to be monitored throughout the year ahead relate to Strategy; Board Diversity; and Investor Engagement.

The Nominations Committee will regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and make recommendations concerning plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair and Chief Executive Officer.

8: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board is committed to promoting a strong ethical and values-driven culture throughout the Company and has a people-oriented ethos where hard work and commitment are recognised. The Company has articulated its values as Responsibility, Openness, Learning and Flexibility, and develops its values and expected behaviours on an ongoing basis.

Crossword also recognises that employees will have interests outside work and consequently supports flexibility around these interests.

Further details on how the board monitors and assesses the state of the corporate culture are included in the Directors' Report.

9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The role of the Board

The Board is responsible for the long-term success and strategic leadership of the Group. It is responsible for reviewing, formulating and approving the strategy of the Group and its subsidiaries, corporate actions and overseeing the Group's progress towards its goals. In addition, it also approves the annual and interim results and monitors the exposure to key business risks. The Board's full responsibilities are set out in a schedule of matters reserved for the Board.

The matters reserved for the attention of the Board include:

- » The approval of interim and annual financial statements, dividends and significant changes in accounting practices;
- » Review of bi-monthly financial statements;
- » Board membership, reviewed by NOMAD, and powers including the appointment and removal of Board members, determining the terms of reference of the Board and establishing the overall control framework;
- » AIM-related issues including the approval of communications to the London Stock Exchange and communications with shareholders will be dealt with by the Market Disclosure Committee and reviewed by the NOMAD, or delegated by the Board to the Executive Directors;
- » Senior management, remuneration, contracts, and the grant of share options will be addressed by the Remuneration Committee;
- » Key commercial matters where the financial commitment is in excess of £50,000 per annum;
- » Taking of loans or other credit;
- » Financial matters including the approval of the budget and financial plans and performance against such plans and budgets;
- » Approval of the appointment of the current period auditor, year-end audited statutory accounts and audit-related queries addressed by the Audit Committee;
- » Risk management review;
- » Changes to the Company's capital structure, its business strategy, acquisitions and disposals of businesses, and capital expenditures outside of budget approval; and
- » Other matters including, but not limited to, health and safety policy, insurance and legal compliance.

Role of the Chair and Chief Executive Officer

There is a clear division of responsibility at the head of the Company. The Chair is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction, whilst the Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once approved, and overseeing the management of the Company through the Executive Management. The Chief Executive Officer is also responsible for communicating with shareholders, assisted by the Chief Financial Officer. This separation of responsibilities is clearly defined and agreed by the Board.

Board and Committee meetings

The Board meets at least six times each year, in accordance with its scheduled meeting calendar (these may be supplemented by additional meetings as and when required) to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. At each meeting, the Board considers a number of matters, which include technical, operational, financial, risk and corporate governance reports, in addition to an update from its Committees, where applicable.

Any Director can challenge proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by Management.

The Group has established an Audit Committee, a Remuneration Committee, and a Nomination Committee, each with formally delegated duties and responsibilities outlined within terms of reference reviewed and approved by the Board on an annual basis.

From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The Board and its Committees are supported by the Company Secretary, who ensures that the Board receives regular and timely information ahead of each meeting. A formal agenda is produced for each meeting and the Company Secretary distributes papers several days before meetings take place to provide the Board with sufficient time to consider the matters to be discussed. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable it to discharge its duties.

The table below sets out the attendance record of individual Directors at the scheduled and unscheduled Board meetings held during the year:

Name	Board Meetings	Audit	Nomination	Remuneration
Richard Dearlove	5/6	–	–	–
Tom Ilube	6/6	–	–	–
Andy Gueritz	6/6	3/3	2/2	2/2
Ruth Anderson	5/6	0/3	2/2	2/2
David Secher	4/6	3/3	–	2/2
Mary Dowd	6/6	–	–	–
Tara Cemlyn Jones*	3/6	–	–	–
Robert Coles	6/6	3/3	2/2	–

* Tara Cemlyn Jones resigned during the year.

PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Board attaches considerable importance to the maintenance of constructive relationships with shareholders and its other stakeholders.

As mentioned above, the Company communicates with shareholders through the Annual Report and accounts, full-year and half-year results announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. The Company regularly releases regulatory and other announcements covering operational and corporate matters.

A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website, www.crosswordcybersecurity.com including:

- Our Articles of Association and Admission document;
- A detailed account of how we have applied the principles of the QCA Code;
- Latest Crossword Cybersecurity news and press releases; and
- Annual and Interim Reports.

The Board receives regular updates on the views of shareholders through briefings from the Chief Executive Officer, Chief Financial Officer and the Company's brokers.

SIR RICHARD DEARLOVE KCMG OBE
Chair
22 April 2024

AUDIT COMMITTEE REPORT

I am pleased to present the Committee's report for the year ended 31 December 2023. The following pages provide an insight into how the Committee discharged its responsibilities during the year and the key topics that it considered in doing so.

The role of the Audit Committee is to monitor the integrity of the Group's Financial Statements, including its annual and half-yearly reports and any other formal statements relating to its financial performance. It monitors and reviews the effectiveness of the Group's system of internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Audit Committee is comprised of four independent Non-Executive Directors, currently David Secher, Ruth Anderson, Andrew Gueritz and Robert Coles. David Secher, Chair of the Committee, is considered by the Board to have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. At the request of the Chair of the Committee, the Chief Executive Officer, Chief Financial Officer and other members of the senior management team may also be invited to attend meetings as guests.

The Audit Committee aims to meet twice in each financial year and has unrestricted access to the Group's external Auditor. The Committee works to a planned programme of activities focused on key events in the annual financial reporting cycle and standing items that it considers regularly under its Terms of Reference.

PRINCIPAL ACTIVITIES DURING THE YEAR

The Committee held three meetings during the year under review and considered the following:

- The external Auditor's 2022 year-end audit report and opinion;
- The Company's Report for the financial year ended 31 December 2022 and the related results announcements and the Half-Yearly Report to 30 June 2023;
- Evaluation of the performance of the external Auditor including their independence, objectivity and the effectiveness of the audit process;
- The re-appointment of MHA as the external Auditor for the Company;
- The Committee's Terms of Reference; and
- The Company's Risk Register as well as the internal controls and risk management systems in place.

THE COMMITTEE IS PLANNING THE FOLLOWING ACTIVITIES DURING 2024:

- Review the Company's procedures, systems and controls for the prevention of bribery or fraud;
- Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- Review and approve the FY23 external Auditor's plan, including the proposed materiality threshold, the scope of the audit, the significant audit risks and fees;
- Review the Committee's internal audit role, in the absence of an external provider of an internal audit service; and
- Risk – review and challenge the Risk Register, and consider the risk appetite of the business.

The Committee members' attendance at meetings during the year is set out on page 34.

EXTERNAL AUDITOR

MHA has been the external Auditor of the Group since 2014. The continued appointment of MHA is reviewed by the Committee each year, taking into account the relevant legislation, guidance and best practice appropriate for a Company of Crossword's size, nature and stage of development.

The Committee considers a number of areas when reviewing the external Auditor appointment, namely its performance in discharging the audit, the scope of the audit and terms of engagement, its independence and objectivity, and its reappointment and remuneration.

The breakdown of fees between audit and non-audit services paid to MHA during the financial year is set out in Note 10 to the Group's Consolidated Financial Statements. The non-audit fees relate to tax advice. Following Implementation of the Revised Ethical Standard by MHA, non-audit services have ceased.

INTERNAL AUDIT

The Audit Committee presently considers it appropriate that the Group uses the audit committee to undertake the internal audit function. This is due to the effectiveness of the Group's internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, and the close involvement of the Executive Directors and senior management on a day-to-day operational basis. However, the need for an internal audit function will be kept under review by the Audit Committee on behalf of the Board.

DAVID SECHER
Chair, Audit Committee
22 April 2024

NOMINATION COMMITTEE REPORT

The Nomination Committee is responsible for reviewing the composition of the Board taking into account the skills, experience and diversity of the Directors in light of the challenges and opportunities facing the Company and makes recommendations for the appointment and reappointment of Board members.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Nomination Committee is chaired by Andrew Gueritz and its other members are Ruth Anderson and Robert Coles. Under the Committee's Terms of Reference, the Committee is required to meet at least twice in each financial year and must comprise of at least three members, two of whom must be independent Non-Executive Directors. The Committee held two meetings during the year.

The Committee members' attendance at meetings during 2023 is set out on page 34.

BOARD EFFECTIVENESS REVIEW

In compliance with the QCA Code, the Board undertook an evaluation of its performance in January 2023. The evaluation was conducted by way of a questionnaire designed to assess the effectiveness of the Board, the Directors and the Chair, as well as the Board's Committees and identify any areas for improvement.

The results of the evaluation were presented to the Board for review in early April 2023 and revealed no significant concerns amongst Directors about the effectiveness of the Board.

Actions arising from recommendations to further improve the effectiveness of the Board are being implemented and include the review of succession plans for key members of management and Board members.

DIVERSITY

The Company has not adopted a formal policy on diversity and, therefore, has no measurable objectives to disclose. Appointments, including appointments to the Board and senior management positions, are made on merit, taking account of the balance of skills and experience required.

Key areas of focus for 2024:

- Review the time committed to the development of individual Directors and the Board as a whole;
- Continue to monitor Strategy, Board Diversity and Investor Engagement;
- Review succession plans for both Executive and Non-Executive Directors and, in particular, for the key roles of Chair and Chief Executive Officer; and
- Conduct a further internal evaluation of the Board, its Committees and individual Directors, to assess improvements in the key focus areas, using questionnaires.

Andrew Gueritz
Chair, Nomination Committee
22 April 2024

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of all Executive Directors, the Chair of the Board, including pension rights and any compensation payments, and such other members of the senior management as it is designated to consider. In addition, the Committee makes recommendations to the Board on proposals for the granting of share options and other equity incentives, pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Remuneration Committee is a formal committee of the Board and has powers delegated to it under the Articles of Association. Its remit is set out in Terms of Reference formally adopted by the Board, which are reviewed annually.

The Remuneration Committee is currently comprised of Andrew Gueritz (as Chair), David Secher and Ruth Anderson. The Committee meets at least once in each financial year and held three meetings during the year.

The Committee members' attendance at meetings during the year is set out on page 34.

LETTERS OF APPOINTMENT, SERVICE CONTRACTS AND TERMINATION

Tom Ilube (Chief Executive Officer)

Tom Ilube is appointed as Chief Executive Officer under an Executive service contract dated 1 April 2014 (as amended). The employment commenced on 1 April 2014 and will continue unless terminated by either party giving 12 months' written notice. The Company may terminate the contract without notice (or with payment in lieu of notice) if, inter alia, Tom is guilty of gross misconduct, commits a serious breach of the employment contract, commits a criminal offence, is declared bankrupt or becomes of unsound mind. The Company may, after giving or receiving notice of termination, immediately end the employee's employment and make payment in lieu of salary with no other benefit for the remaining period of notice.

Mary Dowd (Chief Financial Officer)

Mary Dowd is employed as Chief Financial Officer under an employee service contract dated 10 May 2018.

The employment commenced on 16 May 2018 and will continue unless terminated by either party giving six months' written notice. The Company may terminate the contract on shorter notice if the employee is absent from work for an extended period through sickness or injury and may terminate without notice (or with payment in lieu of notice) if, inter alia, Mary is guilty of gross misconduct, commits a serious breach of the employment contract, commits a criminal offence, is declared bankrupt or becomes of unsound mind. The Company may, after giving or receiving notice of termination, immediately end the employee's employment and make payment in lieu of salary with no other benefit for the remaining period of notice. Following termination of employment, Mary is subject to certain restrictions for a period of six months, including a restriction on dealing with the Company's customers and suppliers and from working for a competing business.

Non-Executive Directors

All Non-Executive Directors, including the Chair, serve on the basis of letters of appointment which are terminable by three months' written notice and are available for inspection at the Company's registered office. Subject to continued satisfactory performance, the Board does not think it appropriate at this time to limit the term of appointment of the Non-Executive Directors.

The Executive Directors' service contracts are also available for inspection at the Company's registered office.

