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This document comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules published by the United Kingdom Financial Conduct Authority (the “FCA”), or filed with or approved by the United Kingdom Listing Authority (the “UKLA”).

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Enlarged Share Capital will commence on AIM on 14 December 2018. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UKLA.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of this document should be read. Your attention is drawn in particular to the risk factors set out in Part 2 of this document. All statements regarding the Company and its subsidiaries (the “Group”) should be read in light of these risk factors.

Crossword Cybersecurity plc

(Incorporated and registered in England and Wales with registered number 08927013)

**Placing of 577,589 Ordinary Shares and Subscription of 112,067 Ordinary Shares
of £0.05 each at 290p per Ordinary Share
and**

Admission of the Enlarged Share Capital to trading on AIM



An instinct for growth™

Grant Thornton UK LLP
Nominated Adviser



Hybridan LLP
Broker

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Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Grant Thornton at 30 Finsbury Square, London, EC2A 1AG for one month from Admission. This document is also available on the Company’s website, www.crosswordcybersecurity.com

IMPORTANT INFORMATION

General

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, New Zealand, South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Ordinary Shares have not been and will not be registered under the US Securities Act 1933 (as amended) nor under the applicable securities laws of any state of the United States or any province or territory of Canada, Australia, New Zealand, South Africa or Japan. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States, Canada, Australia, New Zealand, South Africa, Japan or to any resident of the United States, Canada, Australia, New Zealand, South Africa or Japan. No public offering of securities is being made in the United States. The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Ordinary Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Hybridan. No representation or warranty, express or implied, is made by Grant Thornton or Hybridan as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Grant Thornton or Hybridan as to the past, present or future. Neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors in the Placing and Subscription occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial, business or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Grant Thornton or Hybridan or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares and Subscription Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed “Risk Factors” in Part 2 of this document.

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or the examination of the prospective investor’s lawyers, financial advisers or tax advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this document and the prospective investor’s (or such prospective investor’s lawyers, financial advisers or tax advisers) own examination of the Company.

Investors who subscribe for or purchase Ordinary Shares in the Placing or Subscription will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton or Hybridan or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Hybridan.

None of the Company, the Directors, Grant Thornton or Hybridan, or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

Grant Thornton and/or Hybridan and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Grant Thornton and/or Hybridan and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

Forward-looking statements

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Group’s financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Bases and sources

Various market data and forecasts used in this document have been obtained from independent industry sources. The Company has not verified the data, statistics, or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above. Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. All times referred to in this document are, unless otherwise stated, references to London time.

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PLACING, SUBSCRIPTION AND ADMISSION STATISTICS

Placing and Subscription

Placing and Subscription Price	290 pence
Number of new Ordinary Shares to be issued pursuant to the Placing and Subscription	689,656
Estimated gross proceeds of the Placing and Subscription	£2.00 million
Estimated net proceeds of the Placing and Subscription receivable by the Company ¹	£1.49 million

Admission

Number of Ordinary Shares in issue immediately prior to Admission	3,990,074
Number of Ordinary Shares in issue immediately following Admission	4,679,730
Percentage of Enlarged Share Capital represented by the Placing Shares and Subscription Shares at Admission	14.7 per cent.
Estimated market capitalisation of the Company based on the Placing Price, and Subscription Price immediately following Admission	£13.6 million
TIDM	CCS
ISIN	GB00BPFJXS57
LEI	213800FJNKGZBUSOZQ63

Notes:

- 1 Net proceeds receivable by the Company are stated after deducting the total expenses of the Placing, Subscription and Admission of approximately £510,000.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	7 December 2018
Delisting from the NEX Exchange Growth Market	13 December 2018
Admission becoming effective and commencement of dealings in the Ordinary Shares on AIM	14 December 2018
CREST accounts credited, where applicable	14 December 2018
Dispatch of definitive share certificates, where applicable	By 28 December 2018

References to times and dates in the timetable above are to London, time unless otherwise stated. Each of the times and dates in the above timetable is subject to change.

COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

Company	Crossword Cybersecurity plc
Directors	Sir Richard Dearlove KCMG OBE, <i>Chairman</i> Thomas (Tom) Ilube CBE, <i>Chief Executive Officer</i> Mary Dowd, <i>Finance Director</i> Ruth Anderson, <i>Independent Non-Executive Director</i> Andrew Gueritz, <i>Independent Non-Executive Director</i> Gordon Matthew, <i>Non-Executive Director</i> Dr David Secher, <i>Independent Non-Executive Director</i> Professor David Stupples, <i>Non-Executive Director</i>
Company secretary	Ben Harber, Shakespeare Martineau LLP
Registered office	6th Floor, 60 Gracechurch Street London EC3V 0HR
Head office of the Company	1st Floor, Midmoor House 1-2 Kew Road Richmond Upon Thames TW9 2NQ 020 3953 8460
Website	www.crosswordcybersecurity.com
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Broker	Hybridan LLP 20 Ironmonger Lane London EC2V 8EP
Legal advisors to the Company as to English law	Shakespeare Martineau LLP 60 Gracechurch Street London EC3V 0HR
Legal advisors to the Nominated Adviser and Broker	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
Auditors to the Company	MHA MacIntyre Hudson LLP New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ
Reporting Accountant	PKF Littlejohn LLP 1 Westferry Circus London E14 4HD
NEX Corporate Adviser	Alfred Henry Corporate Finance Limited Finsgate, 5-7 Cranwood Street London EC1V 9EE
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

Admission	the admission of the Enlarged Share Capital to trading on AIM, becoming effective in accordance with Rule 6 of the AIM Rules for Companies
AIM	the AIM market of the London Stock Exchange
AIM Rules for Companies	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of AIM
AIM Rules for Nominated Advisers	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
Articles	the Articles of Association of the Company
Board	the Board of Directors of the Company
ByzGen	ByzGen Limited, a company incorporated in England and Wales under company number 10794150 with its registered office at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR
Companies Act	the Companies Act 2006 (as amended)
Company or Crossword	Crossword Cybersecurity plc
Concert Party	Tom Ilube, Roland Ilube, Susan Gill and Elizabeth Leonard
CREST	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
CyberOwl	CyberOwl Limited, a company incorporated in England and Wales under company number 10031742 with its registered office at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR
Directors	the directors of the Company as at the date of this document, whose names appear on page 6 of this document
EBITDA	earnings before interest, tax, depreciation and amortisation and items reflected within other comprehensive income
EC	European Commission
EEA	the European Economic Area
EIS	Enterprise Investment Scheme under the provision of the Income Tax Act 2007 (as amended)
Enlarged Share Capital	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares, the Placing Shares and the Subscription Shares

EU	European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Existing Ordinary Shares	the 3,990,074 Ordinary Shares in issue as at the date of this document
FCA	the Financial Conduct Authority of the United Kingdom
FSMA	the Financial Services and Markets Act 2000 (as amended)
GDPR	the General Data Protection Regulation (GDPR) (Regulation) (EU) 2016/679
Grant Thornton or Nominated Adviser	Grant Thornton UK LLP, nominated adviser to the Company
Group	the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act)
Historical Financial Information	the audited consolidated financial information of the Group for the three years ended 31 December 2017 and the audited interim consolidated financial information for the six months ended 30 June 2018, as set out in Part 3 of this document
HMRC	Her Majesty's Revenue and Customs
Hybridan	Hybridan LLP, broker to the Company
IFRS	International Financial Reporting Standards as endorsed by the EU
IP Group plc MoU	Memorandum of Understanding signed between Crossword and IP Group plc in August 2018
London Stock Exchange	London Stock Exchange plc
Member State	a member state of the EEA
NEX Exchange Growth Market	the primary growth market for unlisted securities operated by NEX Exchange
Ordinary Shares	ordinary shares of £0.05 each in the capital of the Company
Placing	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
Placing Agreement	the conditional agreement entered into on or about the date of this document between the Company, Grant Thornton, Hybridan and the Directors in relation to the Placing of the Placing Shares and Admission, details of which are set out in paragraph 14.1 of Part 4 of this document
Placing Price	290 pence per Placing Share
Placing Shares	the 577,589 Ordinary Shares being issued pursuant to the Placing
Prospectus Rules	the prospectus rules made by the FCA under Part VI of FSMA, as amended
QCA	the Quoted Companies Alliance

QCA Code	The QCA Corporate Governance Code published by the QCA in April 2018
Shareholder(s)	person(s) who is/are registered as holder(s) of Ordinary Shares from time to time
Subscribers	the subscribers who have agreed to subscribe to the Subscription Shares at the Subscription Price pursuant to the Subscription Agreements
Subscription	the conditional subscription for the Subscription Shares to be issued to the Subscribers by the Company
Subscription Agreements	the subscription letters entered into between the Company and each of the Subscribers
Subscription Price	290 pence per Subscription Share
Subscription Shares	the 112,067 Ordinary Shares to be issued at the Subscription Price to the Subscribers pursuant to the Subscription
Takeover Code	the City Code on Takeovers and Mergers published by the Takeover Panel
Takeover Panel	the UK Panel on Takeovers and Mergers
uncertificated or in uncertificated form	Ordinary Shares recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST
UK or United Kingdom	United Kingdom of Great Britain and Northern Ireland
USA or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
£ and p	United Kingdom pounds Sterling and pence, respectively
US\$	United States Dollar

GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

AI	Artificial Intelligence
App	Software Application or Program
Cloud	Computing and software resources available via the internet
DCPP	Defence Cyber Protection Partnership
DDoS	Distributed Denial of Service
IP or Intellectual Property	Patents, rights to inventions, copyright and neighbouring and related rights, trademarks and service marks, business names and domain names, rights in get-up and trade dress, goodwill and the right to sue for passing off or unfair competition, rights in designs, database rights, rights to use, and protect the confidentiality of, confidential information (including know-how and trade secrets) and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world
IT	Information Technology
ML	Machine Learning
Multi-Party Computation	A subfield of cryptography that creates methods for parties to jointly compute a function over their inputs while keeping those inputs private
NIST	National Institute of Standards and Technology
PCI DSS	Payment Card Industry Data Security Standard
SaaS	Software as a Service

PART 1

INFORMATION ON THE COMPANY

1. INTRODUCTION

Crossword Cybersecurity plc is the parent company of the Crossword group of companies which focuses on the cyber security sector. The Group has two principal areas of activity, being (i) the development and commercialisation of university research-based cyber security related software and (ii) cyber security consulting.