The remuneration of the Directors who served in the current year was as follows:

	Basic Salary and Fees	Bonus	Taxable Benefits	Employer's Pension Contribution	Total
	£	£	£	£	£
Executive Directors					
Tom Ilube	130,000	-	4,237	770	135,007
Mary Dowd	175,000	-	2,506	22,000	197,506
Non-Executive Directors					
Sir Richard Dearlove	25,000	-	25,000	-	50,000
Ruth Anderson	12,000	-	-	-	12,000
Andy Gueritz	16,000	-	-	-	16,000
Dr David Secher	16,000	-	-	-	16,000
Robert Coles	12,000	-	-	-	12,000
Tara Cemlyn-Jones*	12,000	-	-	-	12,000
Total	**398,000**	**0**	**31,745**	**20,770**	**450,513**

*resigned during the year.

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

The table below sets out the Directors' interests in the ordinary shares of the Company as at 31 December 2023. On 3 April 2024, Stuart Jubb was formally appointed to the board and his shareholding as at 22 April 2024 is 409,290 (0.4%). There have been no changes in the current Directors' interests in shares or options granted by the Company between the end of the financial year and 22 April 2024.

Name	Number of Issued Ordinary Shares	% of Issued Shares
Tom Ilube*	14,667,260	15.65%
Dr David Secher	263,650	0.29%
Robert Coles	222,211	0.22%

* Tom Ilube's shareholding is made up of 13,280,501 shares held by him personally and 1,386,759 held by Share Nominees Limited on his behalf.

On 3 April 2024, Stuart Jubb was formally appointed to the board and he has 125,000 options to acquire ordinary shares as at 22 April 2024.

SHARE OPTION AND INCENTIVISATION ARRANGEMENTS

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and retention. The Group has established share option programmes that entitle certain employees to purchase shares in the Company. These were issued in July 2014, November 2014, July 2015, December 2015, January 2016, June 2016, September 2016, June 2017, January 2018, May 2018, July 2018, October 2018, June 2019, November 2019, June 2020, October 2020, August 2021, November 2021, March 2022 and May 2023. There are no performance conditions attaching to these options, other than to awards made under the Long-Term Incentive Plan awards issued in Nov 2021.

The Directors hold the following shares under option:

Name	Date of grant	Number of Ordinary Shares under option	Exercise Price	Vesting Conditions	Expiry Date
Sir Richard Dearlove	03/10/2016	131,580	19p	1	03/10/2026
Sir Richard Dearlove	25/05/2018	67,570	37p	1	25/05/2028
Sir Richard Dearlove	04/06/2019	45,870	54.5p	1	04/06/2029
Sir Richard Dearlove	28/11/2019	52,080	48p	1	28/11/2029
Sir Richard Dearlove	16/10/2020	94,340	26.5p	1	16/10/2030
Sir Richard Dearlove	10/08/2021	70,423	35.5p	1	10/08/2031
Sir Richard Dearlove	30/05/2023	270,270	9.25p	1	30/05/2033
Dr David Secher	18/07/2014	150,000	5.4p	1	17/07/2024
Mary Dowd	24/10/2018	79,360	31.5p	1	24/10/2028
Mary Dowd	04/06/2019	100,000	54.5p	1	04/06/2029
Mary Dowd	18/06/2020	25,000	30.5p	1	18/06/2030

(1) Option Shares to vest in three equal tranches on the first, second and third anniversary of the date of grant.

In addition, the Company has issued 1,227,430 options to members of staff and up to 1,500,000 share options to Executives.

EMI SHARE OPTION PLAN

The Company has established an enterprise management incentive share option plan under scheme rules dated 21 May 2014 ('EMI Option Plan') for the purposes of recruiting and retaining its staff. The Company may grant an Option intended to be a qualifying option under the Income Tax (Earnings and Pensions) Act 2003 ('ITEPA 2003') ('EMI Option') to any eligible employee it chooses, subject to the limitations and conditions of the EMI Option Plan. EMI Options may not be granted where prohibited by law or any corporate governance code which applies to the Company or after the tenth anniversary of the date of the EMI Option Plan.

LONG-TERM INCENTIVE PLAN

During 2021, the Company implemented a Long-Term Incentive Plan (LTIP) whereby awards were made to the following Executives – Mary Dowd, and Stuart Jubb. Each award is of nominal cost (0.5p) options to acquire up to 750,000 Crossword ordinary shares of 0.5p each which vest at the average mid-market price of the Ordinary Shares over the 20 trading days preceding the end of the performance period which ends on 30 September 2024. 25% of the options will vest if the Award Price is 50p, and 100% will vest if the Award Price is equal to or greater than 100p, with straight-line vesting between 50p and 100p.

ANDREW GUERITZ
Chair, Remuneration Committee
22 April 2024

DIRECTORS' REPORT & STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' REPORT

This Directors' Report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 29 to 34 and incorporated by reference into this Directors' Report. Crosswords' financial risk management objectives, policies and the exposures are described in Note 25 to the Financial Statements.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Crossword Cybersecurity PLC (08927013) is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act, with operations in the UK, Poland, Oman and Singapore. Its shares are traded on AIM, a sub-market of the London Stock Exchange ('AIM').

Crossword offers a range of cybersecurity solutions to help companies understand and reduce cybersecurity risk. We do this through a combination of people and technology, with SaaS and software products, consulting, and managed services. Crossword's areas of emphasis are cybersecurity strategy and risk, supply chain cyber, threat detection and response, and digital identity and the aim is to build up a portfolio of cybersecurity products and services with recurring revenue models in these four areas. We work with UK universities and our products and services are often powered by academic research-driven insights.

In the area of cybersecurity strategy and risk our consulting services include cyber maturity assessments, industry certifications, and virtual chief information security officer (vCISO) managed services.

Crossword's end-to-end supply chain cyber standard operating model (SCC SOM) is supported by our best-selling SaaS platform, Rizikon Assurance, along with cost-effective cyber audits, security testing services and complete managed services for supply chain cyber risk management. Threat detection and response services include our Nightingale AI-based network monitoring, our Trillion Breach, Harvista and Arc breached credentials tracking platforms, and incident response.

Crossword's work in digital identity is based on the World Wide Web Consortium W3C verifiable credentials standard and our current solution, Identiproof, enables secure digital verification of individuals to prevent fraud.

Crossword serves medium and large clients including FTSE 100, FTSE 250 and S&P listed companies in various sectors, such as defence, insurance, investment and retail banks, private equity, education, technology and manufacturing and has offices in the UK, Poland, Oman and Singapore. Crossword is traded on the AIM market of the London Stock Exchange.

More details on the strategy, nature of the Group's operations and future developments are set out in the Strategic Report on page 3.

SHARE CAPITAL AND RIGHTS ATTACHING TO THE SHARES

The number of shares in issue as at the date of publication of this report was 101,466,867 (31 December 2022: 92,403,715 ordinary shares of 0.5 pence) ordinary shares of 0.5 pence, each with one vote.

In accordance with applicable laws and the Company's Articles of Association, holders of ordinary shares are entitled to:

» Receive shareholder documentation including the notice of any general meeting;

» Attend, speak and exercise voting rights at general meetings, either in person or by proxy; and

» A dividend, where declared and paid out of profits available for such purposes. On a return of capital on a winding up, holders of ordinary shares are entitled to participate in such a return.

ARTICLES OF ASSOCIATION

The Company's Articles of Association can only be amended by special resolution and are available at **www.crosswordcybersecurity.com**

ENGAGEMENT WITH EMPLOYEES

Crossword aims to provide an environment which will attract, retain and motivate its team. Employee engagement with the senior management, who pride themselves on their availability and flexibility, is frequent through daily discussions and meetings. Staff are encouraged to give regular feedback in relation to their needs, interests and expectations on away days, general discussions or one-to-one meetings with their line managers. These can then be addressed at the fortnightly management meeting to all senior members of the team where further actions will be discussed. Furthermore, the team engages in a bi-weekly call where staff are able to communicate with all levels of the team across all jurisdictions.

Crossword reviews its processes and policies, which are guided by our values of Responsibility, Openness, Learning and Flexibility, to make continuous improvements for its staff.

The Company has developed its induction programme for new staff, engages with employees to maintain its culture and values and expected behaviours, performs exit interviews in the event people decide to leave the business, and follow-up interviews with new employees.

Crossword is supportive of career development of its employees and provides training programmes and Masters degree opportunities where appropriate.

Directors recognise the need to ensure excellence in engagement with employees. Regular staff away days take place and engagement surveys are undertaken, with feedback from staff forming a prioritised action plan.

Engagement with charities was an action from an away day. Crossword partners with charities both in UK and Poland. Crossword employees propose and vote on which charity they would like to support. Previously work has been undertaken to help a charity local to the London office in their efforts to support the homeless and lead them to independence and also a national mental health charity. In Poland, Crossword is supporting one of the largest, most recognisable and effective social schemes in Poland which implements and develops a system of smart, personalised aid that is unique in the world.

More details are available on page 21.

SUSTAINABILITY AND CLIMATE CHANGE

The group is not required to required to disclose climate-related financial information and does not need to comply with SECR. However, the Directors take their responsibilities relating to the environment seriously and aim to minimise the impact of the Company's activities on the environment.

The key points of their strategy to achieve this are:

» Minimise waste by evaluating operations and ensuring they are as efficient as possible;

» Minimise toxic emissions through the selection and use of its power requirement;

» Actively promote recycling;

» Source and promote a product range to minimise the environmental impact of both production and distribution; and

» Meet or exceed all the environmental legislation that relates to the Company.

POWERS OF DIRECTORS

The Directors may exercise powers subject to applicable legislation and regulations and the Company's Articles of Association. The Directors in office at the date of this Annual Report are shown on pages 26 to 28.

DIRECTORS' CONFLICT OF INTEREST

The Board may authorise, to the fullest extent permitted by law, any matter which, if not so authorised, would or may result in a Director infringing their duty to avoid a situation in which they can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

DIRECTORS' INSURANCE AND INDEMNITY

The Group maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. In accordance with Section 234 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law.

PURCHASE OF OWN SHARES

The Company has not acquired any of its own shares in the period to 31 December 2023, nor in the period up to the date of approval of this Annual Report.

SUBSEQUENT EVENTS

On 5 March 2024 the Company announced that it has entered into agreements for a five year, unsecured, convertible loan to the value of £275,000. The funds raised will be used to support sales and marketing, product and services development and to provide general working capital. The interest rate is fixed at 12% and is payable quarterly.

On 12 March 2024 the Company issued 7,749,226 new ordinary shares of 0.5 pence each in respect of the second anniversary deferred consideration of £450,000 for the acquisition of Threat Status Limited originally acquired in 2022.

DIVIDEND

The Directors do not intend that the Company will declare a dividend in the near term, but instead channel the available cash resources into funding the expansion of the Group. The Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the Group's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

POLITICAL DONATIONS

No political donations have been made during this financial year.

PRINCIPAL SHAREHOLDER

Gresham House Asset Management Limited is the Company's principal shareholder, holding a total of 17,437,243 ordinary shares, representing 17.19% of the voting rights attached to the current issued share capital of the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 23 May 2024 at 3.00 pm at the offices of Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London EC3V 0HR. The Notice of Meeting will be available to view on the Company's website in advance of that meeting.

APPROVAL OF DIRECTORS' REPORT

This Directors' Report, including the Corporate Governance Statement and Strategic Report, was approved for and on behalf of the Board on 22 April 2024.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual 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 consolidated and parent company financial statements in accordance with International Accounting Standards as adopted in the United Kingdom ("UK adopted IAS"). 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 and profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

» Select suitable accounting policies and then apply them consistently;

» Make judgements and accounting estimates that are reasonable and prudent;

» State whether applicable UK adopted IFRS has been followed, subject to any material departures disclosed and explained in the financial statements; and

» Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and parent company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's position, performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Section confirm to the best of our knowledge, that:

» The parent company and Group financial statements, prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;

» The Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;

» The Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group and parent company's position, performance, business model and strategy; and

» The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

DISCLOSURE OF INFORMATION TO THE AUDITOR

We, the Directors of the Company who held office at the date of approval of these financial statements as set out above, each confirm, so far as we are aware, that:

» There is no relevant audit information of which the Company's Auditor is unaware; and

» We have taken all the steps that we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This Statement of Responsibilities and the Directors' Report were approved by the Board on 22 April 2024.

Tom Ilube Tom Ilube
Tom Ilube (Apr 22, 2024 19:18 GMT+1)
Chief Executive Officer, 22 April 2024
Crossword Cybersecurity PLC 60 Gracechurch Street, London EC3V 0HR

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FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CROSSWORD CYBERSECURITY PLC

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Crossword Cybersecurity Plc. For the purposes of the table on pages 45 to 48 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Crossword Cybersecurity Plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Crossword Cybersecurity Plc, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

OPINION

We have audited the financial statements of Crossword Cybersecurity Plc for the year ended 31 December 2023.

The financial statements that we have audited comprise:

- » the Consolidated Statement of Comprehensive Income
- » the Consolidated and Company Statements of Financial Position
- » the Group and Company Statements of Changes in Equity
- » the Group and Company Statements of Cash Flows
- » Notes 1 to 31 to the financial statements, including material accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company's financial statements is applicable law and International Financial Reporting Standards adopted for use in the United Kingdom ("UK adopted IFRS")

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 December 2023 and of the Group's loss for the year then ended;
- » have been properly prepared in accordance with UK adopted IFRS; and
- » have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

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 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 UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw your attention to note 1.3 of the financial statements which indicates for the Group and Parent to continue as a going concern they will require fundraising in 2024 to support the cash flow requirements of the Group's business model for its path to profitability. As stated in note 1.3, these events or conditions, along with the other matters as set out in note 1.3 indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- » The consideration of inherent risks to the Group's and the Parent Company's operations and specifically their business model.
- » The evaluation of how those risks might impact on the available financial resources.
- » Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- » Liquidity considerations including examination of cash flow projections at Group and Parent Company level;
- » The evaluation of the base case scenarios and stress scenarios, in respect of the Group and the Parent Company, and the respective sensitivities and rationale; and
- » Consideration of the current cash resources within the group and historical fund raises having been successful.

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

OVERVIEW OF OUR AUDIT APPROACH

Scope

Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

We, and our component auditor acting on specific group instructions, undertook full scope audits on the complete financial information of three components and specified audit procedures on particular aspects and balances on three components with analytical procedures being undertaken on the remaining one insignificant component.

Materiality	2023	2022	
Group	£112,000	£150,000	1% (2022: 2%) of Group's aggregate cost of sales and administrative expenses
Parent Company	£111,000	£87,250	Based on maximum aggregate component materiality allocated across the group's component entities (2022: 2% of Company's aggregate cost of sales and administrative expenses)

Key audit matters		
Recurring	»	Valuation of investment and non-current loans to its subsidiaries (Parent Company Only)
	»	Impairment of goodwill (Group only) and intangible assets (Group and Parent Company)
Event driven	»	Convertible loan notes (Group and Parent Company)

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT AND NON-CURRENT LOANS TO ITS SUBSIDIARIES

Key audit matter description

The Parent Company makes non-interest-bearing loans available to its subsidiaries Crossword Consulting Limited and Stega UK Limited. The investments have been subject to an impairment review and the loans owed to the Parent Company have been subject to review to determine whether an expected credit loss provision is required. As no interest is charged on these loans then a notional interest is assumed to be embedded in the principal amount of the loan. During the year a capital contribution has been computed on the current year loan from the Parent Company to Stega UK Limited. In addition, the schedule of repayment of the loans to Crossword Consulting Limited were modified during the year.

The valuation of impairment and expected credit loss provisions are inherently judgemental including an estimation by management if future cash generation and the timing of such cash flows.

In determining expected credit losses judgement is required by management of the estimation of the amount and timing of future cash flows as well as an assessment of whether there has been an increase in credit risk since the loans were initially recognised.

To determine capital contributions management are required to assess market lending rates and the period over which the loans will be repaid to the Parent Company.

The modification of loans needs to be assessed for whether the loan is required to be derecognised and adjustments made for the modified new loan term and conditions.

Further detail in respect of management judgements and assumptions is set out in note 1.22 of the financial statements.

How the scope of our audit responded to the key audit matter

In order to address the key audit matter in respect of valuation risk for impairment and loan loss provisions, our audit work included the following procedures:

- Challenged management's allocation of the financing element between a capital contribution and loans to the subsidiaries.
- Challenged management's assessment of expected credit losses including review of the terms of the loans, assessing the credit risk of the loans and assessment of future cash flows of the subsidiaries.
- Benchmarked the discount rate used in management's assessment.
- Reviewed and checked management's amortised cost calculations.
- Considered management's assessment of strategy options which the Parent Company would pursue in recovering the amounts due from its subsidiaries.
- Reviewed management's assessment as to the impairment of the Parent Company's investment in its subsidiaries.
- Challenged management on the impact of the modified intra group loans on the financial statements.
- Ensured that the disclosures in the financial statements are adequate.

Key observations communicated to the Group's Audit Committee

We are satisfied that provisions for the impairment of investments and loans on 31 December 2023 were reasonable and recognised in accordance with IAS 36 and IFRS 9 respectively.

We concluded that the financing arrangements between the Parent Company and its subsidiaries have been correctly classified between capital contributions and loans due from its subsidiaries.

We highlighted the following matters to the Group Audit Committee:

- Our assessment of impairment and credit losses relating to subsidiary investments and intra group loans.
- Our assessment of repayment terms of the intra group loans on the year end measurement of the intra group loans.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Key audit matter description	There is a risk that the carrying value of goodwill arising on investments made by the Group or software development intangible assets held by the parent company and the group exceed their recoverable amounts and may be impaired. Management prepares detailed impairment assessments taking consideration of the: » Current year developments relating to each intangible. » Expected useful lives of the intangibles. » Completion of forecasts for all material subsidiaries and individual software development intangible assets taking into account growth and discount rates. Further detail in respect of management judgements and assumptions is set out in note 1.22 of the financial statements.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter in respect of impairment of intangible assets, our audit work included the following procedures: » Reviewed the mathematical accuracy of the value in use calculations to identify any computational errors that may have fed into the forecasts. » Reviewed and challenged the calculations to ensure pre-weighted average cost of capital and pre-tax cash flows had been used in accordance with IAS 36. » Reviewed and challenged, with the help of our external expert, the determination of the discount rate applied in the value in use calculations and considered whether it's reasonable in the Group's and Parent Company's circumstances. » Reviewed the growth assumptions used by management and compared them to actual 2023 and previous forecasts prepared by management in the past. » Performed sensitivity analysis to understand which of the key judgements were resulting in the most significant change to the calculations. » Challenged management whether the inputs into the impairment assessment are reasonable and accurate based on supporting evidence. » Assessed any evidence of management bias in selecting key assumptions and assessed the impact of changes in the models compared to assumptions used in previous periods.
Key observations communicated to the Group's Audit Committee	We concluded that based on the growth plans being reasonable that goodwill and the intangible assets are not impaired on 31 December 2023 as measured by IAS 36. We note that the recoverability of the intangible assets is heavily reliant upon future growth to be sustained for several years. The growth exceeding actual levels achieved in previous years are considered reasonable but are a key management judgement. We highlighted the following significant judgements to the Group Audit Committee: » Significance of future growth to the impairment assessment. » Discount rate applied to the modelling.

CONVERTIBLE LOAN NOTES

Key audit matter description	There is a risk that the measurement of convertible loan note may be materially misstated if the terms and conditions attached to the convertible loan notes are not accounted for in accordance with IFRS 9. Management prepares detailed assessment and computation of the accounting of the convertible loan notes taking consideration of: » The conversion feature in the convertible loan notes. » Identification of any equity component. » Market lending rate at which the Group and Parent Company could borrow at. Further detail in respect of management judgements and assumptions is set out in note 1.22 of the financial statements.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter in respect of impairment of intangible assets, our audit work included the following procedures: » Reviewed the mathematical accuracy of the convertible loan note calculations to identify any computational errors. » Reviewed and challenged the discount rate applied to the modelling as per IFRS 9. » Reviewed the conversion rights attached to the convertible loan note to determine whether the conversion option will be settled by the exchange of a fixed amount of cash and/or a fixed or variable number of the parent company's own equity instruments. » Confirmed whether the conversion option includes an equity component or if the convertible loan note is recognised as a financial liability on initial recognition with a gain or loss recognised in profit or loss. » Performed sensitivity analysis to understand which of the key judgements were resulting in the most significant change to the calculations. » Assessed any evidence of management bias in selecting key assumptions and assessed the impact of changes in the models compared to assumptions used in previous periods. » Reviewed accounting policies and disclosures in respect of the accounting for convertible loan notes to ensure their completeness and accuracy.
Key observations communicated to the Group's Audit Committee	We concluded that the convertible loan notes are accounted for in accordance with IFRS 9. Of the £2.62M convertible loan notes issued in the year, £2.015M of the notes had no equity component as the conversion feature was not for a fixed number of shares but based on the share price at the time of conversion. The convertible loan notes issued in the year included both those with an equity component and those treated as a financial liability measured at amortised cost basis using the effective interest rate method with a recognised gain on initial recognition included in profit and loss. We highlighted the following significant judgements to the Group Audit Committee: » Accounting treatment of convertible loan notes accounted either as a financial liability or compound instrument in accordance with IFRS 9. » Discount rate applied to the computation of convertible loan notes.

OUR APPLICATION OF MATERIALITY

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £112,000 (2022: £150,000) which was determined on the basis of 1.5% (2022: 2%) of the Group's aggregate cost of sales and administrative expenses. Materiality in respect of the Parent Company was set at £111,000 (2022: £87,250), determined on the basis of the maximum aggregate component materiality allocated across the group's component entities (2022: 2% of the Company's aggregate cost of sales and administrative expenses). The Group's aggregate cost of sales and administrative expenses was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements because this is the metric by which the performance and risk exposure of the Group and Parent Company is assessed. Whilst the Group and Company remains loss making the cost base is of primary importance to the management of the performance of the Group and Parent Company and in our opinion this is therefore the benchmark with which the users of the financial statements are principally concerned.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £78,400 (2022: £105,000) and at £77,700 (2022: £61,075) for the Parent Company which represents 70% (2022: 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £5,600 and £5,550 in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

OVERVIEW OF THE SCOPE OF THE GROUP AND PARENT COMPANY AUDITS

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the seven reporting components of the group, we identified five components in the UK, one component in mainland Europe and one component in the Arabian Gulf which represent the principal business units within the Group.

Full scope audits - Of the seven components, audits of the complete financial information of three components were undertaken, these entities were selected based upon their size or risk characteristics.

Specified procedures - three entities were subject to specified audit procedures. These procedures have been determined based on the size and nature of the balances.

Analytical review – one component was subject to analytical review procedures as its results were insignificant to the overall group results.

The group audit team was involved in the audit work performed by the component auditor in mainland Europe through a combination of the provision of group instructions and review and challenge of component auditor reporting and review of the component auditor working papers. The group audit team directed the audit approach taken in respect of the specified procedures performed by the component auditor to address relevant risks of material misstatement, including assessing the appropriateness of conclusions and consistency between reported findings and work performed as relating to the Group audit

THE CONTROL ENVIRONMENT

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls over the purchase and payroll cycles.

REPORTING ON OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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.

STRATEGIC REPORT AND DIRECTORS REPORT

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.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 parent company, or returns adequate for our audit have not been received by branches not visited by us; or
- the parent company 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

IDENTIFYING AND ASSESSING POTENTIAL RISKS ARISING FROM IRREGULARITIES, INCLUDING FRAUD

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group including the regulatory and supervisory requirements of the AIM regulations.
- We enquired of the directors and management including the audit committee concerning the Group's and the Parent Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates including accounting estimates relating to expected credit losses, impairment and convertible loan notes.