To date, the Group has worked with 14 research intensive university partners, including academics from Imperial College London, the Universities of Bristol, Warwick, Edinburgh, Surrey and South Wales, EPFL (Switzerland) and the Massachusetts Institute of Technology (MIT) to identify promising cyber security intellectual property from research that the Company considers meets emerging real-world challenges. Crossword has identified over 1,000 cyber security research projects from universities worldwide. Over the last four years, the Group has signed memoranda of understanding and agreements with 14 universities to explore potential commercialisation opportunities or work with them on cyber security research ideas.

The Group's specialist cyber security product development and software engineering teams in Richmond-upon-Thames in the UK and in Krakow, Poland, work with its university partners to develop the research concept into a fully-fledged commercial product that it will then take to market. Its current portfolio of products comprises Rizikon Assurance, a SaaS platform designed to help larger organisations manage third-party assurance at scale with a particular focus on cyber security and Rizikon Standard, a Cyber-risk and GDPR compliance assessment tool aimed at small to medium companies. The Group also has a third product, Nixer, a version of which is currently undergoing testing. Nixer is a machine-learning based product aimed at protecting against Application-layer DDoS attacks and the growing menace of automated attack tools. The Group has continued to develop Nixer and the latest version of the product includes protection against other threats including credential stuffing.

The Group's strategy is to develop and commercialise cyber security products internally, and to generate revenue by selling these products direct to end user companies or via partners. Where appropriate, it will transfer the intellectual property to separate companies in which it retains a commercial interest. So far, Crossword has been instrumental in the development of two such companies, ByzGen and CyberOwl, which are described below.

Crossword's team of expert cyber security consultants leverage years of experience in national security, defence and commercial cyber intelligence and operations to provide advice on cyber security risk and mitigation, strategy, assessment and transformation and other cyber security related matters.

Having completed an oversubscribed placing in March 2018 the Company, which has had its Ordinary Shares listed on the NEX Exchange Growth Market since September 2015, is proposing to raise up to £2.0 million and to seek admission to AIM to fund the next phase of the Group's development.

2. HISTORY AND BACKGROUND

The Company was established in March 2014 by the Company's CEO, Tom Ilube, in order to build relationships with university-based cyber security researchers and commercialise their leading research to capitalise on the substantial opportunities in the cyber security sector. The Group's aim is to build up a portfolio of revenue generating, IP based, cyber security products.

On 5 January 2015, the Company entered into a memorandum of understanding with Bristol University's Cryptography and Information Security Group to explore commercialisation opportunities. Bristol University's Cryptography and Information Security Group, led at the time by Professor Nigel Smart, has an international reputation for its cryptography. Multi-Party Computation is a sub-field of cryptography and Professor Smart's team has created leading edge intellectual property in this highly specialised domain. The Company worked exclusively with the group to explore ways that it could be deployed in the high value arena of financial and non-financial trading. Although the project is no longer ongoing, the Company is looking at continuing the relationship with the Cyber Security Group at Bristol University.

Also in January 2015, the Company informally partnered with the Partnership for Conflict, Crime & Security (“**PaCCS**”), a UK Research and Innovation initiative, to build and launch a detailed online database of cyber security research projects taking place across UK universities. CLUE, the resulting cyber security research database, covered nearly 300 cyber security research projects from over 50 UK universities, representing over £150 million of research grant investment since 2007. It provided a searchable view of the UK’s cyber security academic research landscape to enable organisations to collaborate with academia more effectively. As a result of this partnership, the Company and PaCCS made CLUE freely available to all organisations to encourage and facilitate technology transfer and commercialisation of research in the cyber security sector as well as raising Crossword’s profile at an early stage in the Company’s life. Since then, Crossword has gone on to extend its database to over 1,000 cyber security research projects, and restrict its use to in-house purposes only and to share it with external partners on request. The Company uses a range of factors to evaluate the potential of the research projects in the database.

In January 2015, the Company also entered into an agreement with The Cyber Security Centre at WMG, University of Warwick, to embark on a series of workshops to explore commercial opportunities leveraging cryptocurrency and blockchain technologies that could be jointly developed. Professor Tim Watson, Director of the Cyber Security Centre at WMG, University of Warwick and his team have been investigating how distributed ledger technologies such as blockchain, underpinning many of the 1,600 or more cryptocurrencies in existence can be leveraged in other ways such as enabling smart contracts. The Company and the Cyber Security Centre embarked on a series of workshops to identify commercial opportunities that could be jointly developed. The result of this exercise was a project to build a proof of concept, funded by the Ministry of Defence’s Defence Science and Technology Laboratory (DSTL). Upon successful completion of this proof of concept, Crossword decided to transfer the IP into a separate company and created a new company, ByzGen Limited, that aims to exploit distributed ledger technology primarily in the defence and security sector. Crossword, assisted ByzGen in recruiting its leadership team, transferring IP to the new entity, attracted an investor who has committed £2 million in investment to date and has a revenue generating and commission based agreement with ByzGen. Crossword provides development services to ByzGen.

On 24 April 2015, the Company entered into a licence agreement with City, University of London to develop and market a cyber-risk assessment product, based on research led by Professor David Stupples, a Non-Executive Director of the Company. The Directors are of the opinion that a key challenge facing Chief Information Security Officers is how to evaluate a company’s overall risk of being a victim of cyber-attack and where to focus their investment in cyber defences. This relationship resulted in the launch of Rizikon Standard, a product that the Group has marketed to smaller companies. Crossword took Rizikon Standard to market and, in discussion with larger companies with significant supplier bases, it became clear to the Directors that a version of Rizikon that focused on helping companies assess the cyber risks in their supply chains would be of interest. This gave rise to the development and launch of Rizikon Assurance, a new version of Rizikon aimed at providing third party supplier assurance to medium and large enterprises.

In November 2015, the Company partnered with Coventry University to jointly explore commercial opportunities leveraging research conducted at Coventry University into target centric network monitoring in cyberspace using Bayesian analysis. This initiative, which focuses on the industrial Internet of Things (IoT) domain, resulted in a new venture, CyberOwl Limited, to commercialise Coventry University’s research. Crossword catalysed the creation of CyberOwl, with Coventry University assigning its intellectual property and Mercia Fund Management providing seed funding. CyberOwl launched its product, Medulla, a platform for cyber risk prioritisation, at European Infosec 2018 and appointed its chairman, Peter Jaco, former chairman of BeCrypt and an early investor in Digital Shadows which last year raised US\$26 million in a series of funding round led by Octopus Ventures. Crossword has a 9.88 per cent. interest in CyberOwl and provides development services to it.

Crossword was admitted to the NEX Exchange Growth Market in September 2015.

In June 2016, Crossword announced Nixer, an application layer DDoS protection platform. The concept behind Nixer came from academics who had been involved in cyber security lecturing and research at the Defence Academy of the United Kingdom, Shrivenham and Cranfield University. Nixer was developed using machine learning techniques designed by a prize winning researcher and built in a highly performant and scalable architecture. In 2016 and 2017 Crossword worked with iomart, the cloud solutions company, to explore how Nixer V 1.0 could bring an additional layer of defence for their customers. Following testing and the Company’s assessment of the market, Nixer has been enhanced to focus on preventing

cyberattacks initiated by automated attack tools, starting with credential stuffing. Crossword is now looking for partners to generate market feedback of Nixer v1.5, which incorporates both application DDoS and credential stuffing mitigation.

In 2016, the UK Government's Department for Culture, Media or Sport (DCMS) commissioned Crossword to lead a delegation of UK cybersecurity professors to meet counterparts in the U.S.A., at Harvard, MIT, Stanford and UC Berkeley.

In 2017, the Company established a number of additional relationships and now has connections with 14 university partners and is engaged in active discussions with a further nine universities to explore commercialisation opportunities with them.

As the Group expanded its sales activities, it identified an opportunity to develop a cyber security consulting division which it incorporated into Crossword Consulting Limited, a wholly owned subsidiary that began trading in 2017.

In July 2017, Crossword launched an initiative to explore the application of Artificial Intelligence and Machine Learning techniques to real world cyber security challenges, that it called CyberAI. CyberAI brought together academics from world-class institutions including Imperial College London, Edinburgh University and MIT with a group of major industry participants: a global investment bank, a major retail bank, a multinational insurance company and a Big Four professional services firm. CyberAI aims to deliver breakthrough solutions to real world, complex cyber security challenges facing global companies.

Towards the end of 2017 and in early 2018, Crossword began to build its sales and sales support team and strengthen its support functions with the appointment of a Chief Operating Officer, and full time Finance Director and an HR manager.

In August 2018, Crossword signed a memorandum of understanding with London Stock Exchange Main Market listed IP Group plc. ("**the IP Group plc MoU**") The IP Group plc MoU sets up an understanding between IP Group and Crossword to commercialise cyber security intellectual property originating from university research projects. In pooling the expertise of the two groups, the IP Group plc MoU will create a framework to enable detailed technical and commercial exploration of the complex opportunities academia gives rise to in this US\$100 billion plus market. The Directors believe this will allow greater exploitation of the UK's research output in this sector, something which has historically lagged behind that of other advanced countries despite the leading position the UK has in cyber security at a Governmental level.

IP Group and Crossword believe there is a rich untapped seam of cyber security research taking place in universities worldwide which can form the basis of successful commercial products and companies. Crossword has already identified hundreds of university cyber security research projects and has the deep expertise required to assess and identify those that are best suited for spinning out into start-up ventures. By working with IP Group, the Company aims to transition the most promising and exciting candidates in to truly world-leading businesses.

In October 2018, Crossword signed an MoU with a global business intelligence company to evaluate potential routes to distributing and reselling Rizikon Assurance and jointly exploring the possibility of taking an integrated proposition to market. The potential distribution partner has over 100,000 companies using its business intelligence products across 14 countries worldwide.

Also in October 2018, the Company started to provide bespoke cyber security consulting services to cyber security academic teams on behalf of the Knowledge Transfer Network, a partner to Innovate UK.