AUDIT RESPONSE TO RISKS IDENTIFIED

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board and audit committee meetings;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, and those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates; and
  - obtaining confirmations from third parties to confirm existence of a year end balances.
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Moyser FCA FCCA

Andrew Moyser

(Senior Statutory Auditor)

Andrew Moyser (Apr 22, 2024 19:17 GMT+1)

for and on behalf of MHA, Statutory Auditor

London, United Kingdom

22 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

for Crossword Cybersecurity PLC company number 08927013

		12 Months ended 31st December 2023	12 Months ended 31st December 2022
Consolidated Statement of Comprehensive Income	**Notes**	**£**	**£**
Revenue	2	4,192,996	3,648,000
Cost of sales	3	(2,994,711)	(2,755,662)
Other income	6	-	39,814
Gross Profit		**1,198,285**	**932,152**
Administrative expenses	3,4	(4,470,425)	(4,967,499)
Other operating expense	7	(417,201)	(304,457)
Finance costs-other interest expense	8	(468,072)	(395,762)
Foreign exchange loss		(8,844)	(1,569)
Gain on measurement of financial assets and liabilities	9	25,253	170,283
Loss for the year before taxation		(4,141,004)	(4,566,852)
Tax credit	11	226,245	1,144,302
Loss for the year		(3,914,759)	(3,422,550)
Other comprehensive Income			
Items that may be reclassified to profit or loss when specific conditions are met:			
Foreign exchange differences on translation of foreign operations		(1,181)	1,782
Total other comprehensive income		(1,181)	1,782
Total Comprehensive Loss		**(3,915,940)**	**(3,420,768)**
Loss for the year attributable to:			
Owners of the parent		(3,896,106)	(3,408,149)
Non-controlling interests		(18,653)	(14,401)
Total Loss for the Year		**(3,914,759)**	**(3,422,550)**
Total comprehensive loss for the year attributable to:			
Owners of the parent		(3,897,287)	(3,406,367)
Non-controlling interests		(18,653)	(14,401)
Total Comprehensive Loss		**(3,915,940)**	**(3,420,768)**
Loss Per Share	22	(0.04)	(0.04)
Loss Per Share (diluted)	22	(0.04)	(0.04)
All results are derived from continuing operations			

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Non-Current Assets					
Intangible assets	12	2,667,491	2,708,423	2,227,135	2,197,206
Property, plant and equipment	13	221,631	45,039	196,434	-
Goodwill	14	875,277	875,277	-	-
Unlisted investment	15	68,000	456,834	68,000	456,834
Investments in subsidiaries	16	-	-	2,336,716	1,649,145
Intercompany receivables		-	-	972,449	1,067,185
Total non-current assets		**3,832,399**	**4,085,573**	**5,800,734**	**5,370,370**
Current Assets					
Trade and other receivables	17	1,676,171	2,078,050	1,669,822	1,918,525
Current tax receivable		300,122	398,511	239,157	368,393
Cash and cash equivalents		730,946	2,077,771	457,376	1,746,530
Total current assets		**2,707,239**	**4,554,332**	**2,366,355**	**4,033,448**
Total Assets		**6,539,638**	**8,639,905**	**8,167,089**	**9,403,818**
EQUITY					
Attributable to the owners of the company					
Share Capital	21	468,589	462,019	468,589	462,019
Share premium account	21	18,749,829	18,534,372	18,749,829	18,534,372
Convertible debt reserve		233,712	195,685	233,712	195,685
Equity reserve	23	376,965	370,762	376,965	370,762
Retained earnings		(19,065,685)	(15,235,500)	(17,326,198)	(14,127,624)
Translation of foreign operations		(14,391)	(13,210)	-	-
Attributable to owners of the parent		749,019	4,314,128	2,502,897	5,435,214
Non-controlling interests		(172,180)	(153,527)	-	-
Total equity		**576,839**	**4,160,601**	**2,502,897**	**5,435,214**
LIABILITIES					
Current liabilities					
Trade and other payables	18	2,333,761	2,456,783	2,218,844	2,146,775
Other current liabilities	19	17,000	17,000	-	-
Total current liabilities		**2,350,761**	**2,473,783**	**2,218,844**	**2,146,775**
Long Term Liabilities					
Convertible loan notes	29	3,343,121	1,329,678	3,343,121	1,329,678
Bank loans		34,000	51,000	-	-
Other non-current liabilities	20	234,917	624,843	102,227	492,151
Total long term liabilities		**3,612,038**	**2,005,521**	**3,445,348**	**1,821,829**
Total Liabilities		**5,962,799**	**4,479,304**	**5,664,192**	**3,968,604**
Total Equity & Liabilities		**6,539,638**	**8,639,905**	**8,167,089**	**9,403,818**

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 Company's loss for the year was £3,264,495 (2022: £3,326,925).

The financial statements were approved by the Board and authorised for issue on 22 April 2024. They were signed on its behalf by

Tom Ilube Tom Ilube
Tom Ilube (Apr 22, 2024 19:18 GMT+1)

Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

Group 2023 £	Share Capital	Share Premium	Convertible Debt Reserve	Equity Reserve	Retained Earnings	Translation Reserve	Attributable to owners of the parent	Non-Controlling interests	Total
At 1st January	462,019	18,534,372	195,685	370,762	(15,235,500)	(13,210)	4,314,128	(153,527)	4,160,601
Loss for the year	-	-	-	-	(3,896,106)	-	(3,896,106)	(18,653)	(3,914,759)
Other comprehensive income for the year	-	-	-		-	(1,181)	(1,181)	-	(1,181)
Total comprehensive income for the year	-	-	-	-	**(3,896,106)**	**(1,181)**	**(3,897,287)**	**(18,653)**	**(3,915,940)**
Issue of shares	6,570	215,457	-	-	-	-	222,027	-	222,027
Issue of convertible debt	-	-	103,948	-	-	-	103,948	-	103,948
Transfer of convertible debt reserve to retained earnings	-	-	(65,921)	-	65,921	-	-	-	-
Employee share schemes - value of employee services	-	-	-	6,203	-	-	6,203	-	6,203
Changes from transactions with owners	6,570	215,457	38,027	6,203	65,921	-	332,178	-	332,178
At 31st December	**468,589**	**18,749,829**	**233,712**	**376,965**	**(19,065,685)**	**(14,391)**	**749,019**	**(172,180)**	**576,839**

2022 £	Share Capital	Share Premium	Convertible Debt Reserve	Equity Reserve	Retained Earnings	Translation Reserve	Attributable to owners of the parent	Non-Controlling interests	Total
At 1st January	374,786	14,971,221	-	240,310	(11,827,351)	(14,992)	3,743,974	(139,126)	3,604,848
Loss for the year	-	-	-	-	(3,408,149)	-	(3,408,149)	(14,401)	(3,422,550)
Other comprehensive loss for the year	-	-	-	-	-	1,782	1,782	-	1,782
Total comprehensive income for the year	-	-	-	-	**(3,408,149)**	**1,782**	**(3,406,367)**	**(14,401)**	**(3,420,768)**
Issue of shares	87,233	3,563,151	-	-	-	-	3,650,384	-	3,650,384
Issue of convertible debt	-	-	195,685	-	-	-	195,685	-	195,685
Employee share schemes - value of employee services	-	-	-	130,452	-	-	130,452	-	130,452
Changes from transactions with owners	87,233	3,563,151	195,685	130,452	-	-	3,976,521	-	3,976,521
At 31st December	**462,019**	**18,534,372**	**195,685**	**370,762**	**(15,235,500)**	**(13,210)**	**4,314,128**	**(153,527)**	**4,160,601**

STATEMENT OF CHANGES IN EQUITY CONT.

Company 2023 £	Share Capital	Share Premium	Convertible Debt Reserve	Equity Reserve	Retained Earnings	Translation Reserve	Attributable to owners of the parent	Non-Controlling interests	Total
At 1st January	462,019	18,534,372	195,685	370,762	(14,127,624)	-	-	-	5,435,214
Loss for the year	-	-	-	-	(3,264,495)	-	-	-	(3,264,495)
Total comprehensive income for the year	-	-	-	-	**(3,264,495)**	-	-	-	**(3,264,495)**
Issue of shares	6,570	215,457	-	-	-	-	-	-	222,027
Issue of convertible debt	-	-	103,948	-	-	-	-	-	103,948
Transfer of convertible debt reserve to retained earnings	-	-	(65,921)	-	65,921	-	-	-	-
Employee share schemes - value of employee services	-	-	-	6,203	-	-	-	-	6,203
Changes from transactions with owners	6,570	215,457	38,027	6,203	65,921	-	-	-	332,178
At 31st December	**468,589**	**18,749,829**	**233,712**	**376,965**	**(17,326,198)**	-	-	-	**2,502,897**

2022 £	Share Capital	Share Premium	Convertible Debt Reserve	Equity Reserve	Retained Earnings	Translation Reserve	Attributable to owners of the parent	Non-Controlling interests	Total
At 1st January	374,786	14,971,221	-	240,310	(10,800,699)	-	-	-	4,785,617
Loss for the year	-	-	-	-	(3,326,925)	-	-	-	(3,326,925)
Total comprehensive income for the year	-	-	-	-	(3,326,925)	-	-	-	(3,326,925)
Issue of shares	87,233	3,563,151	-	-	-	-	-	-	3,650,384
Issue of convertible debt	-	-	195,685	-	-	-	-	-	195,685
Employee share schemes - value of employee services	-	-	-	130,452	-	-	-	-	130,452
Changes from transactions with owners	87,233	3,563,151	195,685	130,452	-	-	-	-	3,976,521
At 31st December	**462,019**	**18,534,372**	**195,685**	**370,762**	**(14,127,624)**	-	-	-	**5,435,214**

STATEMENT OF CASH FLOWS

	Notes	12 Months ended 31st December Group 2023 £	12 Months ended 31st December Group 2022 £	12 Months ended 31st December Company 2023 £	12 Months ended 31st December Company 2022 £
Loss for the year		(3,914,759)	(3,422,550)	(3,264,495)	(3,326,924)
Adjustments for:					
Depreciation	3	28,176	11,287	8,231	-
Amortisation	3	389,025	293,170	318,165	222,310
Finance costs	8	468,072	395,762	185,044	468,084
Foreign exchange loss		8,844	1,569	17,639	(695)
Gain on measurement of financial assets and liabilities	9	(25,253)	(170,283)	(25,253)	(365,968)
Employee share schemes	4	6,203	130,452	6,203	130,452
Tax credit	11	(226,245)	(1,144,302)	(203,233)	(423,572)
Operating cash flows before movements in working capital		(3,265,937)	(3,904,895)	(2,957,699)	(3,296,312)
Movement in trade and other receivables		393,035	(788,211)	(65,844)	(1,648,406)
Movement in trade and other payables		(764,177)	381,130	(569,622)	646,965
Cash generated by operations		(3,637,079)	(4,311,975)	(3,593,165)	(4,297,753)
Net tax received		324,634	348,662	332,468	295,763
Net cash from operating activities		(3,312,445)	(3,963,314)	(3,260,697)	(4,001,990)
Investing activities					
Investment in intangible assets	12	(348,094)	(203,627)	(348,094)	(203,627)
Purchase of tangible assets	13	(7,129)	(48,971)	(7,129)	-
Purchase of unlisted investments	15	(68,000)	-	(68,000)	-
Acquisition of subsidiaries, net of cash acquired		-	(625,408)	-	(715,415)
Net cash flow from investing activities		(423,223)	(878,006)		(919,042)
Financing activities					
Proceeds from issue of ordinary shares		-	3,837,245	-	3,837,245
Share issuance costs		-	(186,861)	-	(186,861)
Proceeds from issue of convertible loan notes		2,620,000	800,000	2,620,000	800,000
Repayment of convertible loan notes		-	(700,000)	-	(700,000)
Interest paid on convertible loan notes		(215,701)	(189,640)	(215,701)	(189,640)
Other interest paid		(4,740)	(16,495)	-	-
Payments for the principal portion of the lease liability		(6,601)	-	(6,601)	-
Interest portion of the lease liability		(2,934)	-	(2,934)	-
Net cash flow from financing activities		2,390,024	3,544,249	2,394,764	3,560,744
Net decrease in cash & cash equivalents		(1,345,644)	(1,297,071)	(1,289,156)	(1,360,288)
Foreign currency translation difference		(1,181)	1,780	-	-
Cash and cash equivalent at the beginning of the year		2,077,771	3,373,062	1,746,530	3,106,818
Cash and cash equivalent at the end of the year		**730,946**	**2,077,771**	**457,376**	**1,746,530**

NOTES TO THE FINANCIAL INFORMATION

1 ACCOUNTING POLICIES

1.1 The Group and its operations

Crossword Cybersecurity plc (the "Company") is a Company incorporated on 6 March 2014 in England and Wales under the Companies Act 2006. The Company is the parent company of the Crossword Group of Companies focusing on the cybersecurity sector. Crossword offers a range of cyber security solutions to help companies understand and reduce cyber security risk. We do this through a combination of people and technology, in the form of SaaS and software products, consulting, and managed services.

The financial information includes the results of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The material accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2 Basis of preparation of financial information

The financial information has been prepared in accordance with the requirements of the London Stock Exchange plc AIM Rules for Companies and in accordance with International Financial Reporting Standards as adopted in the United Kingdom ("UK adopted IFRS") and those parts of the Companies Act 2006 applicable to companies reporting in accordance with UK adopted IFRS.

The financial information has been prepared in accordance with UK adopted IFRS, which requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's material accounting policies. Changes in assumptions may have a significant impact on the financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 1.22.

At the year end, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. The Group is considering their impact but do not expect a material on the future results of the Group.

New standards, interpretations and amendments effective in current period

In 2023 the Group has applied all of the new and revised standards and interpretations issued by the International Accounting Standards Board and adopted in the UK, that are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2023. None of the new standards or revisions had a material effect on the financial statements of the Group.

New standards, interpretations and amendments not yet effective

The Group adopt early the following amendments to standards which are not yet mandatory.

Amendments to **IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective 1 January 2024).

Amendments to **IAS 7 and IFRS 7 Financial Instruments: Disclosures** - Supplier Finance Arrangements (effective 1 January 2024).

Amendments to **IFRS 16 Leases** – Lease Liability in a Sale and Leaseback (effective 1 January 2024).

Amendments to **IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date yet to be set).

1.3 Going Concern

The financial information has been prepared on a going concern basis. The Group's business model has been enhanced following the three acquisitions in 2021 and 2022. The Group's operations have incurred a loss in the financial year whilst the Group's products and services continue to be enhanced, developed and brought to market. The Directors' forecast in 2024 shows a trading loss with net cash outflows as the business continues to develop and enhance its products and services and grows revenue. In 2023, the Group's operations have been supported by cash inflows from customers and from the issue of £2.62m loan notes during 2023 and further £0.275m in 2024.

The Directors have considered the Group's future and forecast business and cash requirements. The Directors have determined that the group wants to continue to expand, while having a clear and determined focus on a path to profitability, which is expected to require successful additional fundraise.

The Directors have concluded that these circumstances could give rise to a material uncertainty arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern if a further fund raise was unsuccessful. However, considering recent successful fund raises the Directors are confident that they can continue to adopt the going concern basis in preparing the financial statements.

The financial statements do not include any adjustment that may arise in the event that the Group is unable to raise finance, realise its assets and discharge its liabilities in the normal course of business.

1.4 Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control exists when then the Group has:

- the power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

All intra-Group transactions balances income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the Group entities to ensure consistency.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

The Group recognises revenue according to the principles of IFRS 15 using the five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction to the performance obligations in the contract
5. Recognise the revenue when (or as) the entity satisfies the performance obligation

The Group recognises revenue when it transfers control over service to a customer.

The major streams of revenue for the Group are highlighted below:

(a) Licence Income

Technology and product licensing revenue represents amounts earned for licenses granted under licensing agreements. Revenue is recognised over the subscription period from the start of a licensing agreement, as control is transferred to the customer, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenues relating to up-front payments are recognised when the obligations related to the revenues have been completed.

(b) Rendering of Services

Services relate to implementation and deployment fees for the technology and products licensed to customers. Revenue is recognised at a point in time when control is transferred to the customer and performance obligations satisfied.

(c) Consulting

Consulting revenue is recognised depending on the nature of the contract with customer. For contracts stating the objectives and deliverables for each part of the project, and the revenue attributable to each deliverable, the revenue is recognised when the performance obligation is met (when confirmation has been received from the customer that the work has been satisfactorily completed), primarily at a point in time. For recurring contracts with customers, which are based on a certain number of fixed advisory hours, the revenue is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Software Engineering Services

Revenues for software engineering services are recognised on the basis of input method, which uses the company's efforts or inputs to the satisfaction of a performance obligation.

Identifying performance obligations

At contract inception, the Group assess services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a service (or a bundle of services) that is distinct; or

(b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

In arriving at the performance obligations, the Group assessed the services as capable of being distinct and as distinct within the context of the contract after considering:

1. If the customer can benefit from the individual service on its own
2. If the customer can use the service with other readily available resources
3. If multiple promised services work together to deliver a combined output(s)
4. Whether the service is integrated with, highly interdependent on, highly interrelated with, or significantly modifying or customising, other promised services in the contract

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) – note 1.13.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

1.6 Functional and presentation currency

The presentation currency of the Group is pounds sterling (GBP). The functional currency of the Company is pounds sterling. The functional currency of the Company's polish subsidiary is Polish Zloty (PLN).

1.7 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash generating unit ("CGU") that is expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised directly in the income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.8 Foreign operations

In preparing the financial statements of the group entities, transactions in currencies other than Pound sterling (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

1.9 Intangible assets – research and development

Expenditure on research is written off in the period in which it is incurred.

Development expenditure incurred on specific projects is capitalised where the management is satisfied that the following criteria have been met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

1.10 Property, plant and equipment

Property, plant and equipment is stated at purchase price less accumulated depreciation and impairment losses. The cost includes all expenses directly related to the purchase of a relevant asset.

All other repair and maintenance costs are charged to the income statement for the period during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.11 Depreciation and amortisation

Each item of property, plant and equipment is depreciated using the straight-line method over the estimated useful life and depreciation charge is included in the income statement for the period.

The depreciation is charged to the income statement for the period and determined using the straight-line method over the estimated useful life of the item of property, plant and equipment.

The expected useful lives of property, plant and equipment in the reporting and comparative period are as follows:

	Useful lives in years
Computers	3.33
Furniture & fittings	3.33

Computer software development expenditure recognised as assets is amortised on a straight-line basis over their estimated useful lives, which does not exceed 5 years.

1.12 Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

1.13 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial instruments are classified in accordance with the principles of IFRS 9 Financial Instruments.

1.13 a Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Expected credit loss measurement

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

1.13 b Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the parent company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and gets released to the retained earnings over the period of the bond to offset against the amortised cost release. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at "Fair Value Through Profit or Loss" ("FVTPL").

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which IFRS 3 applies, or it is designated as at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The convertible loan notes issued by the Group are classified as financial liabilities when a conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a variable number of the parent company's own equity instruments. The notes are recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The difference between the fair value (i.e. future cash flows discounted at the effective interest rate) of the convertible loan notes and the transaction price (contractual amount) principal is recognised as a gain or loss through profit or loss on initial recognition of the financial liability.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

1.14 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an administrative expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

1.15 Taxes

Current tax is calculated using rates and laws enacted or substantively enacted at the reporting date. Current tax is recognised in profit or loss unless it relates to an item of other comprehensive income or equity whereby it is recognised in other comprehensive income or equity respectively.

Deferred income tax is calculated using rates and laws enacted or substantively enacted at the reporting date that are expected to apply on reversal of the related temporary difference, and is determined in accordance with the expected manner of recovery of the related asset.

Deferred income tax is recognised in profit or loss unless it relates to an item of other comprehensive income or equity whereby it is recognised in other comprehensive income or equity respectively.

1.16 Share Based Payments

On occasion, the Company has made share-based payments to certain Directors and employees by way of issue of share options. The fair value of these payments is calculated by the Company using the binomial option valuation model and Monte Carlo simulation model.

The expense, where material, is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of shares that will eventually vest.

1.17 Investments

Shares in subsidiary undertakings are stated at cost less provision for impairment.

If there is objective evidence that the Group's net investment in subsidiary is impaired, the requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Unlisted investments are measured at fair value through profit or loss. Fair value measurements are estimated based on the amounts for which the assets could be exchanged at the relevant transaction date or reporting period end and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions may not exist.

1.18 Intercompany Financing arrangements

The amortised cost methodology is applied to the financing arrangement between the Company and subsidiaries Crossword Consulting Limited and Stega UK Limited. An assessment in undertaken to determine the market rate of interest for a similar loan given the credit rating of the subsidiaries to apply discounting with the principal conceptually including a financing element. The difference between the discounted loan balance at inception of the loan and the principal are treated as a capital contribution in the subsidiaries.

1.19 Pension Obligations

The Group operates a defined contribution pension scheme for employees in the United Kingdom. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity.

Contributions payable to the Group's pension scheme are charged to the income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

In Poland, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. The Group implemented the Employee Capital Plans (PPK) programme which involved employee consultation and selection of a financial institution.

1.20 Cash and Cash Equivalents

Cash comprises cash-in-hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from the date of acquisition.

1.21 Accounting for Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the income statement in the period in which they become receivable.

1.22 Critical accounting estimates and judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the key judgements that the directors have made which involve sources of estimation uncertainty and have the significant effect on the amounts recognised in the financial information. There are no further critical accounting judgements.

Convertible Loans

The Group has given consideration to the measurement and presentation of the convertible loans.

In the measurement of financial liability, a reasonable estimate of the Group's cost of debt is used.

Accounting for investment in subsidiaries

An assessment of the carrying value in the Company of the investment in subsidiaries is undertaken using an NPV model over the projected cash flows, with a discount rate based on the assessment of weighted average cost of capital. The assessment also requires an estimate of a schedule for repayment of long and short term intercompany loans.

Impairment

The Group assesses goodwill and intangible assets for possible impairment. The testing for impairment involves comparing the carrying value of the cash generating unit with its recoverable amount, that is, the higher of fair value less cost to sell and value in use.

Intercompany loans

Intergroup lending agreements are assessed by applying expected credit losses method based on the management estimates for probability of default.

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has taxable temporary differences that partly support the recognition of the losses as deferred tax assets based on the above. The Group has determined that it cannot recognise deferred tax assets on all of the tax losses carried forward however, based on the likely characteristics, timing and level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in note 11.

Other estimates

These estimates do not carry significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of options granted to employees

The Group uses the Binomial model and Monte Carlo simulation model in determining the fair value of options granted to employees under the Group's various share schemes. The determination of the fair value of options requires a number of assumptions. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award. Details of the assumptions used are shown in note 4.

2 REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue for each period for its continuing operations, is as follows:

£	Group 2023	Group 2022
Revenue from the sale of goods/licences	881,938	479,849
Revenue from the rendering of services	58,600	64,667
Revenue from consulting services	3,098,058	3,013,884
Software engineering revenue	154,400	89,600
Total Revenue	**4,192,996**	**3,648,000**

The IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are two operating segments established in accordance to differences in products and services provided - Software product and Services and Engineering Services and Consulting and Managed Services.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information regarding the Group's reportable segments is presented below:

2023	Software product and Services and Engineering Service	Consulting and Managed Services	Eliminations	Total
	£	£	£	£
Revenue	1,094,938	3,297,537	(199,480)	4,192,996
Cost of Sales	(522,091)	(2,616,818)	144,198	(2,994,711)
Gross Profit	**572,847**	**680,719**	**(55,281)**	**1,198,285**
Administrative expenses	(3,526,531)	(999,175)	55,281	(4,470,425)
Other operating expense	(407,757)	(9,444)	-	(417,201)
Financial income and expenses	(269,695)	(181,968)	-	(451,663)
Loss for the period before taxation	**(3,631,136)**	**(509,868)**	-	**(4,141,004)**
Tax credit / (expense)	195,399	30,846	-	226,245
Loss for the Period	**(3,435,737)**	**(479,022)**	-	**(3,914,759)**
Total Comprehensive Loss	(3,436,918)	(479,022)	-	(3,915,940)
Segment assets	9,224,251	1,921,925	(4,606,549)	6,539,637
Segment liabilities	5,975,766	3,676,326	(3,689,294)	5,962,798
EBITDA	**(2,945,587)**	**(326,551)**	-	**(3,272,138)**

2022	Software product and Services and Engineering Service	Consulting and Managed Services	Eliminations	Total
	£	£	£	£
Revenue	634,116	3,131,103	(117,219)	3,648,000
Cost of Sales	(136,287)	(2,619,375)	-	(2,755,662)
Other income	39,814	-	-	-
Gross Profit	**537,643**	**511,728**	**(117,219)**	**932,152**
Administrative expenses	(4,561,425)	(523,292)	117,218	(4,967,499)
Other operating expense	(226,447)	(78,010)	-	(304,457)
Financial income and expenses	(29,958)	(197,090)	-	(227,048)
Loss for the period before taxation	**(4,280,186)**	**(286,666)**	-	**(4,566,852)**
Tax credit / (expense)	1,144,302	-	-	1,144,302
Loss for the Year	**(3,135,884)**	**(286,666)**	-	**(3,422,550)**
Total Comprehensive Loss	(3,134,102)	(286,666)	-	(3,420,768)
Segment assets	10,413,274	1,594,370	(3,367,738)	8,639,905
Segment liabilities	4,234,893	2,649,280	(2,404,869)	4,479,304
EBITDA	**(4,023,782)**	**(11,565)**	-	**(4,035,347)**

During the year ended 31 December 2023 approximately 15% (2022: 14%) of the consolidated entity's external revenue was derived from sales to a major United Kingdom client in Cybersecurity consulting segment. No other clients accounted for 10% or more of the consolidated entity's external revenue.