3. MARKET OPPORTUNITY

Organisations have legal and regulatory obligations to have in place data protection and cyber security systems and procedures. These laws and regulations often have international reach outside of the countries in which they are enacted. For example:

- With effect from 25 May 2018, GDPR applied across all member states of the EU and extended the scope of the EU data protection law to all foreign organisations providing services into the EU. It harmonises the data protection regulations throughout the EU, thereby making it easier for non-

European organisations to comply with these regulations. The introduction of GDPR means that organisations risk incurring severe penalties of up to 4 per cent. of worldwide turnover for non-compliance;

- With effect from 28 August 2017 all banks, insurance companies and other financial services institutions operating in New York State, have been required to comply with New York state's Department of Financial Services cyber security regulation; and
- the EC is proposing to replace the current privacy directive with a regulation, complete with GDPR-like fines, that will deal with overlaps between GDPR and privacy related technologies such as messaging applications, email platforms, voice over internet protocol, and tracking technologies such as cookies.

In addition to law and regulation, the Directors believe that organisations will increasingly have to provide assurance to their customers, regulators and stakeholders that their data protection and cyber security systems are adequate for the current risk environment and will also require evidence of adequate security from the entities in their supply chains. For example, the payment card brands, through their acquiring banks, require organisations (and their suppliers) that process card transactions to meet the PCI DSS, and the UK Government already mandates that all organisations bidding for some Government contracts must comply with its own standard, Cyber Essentials.

The PwC 2018 Global State of Information Security® Survey ("**GSISS**") contacted 9,500 executives in 122 countries and found that 44 per cent. did not have an overall information security strategy; 48 per cent. did not have an employee security awareness training program; and 54 per cent. did not have an incident response process. GSISS also found that many of the key processes for identifying cyber risks in business systems including penetration tests, threat assessments, active monitoring of information security, and intelligence and vulnerability assessments had been adopted by less than half of survey respondents.

During 2017 and 2018, there were a number of publicly reported and high profile instances of failures of data protection and cyber security including (i) the NHS in the UK where a number of NHS Trusts were subject to ransom attacks, (ii) Uber in the US, where customer data was stolen and (iii) Equifax, the global credit reference agency, which reported a data breach affecting over 145 million consumers. Wannacry was described as the biggest ransomware offensive in history. This global cyber event impacted hundreds of thousands of computers worldwide, including a number of NHS hospitals, once again thrusting cyber security into the national headlines. It was quickly followed by the Petya virus that leveraged some of the same techniques.

The 2018 Cyber Security Breaches Survey released in April revealed that seven in ten of large businesses have reported being a victim of a cyber-attack and a similar number of large charities have been affected. In April 2018, the National Crime Agency pointed to their success in taking down a hacking site that had disrupted the operations of seven major international banks. In the recent British Airways hack, 380,000 card payments were compromised. There were reports of Russian probing of a US power company grid. In the USA the Department of Justice indicted a group of Iranian hackers for attacking 144 US universities plus 176 universities in 21 other countries. The approach was to "spear phish" university professors, gaining access to their accounts. Millions of pounds worth of valuable intellectual property was exposed in the process. MyFitnessPal, a fitness app was compromised with 150 million emails and passwords put at risk.

Although the Group is not aware of the size of the global market for its products and services as generally available market estimates include hardware, software, outsourced services and consultancy in addition to amounts spent by businesses internally, the Directors believe that the addressable market for Rizikon Assurance in the UK alone is worth circa £300 million per annum.

In addition:

- The Department of Business, Innovation and Skills commissioned a report in 2013 entitled "Competitive analysis of the UK cyber security sector". This estimated that the cyber security market in the UK was worth approximately £2.8 billion in 2013 and overall would grow to over £3.4 billion in 2017. The report also estimated that the fastest growing part of the cyber security market would be governance, which would grow from £421 million in 2013 to £612 million in 2017; and
- Juniper Research Limited published a report in 2017 that estimated that the global cyber security market would be worth US\$135 billion in 2022. This forecast includes all dedicated cyber security

hardware and software purchases, as well as services revenues of managed security service providers. It does not include the wages for in-house cyber security staff used by an organisation.

Accordingly, the Directors believe that the market for the Group's products and services is substantial and forms the basis for a significant business opportunity.

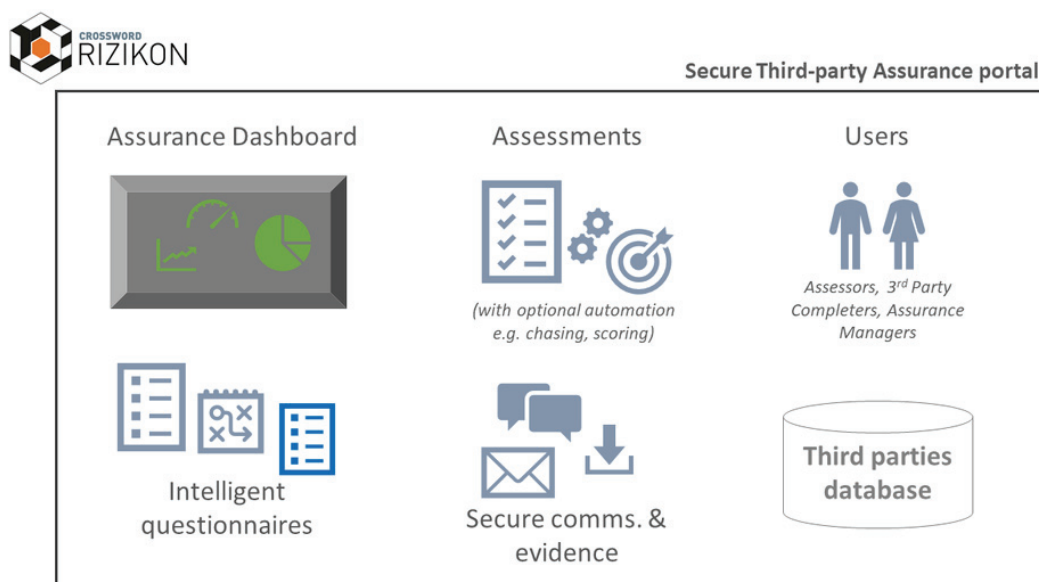
4. THE GROUP'S PRODUCTS

Rizikon Assurance

The Directors believe that large organisations are increasingly under pressure to improve their management of third-party risk and to undertake more third-party assurance with the pressure coming from internal risk and compliance departments, boards of directors and regulators. In addition, GDPR is driving third-party data privacy related obligations. As a result, the Company believes that organisations need:

- to do more assessments, more often, more quickly;
- to report assurance KPIs; and
- to address the problems whereby existing third-party assurance processes are being stretched.

PDF, paper and email based approaches struggle to scale, have low security, are not easily audited and do not centrally collect assessment data, commentaries and evidence.



Rizikon Assurance is designed to help organisations manage third-party assurance at scale. With it, they can:

- easily issue secure online questionnaires to suppliers and third-parties – hosted on the cloud as a fully managed SaaS service, or on their own infrastructure;
- view the status of suppliers against organisational and reference standards such as Cyber Essentials, DCP, NIST cyber supplier maturity and ISO 27001;
- manage assessments, assessment expiration, authorisations and follow-ups;
- use the automated scoring and rating algorithms available in Rizikon Assurance to quickly and automatically assess Third-parties and to guide assessors in making their final certification and monitoring decisions; and
- use their existing questionnaires and develop and roll-out bespoke questionnaires, rather than take an off-the-shelf product not directly relevant to their relationship with the third-party suppliers.

Rizikon Assurance has a standard pricing structure which involves a fee per supplier per annum. Crossword is seeking annual, recurring revenue deals with customers. In situations where customisation is required to meet customer needs, Rizikon Assurance can be priced on a contract by contract basis.

Rizikon Standard

A large proportion of small and medium-sized companies are believed to have at least one cyber security breach each year. These can threaten the business itself because of cost, loss of customer trust, loss of valuable data or inability to function. Rizikon Standard is designed to help address this risk.

Rizikon Standard is based on research into attacks and breaches carried out at the Centre for Cyber and Security Sciences at City, University of London. It gathers information by asking questions about an organisation, its IT and security policies; combines this with information from the information security industry about vulnerabilities and threats; and then produces an easy to understand report aimed at non-technical management. This shows where the risks lie and give a list of prioritised recommendations. It can also ask, if required, questions about data privacy and GDPR. Rizikon Standard is sold either directly or via partners.

Nixer

Nixer is an application level DDoS and automated attacked tool protection platform focused on protecting the web layer of critical online services. Using machine learning techniques and a highly performant and scalable architecture, Nixer blends research and technology. Nixer provides a low latency and highly resilient solution for application-layer (layer 7) protection.

Deployed via virtual appliance, physical server or private/public cloud, Nixer provides an intelligent solution for the problem of multi-approach, rotating application-layer attacks on live services. Its features include the following:

- Mitigation of application (Layer 7) DoS/DDoS attacks;
- Traffic Classification (White/Grey/Black);
- Proof of Work Challenge Response for Grey Traffic;
- Advanced Visualisation of Traffic Data;
- Protection against denial of service techniques including: Slowloris, Hulk, LOIC, HOIC, Switchblade, HTTP POST/GET floods; and
- Auto scaling using Google Kubernetes orchestration.

Nixer has been further enhanced to provide mitigation against automated attack tools, starting with credential stuffing tools. The new enhancements have been completed recently. Crossword is now looking for partners to generate market feedback on Nixer v1.5, which incorporates credential stuffing mitigation alongside application DDoS protection.

Mordor forecast the DDoS protection market to increase from US\$1.04 billion in 2017 and is expected to reach US\$3.96 billion in 2023. According to Akamai's latest State of the Internet report in credential stuffing, its customers alone were deluged by 30 billion malicious logins between November 2017 and June 2018, an average of US\$3.75 billion per month.

The Directors believe Nixer will be revenue generating by 2019.

5. THE CONSULTING DIVISION

Crossword's team of expert cyber security consultants leverages years of experience in national security, defence and commercial cyber intelligence and operations to provide bespoke advice tailored to its clients' business needs. Consulting projects typically fall within the following areas:

Cyber security strategy and risk mitigation

Crossword's team of former national security and senior industry experts work with senior executives to raise awareness and understanding of evolving cyber threats and how they can impact their organisations. By analysing cyber risk, Crossword can help formulate a tailored cyber security strategy, which is aligned with each business's risk profile. This can properly inform and support other practical business processes, such as business continuity planning and physical security management.

Assurance and governance

For legal or regulatory reasons, or to provide assurance to their own clients, Crossword's clients may wish to adopt one of the UK cyber security standards, such as Cyber Essentials, Cyber Essentials Plus, or the IASME Governance standard. If they operate internationally, they may also be considering the ISO 27000 series, the SANS 20 Critical Security Controls, or the US NIST standard.

Crossword's team is experienced in offering advice as to which is the most appropriate standard to adopt; assess the client's current systems and procedures against the chosen standard; and help them understand any work they may need to carry out to achieve their cyber and other IT security objectives.

Cyber security assessment and audit

Using its Cyber Security Assessment model, Crossword is able to provide an assessment on how effectively an organisation is currently protected against cyber attack. This includes penetration testing the organisation. The consulting team seeks to translate technical analysis into clear and pragmatic advice and actions, to be used as the basis of a cyber security implementation plan.

Cyber security transformation

Where transformation of an organisation's cyber security arrangements is required, Crossword's consultants will work with the client to develop an implementation plan which affects people and process as much as technology. Crossword's consultants will suggest appropriate technical controls for each client organisation and help to integrate them with their other business functions.

System security design and review

If a client organisation is considering whether to introduce any upgrades or changes to its IT or management information and control systems, they may wish to seek assurance that security is considered from the outset in order to avoid costly changes and delays at a later stage. Whatever the stage of development and implementation, Crossword can offer advice and guidance about how to ensure any changes are planned, implemented and configured with cyber security in mind.

6. NEW INITIATIVES

In addition to continuing to evolve its Rizikon Assurance, Rizikon Standard and Nixer products, the Group is engaged in a number of other initiatives that the Directors believe could provide the basis for future revenue generation.

CyberAI

Crossword's CyberAI initiative, launched in July 2017, is exploring the application of Artificial Intelligence ("AI") and Machine Learning ("ML") techniques to real world cyber security challenges. Over an initial six month period, Crossword ran a series of workshops with academics from world-class institutions, including MIT, Imperial College and Edinburgh University, and a group of major industry participants; a global investment bank, a major retail bank, a multinational insurance company and a Big Four professional services firm. The result of this phase one of the Cyber AI initiative was the identification of over 50 possible propositions where AI/ML could potentially address cyber security challenges faced by large organisations. The long list of potential propositions was reduced to a shortlist and, of these, one specific idea was identified by the industry partners as having the most promise. Crossword is now working on shaping the idea into a proof of concept project to determine whether the complex AI ideas can be made to work in practice. If successful, the intention is that this will lead towards a new product for Crossword.

University Partnership and Research Projects

Crossword has completed an extensive exercise to identify university based cyber security research projects and has now assembled a database of over 1,000 projects from the UK, Europe, USA and Australia. Crossword has a structured methodology for evaluating these projects to identify universities and specifically the university research projects that the Company would like to engage with. Crossword is in the process of identifying around 50 universities of interest which will be evaluated in more detail. Typically this will start with the signing of an MoU with the relevant university. At the moment Crossword has issued nine draft MoU's to potential partner universities and is in discussion with each of them with a view to signing a number

of new MoUs over the coming months. With an MoU in place, the Company then assesses the specific cyber security research project in greater detail. This results in either discarding it or taking it forward and deciding whether to develop the research into a new product within the Crossword group or, exceptionally, to assign the IP to a new company.

7. COMPETITIVE ENVIRONMENT

The Group faces competition from existing IP transfer businesses seeking to engage in cyber security commercialisation activity and on the consulting side from other providers of cyber security consultancy services. Crossword seeks to ensure that it knows the main players in the UK technology transfer sector and to identify cooperation opportunities where appropriate, such as its MoU with IP Group and its cooperation with Mercia on the CyberOwl venture. The Board and senior management have deep cyber security sector knowledge whereas other IP transfer businesses are often more generalist but typically have considerable financial resources to deploy. As such the Directors believe that these relationships are largely complementary.

There are a number of players in the Supplier Assurance market, many of whom focus on an individual market for example: Dun & Broadstreet, Inc., (Financial), Greenstone + Limited (Law), ConstructionLine (Construction). Rizikon Assurance differentiates itself by providing a higher degree of automation and an ability to automatically report on the outputs, driving KPI improvement.

Consulting competitors range from the Big 4 accounting firms and large consulting practices to medium and smaller companies such as Control Risks and C2 Cyber as well as a large number of independent contractors.

8. KEY STRENGTHS OF THE GROUP

Proven, experienced market leading management team

The Group benefits from a senior management team and advisors with many years' high level experience in cyber security and related fields, some of whom are recognised as the UK's leading authorities on cyber security, regulation, systems and certification. The senior management team's contacts and reputation have enabled the Group to secure relationships with leading universities and to offer a range of services and products that suit organisations of all sizes and is now well placed to meet the very rapidly growing demand for cyber security systems and procedures. Further details of the Board, senior management and advisers are set out in paragraph 12 of this Part 1.

Exposure to a structural high growth market

The Group believes that the market for its products and services will grow rapidly for the foreseeable future due to (i) legal and regulatory changes with increasing penalties for failing to comply covering data protection, cyber security and other areas; (ii) organisations risking material financial, commercial and reputational damage where their systems have been found to be vulnerable; and (iii) organisations not wanting to transact with or depend on customers, suppliers or other organisations whose IT systems are not reliable and secure and/or are vulnerable to attack.

Ability to identify and develop product opportunities

The Group has proven that it can identify commercial products at an early stage, and develop them into a marketable propositions such as ByzGen, Rizikon, CyberOwl and Nixer. The market recognises this ability as evidenced by the IP Group plc MoU, the Knowledge Transfer Network engagements, and previously the willingness of high profile entities to engage in the early stage discussions on CyberAI. The Board views this positively in respect of the development of future relationships in the University and commercial sector.

A portfolio of products already on sale and in development

Crossword already has two products which are on sale and other products coming to market and in development. The Company's intention is to build a portfolio of around six cyber security products based on high quality university research. In addition it has a growing consulting division. As a result, the Directors consider that the Group is well positioned to address a wide range of needs from clients in a rapidly growing market.

9. GROWTH STRATEGY

The Group's objective is to be the European leader in commercialising cyber security research originating from universities. It aims to achieve this by building up a portfolio of revenue generating cyber security products and becoming a leading supplier of cyber security-focussed risk and compliance products and services in what the Directors believe to be a rapidly growing and increasingly complex market environment. They believe that organisations will need to put in place software, systems, procedures and practices that will enable them to demonstrate that they meet the necessary standards and continuously to test their compliance with those standards. Against a positive market backdrop, the Group intends to grow its business in the following ways:

- Expand sales of existing products, particularly Rizikon Assurance over the coming period, through investment in additional sales and marketing activity. The investment will help to continue to grow and convert the Group's current pipeline of £1.4 million which stretches over 30 companies in a wide range of sectors. The Board intends to devote £0.5 million of the Placing and the Subscription proceeds to this end.
- Establish several large scale distribution partnership arrangements with partners who have strong client bases in the UK and internationally and who wish to offer new cyber security products to their clients. Crossword is in early discussions with several such partners, who have significant client bases in the UK as well as extensive presences in multiple countries. Crossword has signed an MoU with one of these partners, a global business intelligence company, to evaluate potential routes to distributing and reselling Rizikon Assurance and jointly exploring the possibility of taking an integrated proposition to market. The potential distribution partner has over 100,000 companies using its business intelligence products across 14 countries worldwide.
- In addition to organic growth, the Group will consider acquisitions of businesses that own complementary technology and/or IP, offer access to new markets or territories or extend the Group's existing capabilities and the range of products and services offered to its customers.

10. THE PLACING, SUBSCRIPTION AND ADMISSION

Under the terms of the Placing Agreement, Hybridan has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and Grant Thornton has agreed to act as Nominated Adviser to the Company for the purposes of Admission. The Company and the Directors have given certain customary warranties as to the Group and its operations and the Company has given an indemnity to Hybridan and Grant Thornton.

The Placing, which is not underwritten, is conditional on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission having occurred by no later than 14 December 2018 (or such later date as Hybridan, Grant Thornton and the Company may agree, being no later than 31 December 2018). Further details of the Placing Agreement are set out in paragraph 14.1 of Part 4 of this document.

In addition, the Subscribers have entered into the Subscription Agreements with the Company pursuant to which the Subscribers have agreed, conditional upon Admission occurring, to subscribe for the Subscription Shares at the Subscription Price. The Subscription Shares will represent 2.39 per cent. of the Enlarged Share Capital on Admission and the Subscription will raise approximately £0.325 million (before expenses) for the Company. Further information on the Subscription Agreements is set out in paragraph 14.6 of Part 4 of this document.

The Placing and Subscription together comprise the issue of 689,656 new Ordinary Shares which, subject to Admission, will represent approximately 14.7 per cent. of the Enlarged Share Capital and will raise £2.0 million before expenses. The estimated net proceeds of the Placing and Subscription are approximately £1.49 million.

The Directors believe that Admission will enable the Company to, *inter alia*:

- access investors and raise funds for the development of the Group, both at the time of Admission and thereafter;
- provide the flexibility to raise capital for future corporate acquisitions and to use its quoted securities as consideration for such acquisitions;

- provide the ability to incentivise key employees through the issue of share options; and
- raise the profile of the Group among investors and give confidence to customers, suppliers and regulatory authorities.

Use of net proceeds

The net proceeds of the Placing and Subscription will principally be used to further develop the Group's operations and to support existing and future contracts.

	<i>£ million</i>
Increase sales and marketing team	0.5
Product development	0.2
The costs of the Placing, Subscription and Admission	0.5
Additional working capital	0.8
	<hr/>
Total	<u>2.0</u>

11. FINANCIAL INFORMATION AND CURRENT TRADING AND PROSPECTS

Audited historical financial information of the Group for the three years ended 31 December 2017 and for the six months ended 30 June 2018 is set out in Part 3 of this document. The following financial information has been derived from the financial information contained in Part 3 of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the information summarised below.