No analysis of net assets by geographic segment is provided as the net assets are principally all within the UK.

3 EXPENSES BY NATURE

£	Group 2023	Group 2022
Staff and related costs	5,274,424	4,914,076
Consultancy and related costs	567,672	854,972
Professional fees	714,504	808,910
Property related costs	368,787	201,590
Depreciation	28,176	11,287
Amortisation	389,025	293,170
Capitalised costs	(348,094)	(162,680)
Other expenses	887,842	1,106,293
Total cost of sales, administrative and other operating expenses	**7,882,337**	**8,027,618**

Included in Cost Of Sales

£	Group 2023	Group 2022
Staff and related costs	2,256,838	1,874,960
Consultancy and related costs	567,672	854,972
Other expenses	170,201	25,730
Total cost of sales	**2,994,711**	**2,755,662**

Included in Administrative expenses

£	**Group 2023**	**Group 2022**
Staff and related costs	3,017,586	3,039,116
Professional fees	714,504	808,910
Property related costs	368,787	201,590
Capitalised costs	(348,094)	(162,680)
Other expenses	717,642	1,080,563
Total administrative expenses	**4,470,425**	4,967,499

Administrative expenses include-short term lease expense of £318,143 (2022: £188,643).

Expenses by geographic location

£	**Group 2023**	**Group 2022**
UK	6,974,775	7,355,231
Poland	812,638	672,387
Oman	94,924	-
Total cost of sales, administrative and other operating expenses	**7,882,337**	**8,027,618**

4 STAFF COSTS

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

£	Group 2023	Group 2022	Company 2023	Company 2022
Wages and salaries:				
• Administrative	2,043,075	2,342,943	2,006,440	2,066,066
• Consulting	2,001,988	1,719,588	-	-
• Research and development	592,278	348,910	-	-
Social security costs	558,279	432,124	240,814	231,583
Other pension costs	78,804	70,511	51,991	47,838
	5,274,424	**4,914,076**	**2,299,245**	**2,345,487**

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

	Group 2023	Group 2022	Company 2023	Company 2022
Staff	50	52	25	30
Directors	11	11	8	8
Total	**61**	**63**	**33**	**38**

Share based payments

The amount recognised in respect of share based payments was £6,203 (2022: £130,452).
The Group has established share option programmes that entitle certain employees to purchase shares in the Group. There are no performance conditions attaching to these options. No options were exercised in 2023 (2022: None).

Total options issued as at 31 December 2023 amount to 2,908,923 (2022: 2,273,653).

- The share options have been valued using a binomial model applying the following inputs:
- Exercise price – equal to the share price at grant date,
- Vesting date – all options vest in three tranches, on the first, second and third anniversary from the grant date;
- Expiry/Exercise date – 10 years from the grant date;
- Volatility (sigma) – 40%. This has been calculated based on the historic volatility of the Company's share price.
- Risk free rate – yield on a zero coupon government security at each grant date with a life congruent with the expected option life;
- Dividend yield – 0%,
- Future staff turnover – 0%. We have however adjusted the P+L charge for the current year (and future years) to account for forfeited options due to leavers; and
- Performance conditions – none.

Reconciliation of share options – Company

		Weighted average exercise price		Weighted average exercise price
	2023	2023	2022	2022
	£	£	£	£
1st January	2,273,653	0.36	2,348,653	0.36
Granted during the period	775,270	0.09	10,000	0.33
Lapsed during the period	(140,000)	0.32	(85,000)	0.34
End of the period	**2,908,923**	**0.29**	**2,273,653**	**0.36**

The weighted average share Price at the exercise date was £0.29.
The range of exercise prices is from £0.05 to £0.55.
The weighted average remaining life of the options was 5.5 years (2022: 6.5 years).

5 DIRECTORS' REMUNERATION

The remuneration of the Directors who served in the current year was as follows:

2023 £	Basic Salary and Fees	Bonus	Taxable Benefit	Employer's Pension Contribution	Total
Executive Directors					
Tom Ilube	130,000		4,237	771	135,007
Mary Dowd*	175,000		2,506	20,000	197,506
Non-Executive Directors					
Sir Richard Dearlove	25,000		25,000		50,000
Ruth Anderson	12,000				12,000
Andy Gueritz	16,000				16,000
Dr David Secher	16,000				16,000
Robert Coles	12,000				12,000
Tara Cemlyn-Jones	12,000				12,000
Total	**398,000**	**-**	**31,742**	**20,771**	**450,513**

* Denotes highest paid director

2022 £	Basic Salary and Fees	Bonus	Taxable Benefit	Employer's Pension Contribution	Total
Executive Directors					
Tom Ilube	130,000		3,926	1,321	135,247
Mary Dowd*	140,000	10,000	2,216	10,000	162,216
Non-Executive Directors					
Sir Richard Dearlove	25,000		25,000		50,000
Ruth Anderson	12,000				12,000
Andy Gueritz	16,000				16,000
Dr David Secher	16,000				16,000
Robert Coles	12,000				12,000
Tara Cemlyn-Jones	12,000				12,000
Total	**363,000**	**10,000**	**31,742**	**11,321**	**415,463**

* Denotes highest paid director

In the year ended 31 December 2023, certain of the directors received remuneration (which is included in the amounts above) through payments by the Company to third parties as follows: £12,000 was paid to Cumberland House Consulting Ltd for the services of R Coles (2022: £12,000); £12,000 was paid to Caprica Nelson Ltd for the services of R Anderson (2022: £12,000); £16,000 was paid to Cambridge KT Ltd for the services of D Secher (2022: £16,000).

Share Options issued

	Year	Share Options	Exercise Price	Total Value
Mary Dowd	2020	25,000	£0.31	£2,903
Sir Richard Dearlove	2020	94,340	£0.27	£9,496
Sir Richard Dearlove	2021	70,423	£0.36	£25,000
Sir Richard Dearlove	2023	270,270	£0.09	£25,000

In 2021 the Company implemented a Long Term Incentive Plan (LTIP) whereas awards have been made to the following executives - Mary Dowd, Stuart Jubb, Jake Holloway and Sean Arrowsmith. Each award is of nominal cost (£0.005) options to acquire up to 750,000 Crossword ordinary shares of 0.5p each which vest at the average mid-market price of the Ordinary Shares over the 20 trading days preceding the end of the performance period which ends on 30 September 2024. 25% of the options will vest if the Award Price is 50p, and 100% will vest if the Award Price is equal to or greater than 100p, with straight line vesting between 50p and 100p. Jake Holloway and Sean Arrowsmith have left the Company during 2023 and the LTIP is no longer applicable to them.

6 OTHER INCOME

	Group 2023 £	Group 2022 £
Grant Income	-	39,814
	-	**39,814**

6 OTHER OPERATING EXPENSE

	Notes	Group 2023 £	Group 2022 £
Amortisation of intangible assets	12	389,025	293,170
Depreciation of property, plant and equipment	13	19,945	11,287
Depreciation of right-of-use assets	13	8,231	-
		417,201	**304,457**

8 FINANCE COSTS

	Group 2023 £	Group 2022 £
Finance cost of loan notes	377,322	272,400
Interest on deferred consideration	86,010	115,766
Interest expense on lease liabilities	2,934	-
Other interest expense	1,806	7,596
	468,072	**395,762**

9 GAIN ON MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

	Group 2023 £	Group 2022 £
Gain on remeasurement of contingent consideration	-	170,283
Gain on initial recognition of convertible loan notes at fair value	482,087	-
Loss on revaluation of investment in CyberOwl	(456,834)	-
	25,253	**170,283**

10 AUDITOR'S REMUNERATION

The expenses for services rendered by the Group auditor present themselves as follows:

£	Group 2023 £	Group 2022 £
Fees for the parent company individual and consolidated financial statements	47,600	41,400
Fees for legal audit of subsidiary financial information	20,400	24,050
	68,000	**65,450**

11 TAX

Income tax £	Group 2023 £	Group 2022 £
UK corporation tax	(270,004)	(753,288)
Foreign tax on income for the year	7,834	6,115
Adjustment in respect of prior periods	35,925	-
Deferred tax credit	-	(397,129)
Total tax (credit) / expense	**(226,245)**	**(1,144,302)**

There is no tax charge in respect of other comprehensive income.

Corporation tax losses carried forward for offset against future year's trading profits amount to approximately £14.2m (2022: £8.5m).

£	Group 2023	Group 2022
Loss before taxation	4,141,004	4,566,852
Average rate of corporation tax	23.52%	19.00%
Tax on loss	(973,964)	(867,702)
Effects of:		
Expenses not deductible for tax purposes	217,950	116,084
Additional deduction for R&D expenditure	(293,631)	(164,009)
Surrender of tax losses for R&D tax credit refund	365,059	-
Adjustments in respect of prior period	35,924	(354,777)
Tax rate changes / adjustments	2,467	(12,199)
Deferred tax not recognised	423,174	138,301
Other changes	(3,224)	-
Total tax charge	**(226,245)**	**(1,144,302)**

12 INTANGIBLE ASSETS

Software Development £	Group 2023	Group 2022	Company 2023	Company 2022
Cost b/f	3,039,473	1,141,560	2,429,447	531,534
Acquired through business combinations	-	1,694,287	-	1,694,287
Additions	348,093	203,627	348,093	203,627
	3,387,566	**3,039,473**	**2,777,540**	**2,429,447**
Accumulated Amortisation				
B/F	331,050	37,881	232,241	9,931
Charge for the period	389,025	293,169	318,164	222,310
C/d	720,075	331,050	550,405	232,241
Net Book Value	**2,667,491**	**2,708,423**	**2,227,135**	**2,197,206**

Intangible assets comprise of 6 different software development projects with remaining useful life of approximate between 5 and 10 years each and the carrying amounts of £940,932, £810,244, £344,206, £221,803, £184,631 and £165,675.

The intangible assets have been evaluated to determine whether there are any indicators of impairment. Assessment of the recoverable value for software development assets has been based on calculating the value in use, which is equal to net present value of the future cash flows. The cash flow projections are based on the most recent 2 year forecast extrapolated to 5 years with a growth rate for revenue between 25% and 50% and costs of 10%. The pre-tax discount rate used in the calculation was 26%.

Please refer to note 14 for matters relating to impairment assessment for Nightingale product.