	<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2015</i> <i>£'000</i>	<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2016</i> <i>£'000</i>	<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2017</i> <i>£'000</i>	<i>Audited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2018</i> <i>£'000</i>
Revenue	21	345	737	544
Gross profit/(loss)	(227)	(444)	(326)	91
EBITDA	(771)	(967)	(1,195)	(822)

Since 2016, the Group's revenues have comprised largely consulting to external clients and development services provided to the two companies the Group has been instrumental in the development of, namely ByzGen and CyberOwl, with limited revenues from the Group's products, Rizikon Assurance and Rizikon Standard. However, the Group has a substantial pipeline of potential sales of Rizikon Assurance and the Directors believe that it will come to represent a substantial and growing part of the Group's revenues over the next two years and that Nixer will start to generate sales from 2019. In addition, they believe that the future revenues of the Group will also include products arising from the Cyber AI initiative. The Directors also believe that Consulting will provide growing revenues and margins for the Group. Accordingly, the Company looks to the future with confidence.

12. DIRECTORS AND SENIOR MANAGEMENT

The Board consists of six non-executive Directors and two executive Directors, details of whom are set out below along with details of the Group's Senior Management and its Senior Advisers:

Directors

Sir Richard Billing Dearlove KCMG, OBE, Chairperson, aged 73

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.

Sir Richard is presently Chair of Trustees of University of London. He was previously Master of Pembroke College, Cambridge from 2004 to 2015 and also served as a Deputy Vice-Chancellor of the University of Cambridge between 2005 and 2010 and Chairman of Trustees of the Cambridge Union Society from 2006 to 2015.

Sir Richard is Chairman of Ascot Underwriting Limited at Lloyd's of London and a Director of Kosmos Energy, the New York Stock Exchange listed oil and gas exploration company, and holds several advisory roles.

Thomas Segun Ilube, CBE, *Chief Executive Officer, aged 55*

Tom is founder and CEO of Crossword. He is also a Non Executive Director of the BBC and sits on Royal Bank of Scotland's Technology Advisory Board. Tom was until recently Managing Director of Consumer Markets at Callcredit Information Group, the private equity backed UK credit reference agency sold to GTCR of Chicago in 2014. Whilst at Callcredit, Tom founded Noddle, a credit reporting service that eventually grew to four million users and was acquired by US-based Credit Karma in 2018. Prior to Callcredit, Tom founded and was CEO of Garlik, a venture capital-backed identity protection company, sold to Experian in 2011. Earlier, Tom served as Chief Information Officer of Egg Banking plc, which at the time was a pioneering main market listed UK internet bank. His earlier career included positions at Goldman Sachs, PwC, Cap Gemini and the London Stock Exchange.

Tom chaired the UK Government Technology Strategy Board's Network Security Innovation panel. He was a member of the High Level Expert Group on Cyber security at the International Telecommunication Union (ITU), a Geneva based UN-agency. Tom is an Advisory Fellow at St Anne's College, Oxford. 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.

Mary Michelle Dowd, *Finance Director, aged 50*

Mary was most recently Chief Operating Officer for Europe, the Middle East and Africa, and previously Chief Financial Officer at Cordium Consulting Group Limited, a leading provider of governance, risk and compliance services with operations in London, Hong Kong, Malta, New York, Boston and San Francisco.

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 post graduate diploma in Business Studies from the same university. She is an associate member of the Chartered Institute of Management Accountants.

Ruth Louise Anderson, *Independent Non-Executive director, aged 41*

Ruth has over 15 years' experience in the fields of security, intelligence, cybercrime and risk management. She brings to the Board extensive experience across defence and law enforcement sectors and within financial services, developing and implementing cyber risk governance frameworks.

Ruth is currently head of Technology Risk 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.

Ruth read Arabic and Modern Middle Eastern Studies at Oxford University and is a keen linguist, speaking Arabic, French and German.

Andrew William John Gueritz, *Independent Non-Executive Director, aged 60*

Andrew is an experienced Senior Advisor with a successful track record helping clients improve and transform their business by managing technology better and creating new technology-based ventures. As a Vice President at marchFIRST (formerly Mitchell Madison Group), Andrew led the European B2B e-

Commerce Strategy and IT Strategy Practices. Before becoming a consultant, he attained Board level responsibility in a successful career in software development and systems implementation.

At K2 Systems plc (subsidiary of 4Front Technology Inc.), he was Customer Service and Development Director responsible for all client service and delivery operations amongst other roles. Notable systems implemented in his time at K2/4Front include: bespoke procurement, telesales and billing systems; a call-centre based on workflow and CTI technologies; and a client-server insurance claims handling system, incorporating document image processing. Prior to 4Front, Andrew was a Development Executive at McDonnell Douglas Information Systems and also worked for Marconi Defence Systems on a number of electronic warfare and guided weapons projects.

Andrew is a Chartered Fellow of the BCS (FBCS), Chartered IT Practitioner (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.

Gordon John Matthew, *Non-Executive Director, aged 62*

Until recently Gordon was Interim Managing Director at Arden Group Limited, a mid-market unified communications and IT services provider. Arden was successfully sold to Babble Cloud on 19 October 2018. He recently became non-Executive Chairman of Flow Communications Limited, experts in designing, building, implementing and supporting customers' global IT infrastructure requirements. He currently acts as non-executive Consultant to Adventoris Limited and Ensign Communications Limited. Gordon has been the Non-Executive Chairman of Intrinsic Technology Limited from October 2011 to August 2017, m-hance Limited from May 2014 to August 2016, and Science Warehouse from June 2016 to February 2018. His executive roles have included interim CEO at Comtec Europe Limited (2010/2011) and, more recently, interim CEO at m-hance Limited (2014). Previously, Gordon served as Chief Executive Officer of Azzurri Communications Limited and was responsible for ensuring that it met its financial and growth targets. He has served as the Chief Executive Officer of Ramesys (later RedSky IT) Holdings Limited where he was responsible for the successful turnaround, growth and exit of the business through two significant transactions in December 2005 and January 2007.

Gordon has over 20 years' IT experience with broad experience of software applications, services, large bespoke developments and telecommunications. He also spent five years at Software AG (UK) where he oversaw all aspects of product and service delivery. Gordon began his career as a programmer at Logica before moving into project management and general management in 1988. He then spent eight years at AT&T Istel where he latterly served as Operations Director in the Manufacturing Division. Gordon holds an honours degree in Computer Science from the University of Strathclyde.

Dr David Stanley Secher, *Independent Non-Executive Director, aged 70*

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

David is Patron of PraxisAuril (formerly PraxisUnico) and Past Chairman of PraxisUnico. Until 31 October 2013, he was co-founder and chairman of Praxis Courses Limited, the leading UK technology transfer training programme. 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 IP policy for the University and for technology transfer throughout the University resulting in £2 million licensing revenue, 40 new licences and six spin outs per year.

David was Chief Executive of N8 Limited, a consortium of eight research-led 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). Dr Secher held or was named on three patents and is the holder of the Queen's Award for Enterprise Promotion (2007) for creating "environments that favour enterprise, specialising in the practical aspects of commercialising the results of academic research".

Professor David William Stupples, *Non-Executive Director, aged 74*

David is currently Director of the Centre for Cyber and Security Sciences at City University London. In his early career, he was employed as an engineer in signals intelligence in the Royal Air Force followed by a period of intensive research into surveillance systems at the Royal Signal and Radar Establishment, Malvern. He spent three years developing highly secure communications for surveillance satellites for Hughes Aircraft Corporation in the United States of America. Later, he became a senior partner with PA Consulting Group where he undertook surveillance and intelligence systems research for Ministry of Defence (Navy) and was responsible for consultancy in secure communications and surveillance systems for world-wide clients.

Since 2003, David has been researching internet security at City University focused on cyber terrorism and organized cyber crime for both the UK government and commercial companies. However, he still maintains an active interest in radar surveillance research. Professor Stupples is a member of the Defence Scientific Advisory Council (DSAC), the Defence Procurement Agency's Independent Advisory Board on Systems Integration and GCHQ's Scientific Advisory Group.

Senior Management

Rob Johnson, *Chief Operating Officer, aged 63*

From 2013, Rob was a Senior Investment Director at Mercia Technologies plc, one of the leading AIM listed commercialisation business, where he managed the company's software and internet investments, as well as assessing new investment opportunities; with a particular focus on AI, Cyber Security and Software as a Service.

Prior to his role with Mercia, Rob was a successful entrepreneur and has led five technology companies through to successful exits. Rob brings extensive experience across sales, marketing, technology and operations. He has previously worked with entrepreneurs in fast growth situations as well as having significant knowledge of company acquisition and integration.

Stuart Jubb, *Director, Consulting, aged 40*

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.

Jake Holloway, *Business Development Director, aged 58*

Jake has over 30 years of experience in IT across a wide range of industries and roles including sales, marketing, consulting and programme management. In his two most recent roles he was responsible for enterprise sales at an IT consultancy, and founded Xendpay, a Fintech startup, where he was COO. Jake has also published a book in the Advanced Project Management series for Gower in 2015.

Senior Advisers

Professor Nick Jennings, *CB FRENG*

Professor Jennings served as the UK Government's inaugural Chief Scientific Adviser for National Security from 2010 to 2015, providing independent scientific advice on issues of national security. He is currently the Vice-Provost for Research at Imperial College, where he also holds a chair in Artificial Intelligence in the Departments of Computing and Electrical and Electronic Engineering. Before joining Imperial, Professor Jennings was the Regius Professor of Computer Science at the University of Southampton, the first holder of that title in the institution's history. Professor Jennings is an internationally recognised authority in the areas of cyber-security, artificial intelligence, autonomous systems and agent-based computing.

General Sir Nick Houghton, Baron Houghton of Richmond, *GCB CBE*

Lord Houghton brings significant experience across both government and business. In July 2013, General Houghton assumed the appointed position of Chief of the Defence Staff of the British Armed Forces retiring in 2016. Previously General Houghton was Vice Chief of the Defence Staff from May 2009.

Educated at Sandhurst and Oxford, General Houghton commanded 1st Battalion The Green Howards and 39 Infantry Brigade in Northern Ireland. Following his retirement from the army, General Houghton became

the 160th Constable of the Tower of London and a trustee of Historic Royal Palaces and the Royal Armouries.

13. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Pursuant to the Placing Agreement, each of the Directors has agreed to not dispose of any of their Ordinary Shares, save in certain circumstances, for a period of 12 months following Admission. In addition, for a period of 12 months after the first anniversary of Admission, they shall each notify Hybridan (for so long as it is the Company's broker) of any intention to deal or otherwise dispose of any Ordinary Shares and each has agreed to use his or her respective reasonable endeavours to procure that they and their associates will only make a disposal of Ordinary Shares through Hybridan (for so long as it is the Company's broker) in such orderly manner as Hybridan may reasonably require with a view to maintaining an orderly market in the share capital of the Company. Further details of the lock-in and orderly market arrangements, as contained in the Placing Agreement, are summarised in paragraph 14.1 of Part 4 of this document.

14. RELATIONSHIP AGREEMENT

On 6 December 2018, Tom Ilube entered into a Relationship Agreement with the Company and Grant Thornton pursuant to which he has provided a number of customary undertakings and covenants, conditional upon Admission, the principal purpose of which is to ensure that:

- the Company will at all times be capable of carrying on its business independently of him and his connected persons and associates; and
- all transactions between the Group and Tom Ilube (or his connected persons or associates) will be at arm's length and on normal commercial terms.

In accordance with the terms of the Relationship Agreement, for so long as Tom Ilube, his connected persons and his associates retain an interest in more than 20 per cent. of the rights to vote at a general meeting of the Company attaching to Ordinary Shares, he shall be entitled (but not required) to nominate one Director to the Board. Tom Ilube has agreed under his Relationship Agreement that this right will not apply for so long as he is a Director of the Company.

The Relationship Agreement will terminate if the Ordinary Shares cease to be admitted to trading on AIM (not including any period of suspension of trading) or if Tom Ilube, his connected persons and his associates cease to retain an aggregate interest of 20 per cent. or more of the rights to vote at a general meeting of the Company attaching to Ordinary Shares.

Further details on the Relationship Agreement are set out in paragraph 14.5 of Part 4 of this document.

15. CORPORATE GOVERNANCE

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Group's size and the constitution of the Board, to comply with the principles set out in the QCA Corporate Governance Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

Upon Admission, the Board will comprise eight directors, two of whom shall be executive directors and six of whom shall be non-executive directors, reflecting a blend of different experiences and backgrounds as described in paragraph 12 of this Part 1. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. All but two of the non-executive Directors do not meet the strict criteria for independence set out in the UK Corporate Governance Code due to their ownership of Ordinary Shares and/or their participation in the Company's share option arrangements as part of their remuneration arrangements with the Company. Although this is the case, the Board considers that those Directors holding Ordinary Shares or share options demonstrate sufficient independence of thought and judgement so as to be considered independent for the purposes of the QCA Code although only David Secher, Andrew Gueritz and Ruth Anderson are categorised as such.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Group has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Market Disclosure Committee, each with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Audit Committee

The Audit Committee has the primary responsibility of 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. The members of the Audit Committee comprise not less than two independent non-executive directors, (currently David Secher (as chairperson) and Andrew Gueritz) and, where possible, one member of the Remuneration Committee.

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of all executive directors and the chairman of the Board, including pension rights and any compensation payments and such other members of the senior management as it is designated to consider. The Remuneration 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. The Remuneration Committee meets as and when necessary but at least once each year. The members of the Remuneration Committee comprise not less than two independent non-executive directors, (being David Secher and Andrew Gueritz (as chairperson)), and David Stupples and Ruth Anderson. If at any time there is only one independent non-executive director on the Board, the Remuneration Committee will consist of at least one independent non-executive director and one other director. The Remuneration Committee currently comprises Andrew Gueritz (as chairperson), David Secher, David Stupples and Ruth Anderson.

Nomination Committee

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. The Nomination Committee make recommendations for the appointment and reappointment of board members and is also responsible for succession planning. The Nomination Committee also makes recommendations as to the membership of the Audit and Remuneration Committees. The Nomination Committee will meet at least twice a year and as otherwise required. The Nomination Committee comprises not less than three members, at least two of whom should be independent non-executive directors. The current members are Andrew Gueritz (as chairperson), Ruth Anderson, Gordon Matthew and David Stupples. If at any time there is only one independent non-executive director on the Board, the Nomination Committee will consist of the Chairperson of the Company, one independent non-executive director and one other director.

Market Disclosure Committee

The Market Disclosure Committee is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and the London Stock Exchange's AIM Rules for Companies. The Market Disclosure Committee must meet whenever necessary in order to fulfill its responsibilities and comprises at least two members, being David Secher (as chairperson) and Mary Dowd. The Company Secretary acts as the secretary of the meeting.

16. DIVIDEND POLICY

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. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard

to the availability of distributable profits, the funds required to finance continuing future growth as well as other potential profitable uses for excess capital (such as share buy-backs).

17. SHARE DEALING POLICY

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility (“**PDMRs**”) and persons closely associated with them which contains provisions appropriate for a company whose shares are admitted to trading on AIM. The Company takes all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of that share dealing policy.

18. EIS AND VCT STATUS

The Company has received provisional advanced assurance from HMRC that the Ordinary Shares to be issued pursuant to the Placing or Subscription will rank as “eligible shares” for the purposes of EIS. However, neither the Company nor the Board nor any of the Company’s advisers give any warranty or undertaking that such reliefs will continue to be available and not be withdrawn at a later date.

Whilst HMRC does not provide advanced assurance for VCT status, the Company has engaged with HMRC and provided such documentation as was requested and intends to apply for VCT status for all eligible institutional investors in the Placing.

19. TAXATION

Your attention is drawn to the information on taxation relating to the Company and Shareholders in the UK contained in paragraph 20 of Part 4 of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately if you are resident in the UK or, if you are not resident in the UK, from an appropriately authorised independent financial adviser in your own jurisdiction.

20. ADMISSION, SETTLEMENT AND DEALING

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 14 December 2018. The Ordinary Shares will be in registered form. The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. Share certificates, where applicable, will be sent to the registered Shareholder by the Registrar, at such Shareholder’s own risks.

21. THE TAKEOVER CODE

As a company incorporated in England and Wales whose Ordinary Shares will be admitted to trading on AIM, the Takeover Code applies to the Company. Under Rule 9 of the Takeover Code (“**Rule 9**”), any person who acquires an interest in shares (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the Takeover Code) with him) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required by the Takeover Panel to make a general offer to all of the remaining shareholders to acquire their shares. Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. "Control" means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

Tom Ilube, his brother Roland Ilube and his sisters Susan Gill and Elizabeth Leonard (together the "**Concert Party**") are deemed to be acting in concert for the purposes of the Takeover Code. The Concert party owns in aggregate 1,408,739 Ordinary Shares representing 35.31 per cent. of the Company's issued share capital. Following Admission, the Concert Party will own in aggregate 1,408,739 Ordinary Shares representing 30.10 per cent. of the Company's Enlarged Share Capital.

If the Concert Party were to increase the percentage of the aggregate voting rights in which it is interested, it would be obliged, except with the consent of the Takeover Panel, to make a mandatory offer as referred to above.

Further information on the Takeover Code is set out in paragraph 6 of Part 4 of this document.

22. SHARE OPTION SCHEMES AND INCENTIVISATION PROPOSALS

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 and June 2017.

As at the date of this document, 150,844 Ordinary Shares in the Company were under option (of which a notice of exercise has been received in respect of options over 666 Ordinary Shares, to be exercised as soon as reasonably practicable following Admission). In addition, the Company has established a share option programme in Crossword Consulting Limited and 27,000 options were issued to employees of that company. The Company intends to put in place an incentive arrangement for Stuart Jubb, the Management Director of Crossword Consulting Limited, which is designed to incentivise him with entrepreneurial-style rewards commensurate with the achievement of a growth in enterprise value of that company. Further details on the share option programmes and incentivisation proposals are set out in paragraphs 14.4 and 15 of Part 4 of this document.

23. FURTHER INFORMATION

You should read the whole of this document, which provides additional information on the Group and the Placing and Subscription, and not just rely on the information contained in this Part 1. In particular, your attention is drawn to the risk factors in Part 2 of this document.

PART 2

RISK FACTORS

An investment in the Ordinary Shares may be subject to a number of risks. Accordingly, prospective investors should consider carefully all of the information set out in this document and the risks attaching to such an investment, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision in relation to any Ordinary Shares.

The information below does not purport to be an exhaustive list of relevant risks, since the Group's performance might be affected by other factors including, in particular, changes in market and/or economic conditions or in legal, regulatory or tax requirements. Prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their individual circumstances. An investment in Ordinary Shares should only be made by those with the necessary expertise to evaluate fully that investment.

This document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part 2. The Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement. Factors that might cause a difference include, but are not limited to, those discussed in this Part 2. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in the document to reflect future events or developments.

Prospective investors are advised to consult an independent adviser authorised under FSMA or such other similar body in their own jurisdiction. If any of the following risks relating to the Group were to materialise, the Group's business, financial condition and results of future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his, her or its investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors.

GENERAL RISKS

General Investment risk

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him or her in the light of his or her personal circumstances and the financial resources available to him or her. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to future performance.

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on demand for the Group's products. A more prolonged downturn may lead to an overall decline in sales. Economic uncertainty might have an adverse impact on the Group's operations and business results.

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

Business strategy

The value of an investment in the Company is dependent, *inter alia*, upon the Group achieving the aims set out in this document. Although the Company has a clearly defined strategy, there can be no guarantee that its objectives will be achieved or that the Company will achieve the level of success that the Directors expect. Furthermore, the Company may decide to change aspects of its strategy described in this document. The Company's ability to implement its business strategy successfully may be adversely impacted by factors that the Company cannot currently foresee, such as unanticipated market forces, costs and expenses or technological factors. Should it be unsuccessful in implementing its strategy or should it take longer than expected to implement, the future financial results of the Group could be negatively impacted.

Dependence on key executives and personnel

The performance of the Group is dependent on the Directors and senior management and the future performance of the Group will, to some extent, be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers. Loss of such personnel could adversely, and materially, affect the Group.