13 PROPERTY, PLANT AND EQUIPMENT

Software Development

£	Group 2023	Group 2022	Company 2023	Company 2022
Cost b/f	82,023	31,845		
Additions	-	48,971		
Acquired through business combinations	-	1,207		
Disposals	(1,098)	-		
	80,925	**82,023**	-	-

Accumulated Depreciation

B/F	36,984	26,385		
Charge for the period	19,945	11,287		
Disposals	(1,098)	0		
Translation adjustments	(104)	(688)		
C/d	**55,727**	**36,984**	-	-
Net Book Value	**25,197**	**45,039**		

Furniture and Fittings

£	Group 2023	Group 2022	Company 2023	Company 2022
Cost b/f	15,157	15,157	15,157	15,157
Additions	7,129		7,129	
	22,286	**15,157**	**22,286**	**15,157**

Accumulated Depreciation

B/F	15,157	15,157	15,157	15,157
Charge for the period	-	-	-	-
C/d	**15,157**	**15,157**	**15,157**	**15,157**
Net Book Value	**7,129**	-	**7,129**	-

Right of Use Assets

£	Group 2023	Group 2022	Company 2023	Company 2022
Cost b/f	-	-	-	-
Additions	197,536	-	197,536	-
	197,536	-	197,536	-

Accumulated Depreciation

B/F	-	-	-	-
Charge for the period	8,231	-	8,231	-
C/d	**8,231**	-	**8,231**	-
Net Book Value	**189,305**	-	**189,305**	-

Total

£	Group 2023	Group 2022	Company 2023	Company 2022
Cost b/f	97,180	47,002	15,157	15,157
Additions/(disposals)	204,665	48,971	204,665	-
Acquired through business combinations	-	1,207	-	-
Disposals	(1,098)	-	-	-
	300,746	**97,180**	219,822	**15,157**

Accumulated Depreciation

B/F	52,141	41,542	15,157	15,157
Charge for the period	28,176	11,287	8,231	-
Translation adjustments	(104)	(688)	-	-
Disposals	(1,098)	-	-	-
C/d	**79,115**	**52,141**	**23,388**	**15,157**
Net Book Value	**221,631**	**45,039**	**196,434**	-

14 GOODWILL

The goodwill arises on acquisition of Stega UK Ltd in 2021 and forms a part of Nightingale cash generating unit. The goodwill has been tested for impairment alongside Intangible asset of NBV of £184,631 allocated to the same unit. The recoverable amount has been determined by value in use calculation. The cash flow projections are based on the most recent 2 year forecast prepared by management and extrapolated to 5 years with a growth rate for revenue of 25% and costs between 10% and 15%, these are based primarily on past experience. The pre-tax discount rate used in the calculation was 26%.

At 2023 year end the recoverable amount was determined to be higher than the value of goodwill and NBV attributable to Nightingale, therefore, no impairment has been recorded.

£	Group 2023	Group 2022
B/F	875,277	875,277
C/F	**875,277**	**875,277**

15 UNLISTED INVESTMENTS

£	Group 2023	Group 2022	Company 2023	Company 2022
Fair value at 1 January	456,834	456,834	456,834	456,834
Additions	68,000	-	68,000	-
Revaluation	(456,834)	-	(456,834)	-
Fair value at 31 December	68,000	**456,834**	68,000	**456,834**

The above Group investment represents Crossword Cybersecurity Plc's 2023 – 3.1% (2022 – 3.1%) holding in CyberOwl. During 2023 the Group participated in the fundraising event to acquire preference shares in CyberOwl in order to maintain the same shareholding.

At the end of the reporting period the value of investment has been impaired based on unobservable inputs representing management's best estimate of the value of the investment.

16 INVESTMENT IN SUBSIDIARIES

£	Company 2023	Company 2022
Cost b/f 1 January	1,649,145	1,637,518
Acquired during the year	-	1,341,420
Transfer to intangibles on hive up	-	(1,270,715)
Reversal of contingent consideration	-	(170,283)
Capital contribution	687,571	111,205
Cost c/f 31 December	**2,336,716**	**1,649,145**

The Group's subsidiary undertakings are listed below, including name, country of incorporation, and proportion of ownership interest.

Name	Registered office	Principal activity	2023 %	2022 %
Crossword Consulting Limited	6th Floor, 60 Gracechurch Street, London EC3N 0HR United Kingdom	Cybersecurity services	90	90
Crossword Cybersecurity SP Z.o.o.	ul. Wiejska 12a, 00-490 Warszawa, Poland	Cybersecurity services	100	100
Stega UK Ltd	6th Floor, 60 Gracechurch Street, London EC3N 0HR United Kingdom	Cybersecurity services	100	100
Verifiable Credentials Ltd	6th Floor, 60 Gracechurch Street, London EC3N 0HR United Kingdom	Cybersecurity services	90	90
Threat Status Ltd	6th Floor, 60 Gracechurch Street, London EC3N 0HR United Kingdom	Cybersecurity services	100	100

Verifiable Credentials Ltd, a company incorporated in England and Wales, registered No 11923813 and Threat Status Ltd, a company incorporated in England and Wales, registered No 10877044, are exempt from the requirements from the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

17 TRADE AND OTHER RECEIVABLES

£	Group 2023	Group 2022	Company 2023	Company 2022
Trade receivables	1,223,289	1,110,697	1,002,708	505,451
Other receivables	179,946	524,721	147,522	445,603
Prepayments	233,829	239,066	179,549	183,160
Accrued income	39,107	133,883	-	23,383
VAT Refund	-	69,683	-	46,421
Intercompany receivables within one year	-	-	340,043	714,507
	1,676,171	**2,078,050**	**1,669,822**	**1,918,525**

All of the above amounts are considered to be due within one year.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

£	Group 2023	Group 2022	Company 2023	Company 2022
Fair value at 1 January	13,000	7,000	-	-
Additions	7,700	6,000	-	-
Revaluation	(13,000)	-	-	-
Fair value at 31 December	**7,700**	**13,000**	-	-

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision.

The maximum exposure to credit risk at the reporting date is the carrying value as above and the cash and cash equivalents and none are either past or impaired.

Of the above amounts held within the Group, £18,608 is denominated in Polish Zloty and £916 in Omani Rial with the remainder in GBP (2022: £32,735 in Polish Zloty).

Foreign exchange risk is currently minimal as balances in Polish Zloty and Omani Real are between the parent and its subsidiaries.

18 TRADE AND OTHER PAYABLES

£	Group 2023	Group 2022	Company 2023	Company 2022
Trade payables	400,748	659,282	794,117	1,025,828
Employment taxes and VAT payable	349,359	306,168	64,351	69,300
Accruals	429,451	434,705	278,948	187,197
Contract liabilities	431,161	460,853	246,577	279,125
Deferred consideration	562,532	568,146	562,532	568,146
Lease liability	88,709	-	88,709	-
Otherpayables	71,801	27,629	183,610	17,179
	2,333,761	**2,456,783**	**2,218,844**	**2,146,775**

All of the above amounts are considered to be due within one year.

The contract liabilities relate to deferred revenue arising from contracts with customers.

Of the Trade and Other Payables amounts held within the Group, £72,110 (2022: £83,965) is denominated in Polish Zloty and £80,639 in Omani Rial (2022: Nil) with the remainder in GBP.

19 OTHER CURRENT LIABILITIES

£	Group 2023	Group 2022	Company 2023	Company 2022
Bank loan	17,000	17,000	-	-
Fair value at 31 December	**17,000**	**17,000**	-	-

20 OTHER NON-CURRENT LIABILITIES

£	Group 2023	Group 2022	Company 2023	Company 2022
Deferred consideration	-	492,151	-	492,151
Lease liability	102,224	-	102,227	-
Deferred grant income	132,693	132,692	-	-
Fair value at 31 December	**234,917**	**624,843**	**102,227**	**492,151**

21 SHARE CAPITAL

Allotted called up and fully paid

Number of shares (all ordinary shares £0.005 each)	2023	2022
B/F	92,403,715	74,957,150
Shares Issued in period	1,313,926	17,446,565
C/F	**93,717,641**	**92,403,715**

The shares issued in the period were ordinary shares of £0.005 at a premium of £215,457 (2022: £3,563,151).
All shares carry the same voting and capital distribution rights.

£ Share Capital	2023	2022
Cost b/f	462,019	374,786
Shares Issued in period	6,570	87,233
	468,589	**462,019**

£ Share Premium	2023	2022
B/f	18,534,372	14,971,221
Shares Issued in period	215,457	3,563,151
C/d	**18,749,829**	**18,534,372**

22 LOSS PER SHARE

Earnings per share is calculated by dividing the loss for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

During the year the calculation for basic loss per share was based on the loss for the year attributable to owners of the parent of £3,896,106 (2022: £3,408,149) divided by the weighted average number of ordinary shares of 93,466,981 (2022: 80,022,937).

23 RESERVES

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share capital	This represents the nominal value of shares issued
Share premium	Amount subscribed for share capital less any issue costs more than nominal value
Convertible debt reserve	The residual amount after deducting from the fair value of the convertible loan notes the liability component
Equity reserve	Represents amounts charged on share options that have been granted to employees
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Translation of foreign operations	Is the difference that arises due to consolidation of foreign subsidiaries using an average rate during the period and a closing rate for the period end statement of financial position

24 FINANCIAL INSTRUMENTS

£ **Current Financial Assets**	**Group 2023**	**Group 2022**	**Company 2023**	**Company 2022**
Financial assets measured at amortised cost				
Trade and other receivables	1,442,342	1,769,301	1,490,273	1,688,943
Cash and cash equivalents	730,946	2,077,771	457,376	1,746,530
Non-Current Financial Assets				
Financial assets measured at amortised cost				
Loan to subsidiary	-	-	972,449	1,067,185
Financial assets measured at fair value through profit or loss				
Financial investments	68,000	456,834	68,000	456,834
	2,241,288	**4,303,906**	**2,988,098**	**4,959,493**

The financial investments comprise of investment in CyberOwl Ltd, which has been revalued on the basis of valuation of preference shares held in the company. This methodology of determining a fair value equates to a level 3 assessment based on unobservable inputs.

£ **Current Financial Liabilities**	**Group 2023**	**Group 2022**	**Company 2023**	**Company 2022**
Financial liabilities measured at amortised cost				
Trade and other payables	1,553,240	1,689,761	1,907,917	1,798,351
Loans	17,000	17,000	-	-
Finance lease obligations	88,709	-	88,709	-
Non-Current Financial Assets				
Financial liabilities measured at amortised cost				
Loans	34,000	51,000	-	-
Convertible loan notes	3,343,121	1,329,678	3,343,121	1,329,678
Finance lease obligations	102,224	-	102,227	-
Non-current deferred consideration	-	492,151	-	492,151
	5,138,294	**3,579,590**	**5,441,974**	**3,620,180**

Out of £2,060,000 of new convertible loan notes issued in the year, £2,015,000 of convertible loan notes were accounted for as financial liability and initially measured at fair value (and subsequently measured at amortised cost) with a gain of £482,087 recorded in the Income Statement. The remaining £605,000 were accounted for as a compound instrument resulting in an equity component on initial recognition of £103,948 recorded in Convertible debt reserve.

25 FINANCIAL INSTRUMENTS – RISK

The Group could be exposed to risks that arise from its use of financial instruments. Risks in relation to financial assets include:

Market risk

Market risk covers foreign exchange risk, price risk and interest rate risk.

As the majority of the Group's transactions are either in Sterling or in Polish Zloty the Group considers its exposure to foreign exchange risk to be minimal.

There are no derivatives and hedging instruments.

The Group is not exposed to price risk given that no securities are held under financial assets.

The Group is not exposed to interest rate or cash flow risk due to the fact that the Group has no borrowing or complex financial instruments.

Credit risk

Credit risk is considered to be the risk of financial loss incurred by the Group in the event that a customer or counterparty to an asset fails to meet contractual obligations. The Group has adopted a policy of only dealing with credit worthy counterparties.

The Group's maximum credit exposure at the reporting date is represented by the carrying value of its financial assets. The Group's financial instruments do not represent a concentration of credit risk since the Group deals with a variety of counterparties.

Financial Assets

£	Group 2023	Group 2022	Company 2023	Company 2022
Cash and cash equivalents	730,946	2,077,771	457,376	1,746,530
Trade and other receivables	1,442,342	1,769,301	1,490,273	1,688,943
Loan to subsidiary	-	-	1,312,492	1,781,692
Financial investments	68,000	456,834	68,000	456,834
Total	**234,917**	**4,303,906**	**3,328,142**	**5,673,999**

Liquidity risk

Management monitor rolling forecasts of the Group's liquidity reserves, cash and cash equivalents on the basis of expected cash flows and therefore monitors liquidity risk sufficiently.