Intellectual property acquisition and development

Crossword acquires intellectual property (IP) rights from universities via licensing and IP transfer arrangements and then develops this IP into commercial products. Failure to secure good quality IP deals, and to quickly and appropriately meet new cyber security 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 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 design, develop and sell new software solutions in a timely fashion that deliver operational reliability and effectiveness.

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 successfully 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.

Scalability

Part of Crossword's success will depend on the ability of its products to support high-volume, high-availability environments. For data processing applications such as Rizikon, this includes provision of a reliable infrastructure with the necessary speed, data capacity and security for providing appropriate levels of performance and reliability.

When building its system, Crossword has utilised common industry-coding standards taking into account scalability, low latency and testability. Crossword has also undertaken load testing to simulate increased user load to ensure that the products are capable of handling the intended volumes and demands.

Additionally the adoption of cloud technology (AWS and G Suite) enables the hosted application environment to be scaled up to meet demands cost-effectively and promptly.

Nevertheless there is a risk that Crossword's products may be unable to support high-volume, high-availability environments.

Reputational risks

As a cyber security 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. Crossword has an experienced cyber security 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.

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.

The Group's performance is dependent on maintaining competitive customer service levels

Failure to provide and maintain competitive customer service levels and operational and back-office processes could result in customers moving to other providers, and this could have an adverse effect on the financial position of the Group.

Inability to contract with customers on the most favourable terms to the Group

The Group contracts with a wide variety of companies and partners, many of which are in strong negotiating positions and have greater financial resources than the Group. The Group may therefore have limited scope for negotiation of the price or contract terms with its customers.

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 of the Company's technology and systems, or those of key 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.

Dependence on third parties and business continuity

Key components of Crossword's technology platform may be dependent on the continuing availability of a particular supplier.

The software development environment or data processing platforms may become unavailable for an extended period of time thereby disrupting customers' experience of Crossword's products and services.

Crossword's business is at risk from disruption of key systems and assets on which it depends. 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.

Protection of intellectual property

The technology used by the Company includes both software and other code and content. This technology has been internally developed and is owned by the Company or licenced from third parties. Trademarks of the Company are registered.

The Company is dependent on proprietary rights in software and other technology, which relies on laws governing copyrights, trademarks and confidentiality. The Company is also dependent on contractual provisions regarding intellectual property ownership and licensing. These laws enable the Company to protect and/or enforce intellectual property rights in software, including the ability to restrict use of software to those who have obtained relevant authorisation.

Should the Company fail to protect its intellectual property, its operating performance could be adversely affected.

Intellectual property rights

There is a risk that Crossword may be making use of or exploiting software or database design components that may infringe the intellectual property rights of a third party.

The costs incurred in defending any infringement actions may be substantial, regardless of the merits of the claim, and an unsuccessful outcome for Crossword may result in royalties or damages being payable and/or Crossword being required to cease using any infringing intellectual property or embodiments of any such intellectual property (such as software). If any of Crossword's technology platform is held to be in breach, there can be no assurance that Crossword will be able to develop alternative non-infringing intellectual property in a timely manner.

Crossword has taken appropriate measures to protect against IP infringements either knowingly or unknowingly by ensuring that all of its software development resources are made aware that they must not utilise any unlicensed software or utilise any software code (of whatever nature) or database design elements that originate elsewhere thereby obtaining reasonable assurance from the individual developers that no IP rights have been infringed.

Crossword has also deliberately opted to utilise open-source software products and utilities wherever possible and has made limited use of products requiring third-party software licences. Where specific IP has been incorporated into a software product, this has been dealt with in the contractual agreements between Crossword and the IP holder where the product is to be developed and marketed in Crossword's own name and between the relevant entity and the IP holder in the case of development for a spin-out counter-party.

Hacker intrusion, DDoS, malicious viruses and other cyber-crime attacks

Crossword's business may be adversely affected by Distributed Denial of Service ('**DDoS**') attacks and other forms of cyber-crime, such as attempts by computer hackers to gain access to Crossword systems and databases that may lead to exposure of sensitive data or cause its sites to fail and/or disrupt customers' experience of its products and services.

A successful attack may also attempt to extort money from the business by interfering with its ability to provide its software services. The interference often occurs without warning resulting in a negative experience that its customers will associate with Crossword. If its efforts to combat these DDoS attacks and other forms of cyber-crime are unsuccessful, Crossword's reputation may be harmed, and its customers' ability to use the software solutions may be impaired. This could result in a decline in associated revenues which would have a material adverse effect on the business's operations and financial performance.

With all its benefits, hosting on a public cloud has some security implications including but not limited to multi-tenancy (i.e. shared infrastructure), virtual exploits, uncertainty in control over data and infrastructure which may become more prominent as the business grows and increases in popularity. Crossword has given a high priority to data security in the design and development of its platform and also acknowledges that as the business grows, the hosting service may need to be reassessed to continue to provide an appropriate level of robustness in its data security strategy.

Regulatory risk

Changes in the legislative environment may arise for document retention, privacy and confidentiality requirements. The Company is reliant on the current neutrality towards technology in the relevant legislation. There is no guarantee that there will be no legislative intervention in the future regarding the regulation of document retention, privacy and confidentiality requirements. Legislative changes may set new standards in technology that may influence the current technology and other methods used by the Company and cause changes that would adversely affect the demand for the Group's products.

Ability to recruit and retain skilled personnel

The Company believes that it has the appropriate incentive structures 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 lacking, may have a detrimental effect upon the trading performance of the Company. The ability to attract new employees and contractors with the appropriate expertise and skills cannot be guaranteed.

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.

Existing shareholder influence

Following Admission, Tom Ilube, the Company's Chief Executive Officer and other members of the Concert Party, will hold in aggregate 1,408,739 Ordinary Shares, being 30.10 per cent. of the Enlarged Share Capital. Accordingly, Mr Ilube will continue to be in a position to have significant influence over the Company's operations and business strategy although this will be moderated by the terms of the Relationship Agreement so that he does not have the ability to block special resolutions except in limited circumstances and his interests are more closely aligned with those of the Company.

Potential Requirement for further investment

Any future expansion, activity and or business development may require additional capital, whether from equity of debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholders may result. If the Company is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned opportunities, expansion, activity and/or business development. The above could have a material effect on the Company.

No profit to date

The Company has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. There can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

GENERAL BUSINESS RISKS

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. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect on the Company's financial condition and results of operations.

The Company has applied for and received advance assurance from HMRC that the Ordinary Shares will satisfy the requirements for EIS Relief and are expected to constitute a qualifying holding for the purposes of VCT Relief. The continuing status of the Ordinary Shares as a qualifying holding for VCT 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. Further information on EIS and VCT schemes is set out in paragraph 20.6 of part 4 of this document.

Counterparty credit risk

There is a risk that parties with whom the Company trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Company trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Company.

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.

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.

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. 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.

Force Majeure

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, terrorist attacks, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Brexit risk

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union. There are significant uncertainties in relation to the terms on which such an exit will be effected and there are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory and legal landscape in the UK, including, amongst other things, the UK's regulatory and tax system, the conduct of cross-border business

and export and import tariffs. There is also uncertainty in relation to how, when and to what extent these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. There is also a risk that the vote by the UK to leave could result in other member states re-considering their respective membership of the European Union. Although it is not possible to predict fully the effects of the UK's exit from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

Currency Exchange Risk

The Group's functional currency is Sterling. One subsidiary, Crossword Cybersecurity Sp. Z.o.o is based in Poland. Crossword Cybersecurity Sp. Z.o.o, where the functional currency is zloty, accounts for approximately 16 per cent. of the total costs of the business, Exposure to this and other exchange rates may effect 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.

RISKS RELATING TO THE PLACING, SUBSCRIPTION AND THE ORDINARY SHARES

Investment risk

The Group's business is a highly innovative venture which has associated risks arising from the challenge of establishing a new brand, including the commercial risks associated with the investment in development and marketing. An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose the whole of their investment. While various technology investment opportunities are available, potential investors should consider the risks that pertain to technology projects in general.

Share price volatility and liquidity

AIM is an exchange designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the Official List of the London Stock Exchange or some other stock exchanges. Following Admission, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. The Ordinary Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List of the London Stock Exchange. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company and its operations. These factors include, without limitation, (a) the performance of the overall stock market, (b) large purchases or sales of Ordinary Shares by other investors, (c) financial and operational results of the Group (d) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (e) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (e) other factors which are outside of the control of the Group. Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 14.1 of Part 4 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Company's net assets and the price of the Ordinary Shares may decline below the Placing Price and the Subscription Price. Shareholders may be unable to realise their Ordinary Shares at the quoted market price or at all.

Determination of Placing Price and Subscription Price

Placees will subscribe for the Ordinary Shares at the Placing Price and Subscribers will subscribe for the Ordinary Shares at the Subscription Price, which is a fixed price, prior to satisfaction of all conditions for the Ordinary Shares to be issued. The Placing Price and the Subscription Price may not accurately reflect the trading value of the Ordinary Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

Dilution of Shareholders' interest as a result of additional equity fundraisings

The Company may need to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price and the Subscription Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest and the proportionate voting interest of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares under a pre-emptive offer. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue shares, warrants and/or options to subscribe for new shares, including (without limitation) to certain advisers, employees, and directors. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

Dividends

There can be no assurance that the Company will declare dividends or as to the level of any dividends. The approval of the declaration and amount of any dividends of the Company is subject to the discretion of the directors of the Company (and, in the case of any final dividend, the discretion of the Shareholders) at the relevant time and will depend upon, among other things, 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.

The future performance of the Company cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Group will be able to achieve any returns referred to in this document or elsewhere. The financial operations of the Group may be adversely affected by general economic conditions, by conditions within the UK stock market generally or by the particular financial condition of other parties doing business with the Group.

If the Group's revenues decline, do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted for sufficiently, the market price of the Company's shares may fall. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Group's business, results of operations or financial condition.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.

If any of the risks referred to in this Part 2 crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors could lose all or part of their investment.

Although the Directors will seek to minimise the impact of the risk factors listed above, investment in the Company should only be made by investors able to sustain a total loss of their investment.