Financial Liabilities	2023		2022	
£	due < 1 year	due 1 - 5 years	due < 1 year	due 1 - 5 year
Trade payables	400,748	-	659,282	-
Accruals	429,451	-	434,705	-
Deferred consideration	562,532	-	568,146	492,151
Other Payables	71,801	-	27,629	-
Loans	17,000	34,000	17,000	51,000
Convertible loan notes	-	3,343,121	-	1,329,678
Finance lease obligations	88,709	102,224	-	-
Total	**1,570,241**	**3,479,345**	**1,706,762**	**1,872,829**

26 CAPITAL MANAGEMENT

The Group considers its capital to comprise of its equity share capital, share premium, foreign exchange reserve, share options reserve and convertible debt reserve, less its accumulated losses. Quantitative detail is shown in the consolidated statement of changes in equity.

The directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors monitor a number of KPIs at both the Group and individual subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Group. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and to confirm that the Group has adequate resources to meet its working capital requirements.

27 PENSIONS

Employer contributions to the Group defined contribution pension scheme for employees in the United Kingdom were £87,954 (2022: £70,695). A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity.

Contributions payable to the Group's pension scheme are charged to the income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

In Poland, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes.

28 RELATED PARTY TRANSACTIONS

2023	Crossword Consulting Limited	Crossword Cybersecurity SP Z.o.o	Stega UK Limited	Verifiable Credentials Limited	Cumberland House Consulting Limited*
Services received from £	**157,479**	**884,060**	**42,000**	-	-
Services supplied to £	-	-	-	-	**637,350**
Balance trade payable to £	-	**363,820**	-	-	-
Balance trade receivable from £	**420,514**	-	**423,992**	**1,367**	**214,712**
Intercompany loan receivable from £	**1,326,069**	-	**157,251**	-	-
2022					
Services received from £	102,877	746,355	42,000	-	-
Services supplied to £	-	-	-	-	318,800
Balance trade payable to £	-	284,420	-	-	-
Balance trade receivable from £	143,779	-	156,870	1,385	54,235
Intercompany loan receivable from	1,178,367	-	88,818	-	-

* Dr Robert Coles is a director for both Cumberland House Consulting Ltd and Crossword Cybersecurity Plc

Tom Ilube, CEO, had made a loan of £250,000 to the Company in 2023. On 5 March 2024 the following directors made loans to the Company – Tom Ilube - £40,000, Sir Richard Dearlove - £15,000, Dr David Secher - £10,000, Dr Robert Coles - £100,000. All of the loans made by directors are on the same terms as the other Lenders as described in note 29.

The Company has a related party relationship with its key management who are the Executives: Tom Ilube, Mary Dowd, Jake Holloway, Sean Arrowsmith and Stuart Jubb, whose total compensation amounted to £773,535 (2022: £796,444). Jake Holloway and Sean Arrowsmith resigned during the year.

29 CONVERTIBLE LOAN NOTES

£	Convertible Loan Notes
B/f 2023	1,500,000
Additional loans issued in the period	2,620,000
C/d 2023	**4,120,00**

The discounted amount of the Convertible Loan Notes at the year end was £3,343,121 (2022: £1,329,678).

The gain on initial recognition of the convertible loan recorded as a liability on an amortised cost basis using the effective interest method is £482,087 (2022: nil).

The equity component of the new Convertible Loan Notes at the date of issue was £103,948 (2022: £195,685).

Repayment of the loan notes is at the end of the term, in cash, save that each lender may opt to convert part or all of their loan into Ordinary Shares at a certain fixed or variable price per share depending on agreement. On repayment of the Loans in cash, each lender will be issued warrants valid for three months to subscribe for Ordinary Shares representing 10% of the value of the Loan.

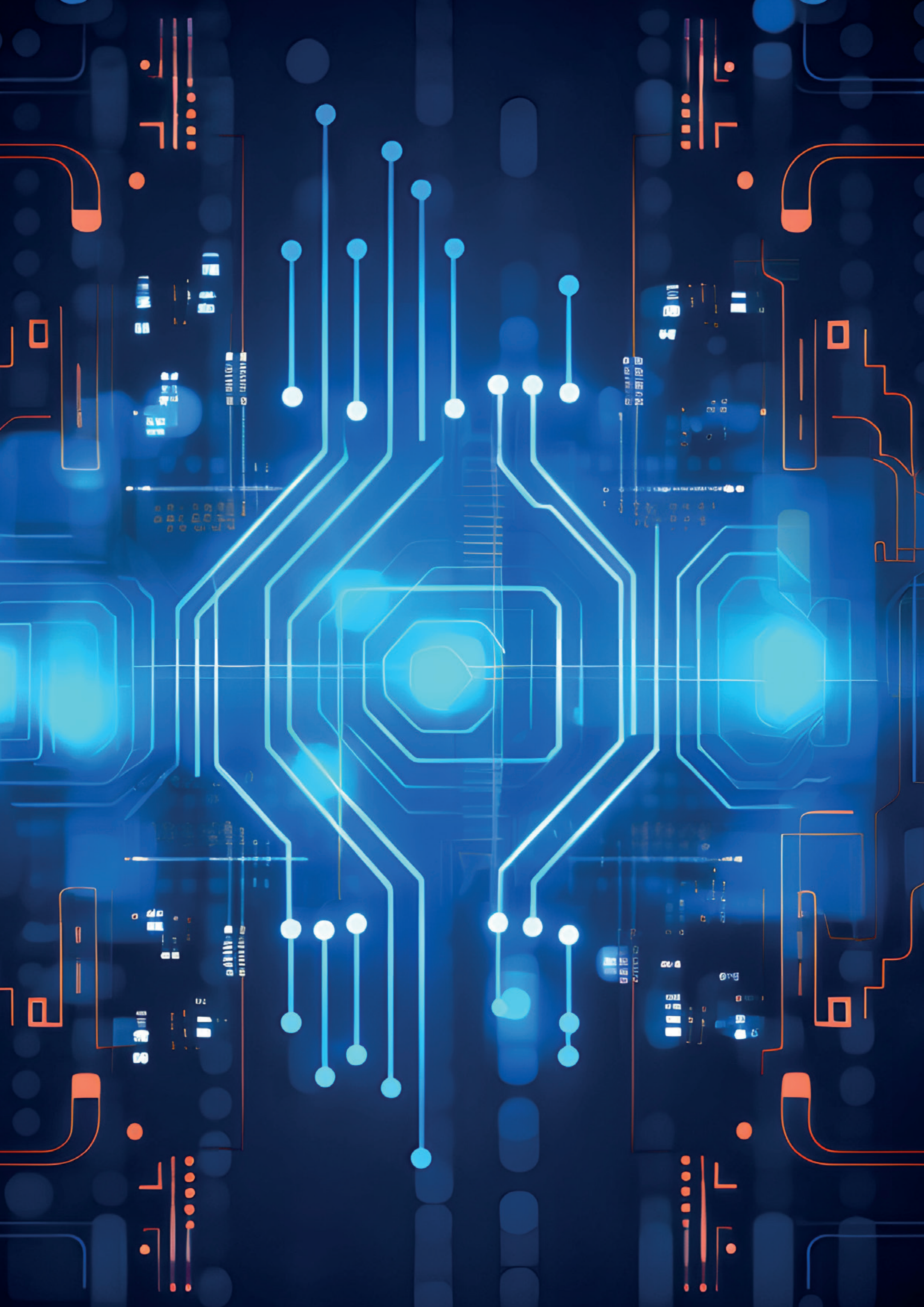
30 CONTROLLING PARTY

The Company does not have a controlling party.

31 SUBSEQUENT EVENTS

On 5 March 2024 the Company announced that it has entered into agreements for a five year, unsecured, convertible loan to the value of £275,000. The funds raised will be used to support sales and marketing, product and services development and to provide general working capital. The interest rate is fixed at 12% and is payable quarterly.

On 12 March 2024 the Company issued 7,749,226 new ordinary shares of 0.5 pence each in respect of the second anniversary deferred consideration of £450,000 for the acquisition of Threat Status Limited originally acquired in 2022.



NOTICE OF AGM

Notice is hereby given that the Annual General Meeting of Crossword Cybersecurity plc (the "Company") will be held at the offices of Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London EC3V 0HR on Thursday 23rd May 2024 at 3.00 pm to consider, and if thought fit, to pass the following resolutions, of which 1 to 7 will be proposed as Ordinary Resolutions and resolution 8 will be proposed as a Special Resolution:

ORDINARY BUSINESS

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2023 and the report of the auditors thereon.
2. To re-elect, as a director of the Company, Ruth Anderson who retires in accordance with Article 93.2 of the Company's Articles of Association and offers herself for re-election.
3. To re-elect, as a director of the Company, Andy Gueritz who retires in accordance with Article 93.2 of the Company's Articles of Association and offers himself for re-election.
4. To re-elect, as a director of the Company, David Secher who retires in accordance with Article 93.3 of the Company's Articles of Association and offers himself for re-election.
5. To re-elect, as a director of the Company, Stuart Jubb who retires in accordance with Article 93.1 of the Company's Articles of Association and offers himself for re-election.
6. To re-appoint MHA MacIntyre Hudson LLP as auditors of the Company and to authorise the directors to determine the auditor's remuneration.

SPECIAL BUSINESS

7. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of the Act) up to an aggregate nominal amount of £101,466.87 such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2025 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

8. THAT, subject to and conditional upon the passing of Resolution 7 the Directors be and they are hereby authorised pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution 7 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of Ordinary Shares in the capital of the Company held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory;

   (b) the allotment of equity securities arising from the exercise of options or the conversion of any other convertible securities outstanding at the date of this resolution; and

   (c) the allotment (otherwise than pursuant to sub-paragraph (a) and (b) above) of further equity securities up to an aggregate nominal amount of £101,466.87

provided that this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2025. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

B Harber
Company Secretary
22 April 2024

6th Floor
60 Gracechurch Street
London EC3V 0HR

NOTES

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. You can register your vote(s) for the Annual General Meeting either:
    - by visiting www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions;
    - by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;
    - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 5 below.
2. In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 3.00 pm on 21st May 2024.
3. Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member.
4. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
5. CREST members may appoint a proxy through CREST by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("a CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so that they are received by Share Registrars Limited (ID 7RA36) by 3.00 p.m. (UK time) on 21st May 2024 (or, if the meeting is adjourned, the time that is 48 hours (excluding non- working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or procure the taking of) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. The Company has specified that only those members entered on the register of members at 3.00 p.m. on 21st May 2024 shall be entitled to vote at the meeting in respect of the number of ordinary shares of £0.05 each in the capital of the Company held in their name at that time. Changes to the register after 3.00 p.m. on 21st May 2024 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. Resolutions 2 and 3 – Article 93.2 of the Company's Articles of Association require that a director of the Company who held office at the time of the two preceding annual general meetings and who did not retire at either of them must offer themselves for re-election at the next Annual General Meeting. This year Ruth Anderson and Andy Gueritz are offering themselves for re-election.
8. Resolution 4 – Article 93.3 of the Company's Articles of Association requires that a director of the Company who has been appointed for a period of nine years must offer themselves for re-election at each Annual General Meeting.
9. Resolution 5 – Having been appointed since the previous Annual General Meeting Stuart Jubb is offering himself for re-election in accordance with Article 93.1 of the Company's Articles of Association.

10. Resolution 7 – As required by the Act, this resolution, to be proposed as an Ordinary Resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the conclusion of the Annual General Meeting to be held in 2025, unless the authority is renewed or revoked prior to such time. If approved, this authority is limited to a maximum of 20,293,374 Ordinary Shares. This represents 20% of the issued share capital of the Company.

11. Resolution 8 – The Act requires that if the Directors decide to allot unissued Ordinary Shares in the Company the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore this resolution, to be proposed as a Special Resolution, seeks authority to enable the Directors to allot equity securities up to a maximum of 20,293,374 Ordinary Shares. This authority expires at the conclusion of the Annual General Meeting to be held in 2025 and represents 20% of the issued share capital.

COMPANY INFORMATION

DIRECTORS

- Sir Richard Dearlove (Chair)
- T Ilube (CEO)
- Dr D Secher
- A Gueritz
- R Anderson
- M Dowd
- Dr R Coles

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