PART 3

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF CROSSWORD CYBERSECURITY PLC FOR THE THREE YEARS ENDED 31 DECEMBER 2017 AND FOR THE SIX MONTHS ENDED 30 JUNE 2018

PKF Littlejohn LLP



The Directors
Crossword Cybersecurity plc
6th Floor, 60 Gracechurch Street
London EC3V 0HR

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

7 December 2018

Dear Sirs

Crossword Cybersecurity plc (the “Company”)

Introduction

We report on the historic financial information (“Financial Information”) for the three years ended 31 December 2017 and the six months ended 30 June 2018 set out in Section B of Part 3 (the “Company HFI”) relating to the Company. The Company HFI has been prepared for inclusion in the Company’s AIM admission document dated 7 December 2018 (the “Admission Document”) relating to the proposed admission to AIM of the Company and on the basis of the accounting policies set out in note 1.2 to the Company HFI. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2017 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibility

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Company HFI and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

It is our responsibility to form an opinion as to whether the Company HFI gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in

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PKF Littlejohn LLP, Chartered Accountants. A list of members’ names is available at the above address. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. 0C342572. Registered office as above. PKF Littlejohn LLP is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Company HFI. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Company HFI and whether the accounting policies are appropriate to the Company and consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company HFI is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Company HFI gives, for the purpose of the Admission Document dated 7 December 2018, a true and fair view of the state of affairs of the Company as at dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with IFRS.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PKF Littlejohn LLP
Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION ON CROSSWORD CYBERSECURITY PLC FOR THE THREE YEARS ENDED 31 DECEMBER 2017 AND FOR THE SIX MONTHS ENDED 30 JUNE 2018

Consolidated Statement of Comprehensive Income

		12 Months ended 31 December			Unaudited 6 months ended Jun-17	6 months ended Jun-18
	Notes	2015 £	2016 £	2017 £	£	£
Revenue	2	20,613	344,736	736,546	396,652	544,052
Cost of Sales	3	(247,630)	(788,666)	(1,062,350)	(452,382)	(453,545)
Gross Profit (Loss)		(227,017)	(443,930)	(325,804)	(55,730)	90,507
Other operating income-research and development tax credits		–	78,354	97,716	2,508	–
Administrative expenses	3	(530,414)	(585,329)	(956,126)	(485,247)	(896,208)
Share based payments	4	(16,455)	(18,636)	(15,784)	(9,445)	(18,903)
Finance income-bank interest receivable		2,181	1,354	976	374	1,957
Finance costs-other interest payable		–	(73)	(1,402)	(1,203)	(1,032)
Loss for the year/period before taxation		(771,705)	(968,260)	(1,200,424)	(548,743)	(823,679)
Tax expense	7	–	(3,267)	(4,730)	(2,133)	(2,900)
Loss for the Year/Period Other Comprehensive Income		(771,705)	(971,527)	(1,205,154)	(550,876)	(826,579)
Items that may be reclassified to profit or loss: Foreign Exchange Translation Gain (Loss)		(1,659)	6,205	4,265	2,726	(4,212)
Total Comprehensive Loss		<u>(773,364)</u>	<u>(965,322)</u>	<u>(1,200,889)</u>	<u>(548,150)</u>	<u>(830,791)</u>
Earnings Per Share	14	(0.38)	(0.39)	(0.39)	(0.19)	(0.24)

All results are derived from continuing operations.

Consolidated Statement of Financial Position

		as at 31 December			as at
	Notes	2015	2016	2017	30-Jun-18
		£	£	£	£
Non-Current Assets					
Tangible assets	8	3,635	2,280	12,408	15,057
Intangible assets		816	583	–	–
Investments in other unlisted investment & subsidiary	9	–	31	31	31
Total non-current assets		<u>4,451</u>	<u>2,894</u>	<u>12,439</u>	<u>15,088</u>
Current Assets					
Trade and other receivables	10	30,763	178,154	175,580	355,095
Cash and cash equivalents		<u>1,227,481</u>	<u>1,548,906</u>	<u>490,090</u>	<u>1,728,888</u>
Total current assets		<u>1,258,244</u>	<u>1,727,060</u>	<u>665,670</u>	<u>2,083,983</u>
TOTAL ASSETS		<u><u>1,262,695</u></u>	<u><u>1,729,954</u></u>	<u><u>678,109</u></u>	<u><u>2,099,071</u></u>
EQUITY					
Attributable to the owners of the Company					
Share Capital	13	119,173	156,015	159,173	199,506
Share premium account	13	2,080,827	3,413,416	3,555,522	5,627,202
Other reserves	4	16,455	35,091	50,875	69,778
Retained earnings		(1,010,385)	(1,981,912)	(3,187,066)	(4,013,645)
Translation of foreign operations		(2,941)	3,264	7,529	3,317
Total equity		<u>1,203,129</u>	<u>1,625,874</u>	<u>586,033</u>	<u>1,886,158</u>
LIABILITIES					
Current Liabilities					
Trade and other payables	11	<u>59,566</u>	<u>104,080</u>	<u>92,076</u>	<u>212,913</u>
Total current liabilities		<u>59,566</u>	<u>104,080</u>	<u>92,076</u>	<u>212,913</u>
Total Liabilities		<u>59,566</u>	<u>104,080</u>	<u>92,076</u>	<u>212,913</u>
Total Equity & Liabilities		<u><u>1,262,695</u></u>	<u><u>1,729,954</u></u>	<u><u>678,109</u></u>	<u><u>2,099,071</u></u>

Consolidated Statement of Changes in Equity

As at	12 Months ended 31 December			Unaudited	6 months
	2015	2016	2017	ended	ended
	£	£	£	Jun-17	Jun-18
Share Capital				£	£
At 1 January	79,697	119,173	156,015	156,015	159,173
Issue of shares	39,476	36,842	3,158	3,158	40,333
At 31 December/30 June	<u>119,173</u>	<u>156,015</u>	<u>159,173</u>	<u>159,173</u>	<u>199,506</u>
Share Premium					
At 1 January	620,303	2,080,827	3,413,416	3,413,416	3,555,522
Issue of shares	1,460,524	1,332,589	142,106	142,106	2,071,680
At 31 December/30 June	<u>2,080,827</u>	<u>3,413,416</u>	<u>3,555,522</u>	<u>3,555,522</u>	<u>5,627,202</u>
Equity Reserve					
At 1 January	–	16,455	35,091	35,091	50,875
Employee share schemes – value of employee services	16,455	18,636	15,784	9,445	18,903
At 31 December/30 June	<u>16,455</u>	<u>35,091</u>	<u>50,875</u>	<u>44,536</u>	<u>69,778</u>
Retained Earnings					
At 1 January	(238,680)	(1,010,385)	(1,981,912)	(1,981,912)	(3,187,066)
Loss for the period	(771,705)	(971,527)	(1,205,154)	(550,876)	(826,579)
At 31 December/30 June	<u>(1,010,385)</u>	<u>(1,981,912)</u>	<u>(3,187,066)</u>	<u>(2,532,788)</u>	<u>(4,013,645)</u>
Translation of Foreign Operations					
At 1 January	(1,282)	(2,941)	3,264	3,264	7,529
Translation of Foreign Operations	(1,659)	6,205	4,265	2,726	(4,212)
At 31 December/30 June	<u>(2,941)</u>	<u>3,264</u>	<u>7,529</u>	<u>5,990</u>	<u>3,317</u>
Total					
At 1 January	460,038	1,203,129	1,625,874	1,625,874	586,033
Total Comprehensive loss for the Period	(773,364)	(965,322)	(1,200,889)	(548,150)	(830,791)
Issue of shares	1,500,000	1,369,431	145,264	145,264	2,112,013
Share based Payments	16,455	18,636	15,784	9,445	18,903
At 31 December/30 June	<u>1,203,129</u>	<u>1,625,874</u>	<u>586,033</u>	<u>1,232,433</u>	<u>1,886,158</u>

Consolidated Statement of Cashflows

		12 Months ended 31 December			Unaudited 6 months ended Jun-17	6 months ended Jun-18
	Notes	2015 £	2016 £	2017 £	£	£
Cashflows From Operating Activities						
Loss for the year/period		(771,705)	(971,527)	(1,205,154)	(550,876)	(826,579)
Movement in trade and other receivables		(168)	(147,391)	2,574	178,154	(179,515)
Movement in trade and other payables		37,544	44,514	(12,004)	(104,080)	120,837
Depreciation and amortisation		2,704	2,468	5,474	1,758	2,271
Non cash employee benefits		16,455	18,636	15,784	9,445	18,903
Net Cashflow from Operating Activities		<u>(715,170)</u>	<u>(1,053,300)</u>	<u>(1,193,326)</u>	<u>(465,599)</u>	<u>(864,083)</u>
Cashflow From Investing Activities						
Purchase of tangible assets	8	(853)	(880)	(15,657)	(7,222)	(4,920)
Purchase of shares in other unlisted investment	9	–	(31)	–	–	–
Net Cashflow from Investing Activities		<u>(853)</u>	<u>(911)</u>	<u>(15,657)</u>	<u>(7,222)</u>	<u>(4,920)</u>
Cashflows from Financing Activities						
Proceeds from issue of ordinary shares		1,500,000	1,369,431	145,264	145,264	2,112,013
Net Cash Inflow from Financing Activities		<u>1,500,000</u>	<u>1,369,431</u>	<u>145,264</u>	<u>145,264</u>	<u>2,112,013</u>
Net Increase in Cash & Cash Equivalents						
Foreign Currency Translation Difference		783,977	315,220	(1,063,719)	(327,557)	1,243,010
Cash and Cash Equivalent at the beginning of the period		(1,659)	6,205	4,903	2,726	(4,212)
		<u>445,163</u>	<u>1,227,481</u>	<u>1,548,906</u>	<u>1,548,906</u>	<u>490,090</u>
Cash and Cash Equivalent at the end of the period		<u>1,227,481</u>	<u>1,548,906</u>	<u>490,090</u>	<u>1,224,075</u>	<u>1,728,888</u>

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 the United Kingdom under the Companies Act 2006. The Company is the parent company of the Crossword group of Companies focusing on the cyber security sector. The principle activities are the development and commercialisation of university research-based cyber security related software and cyber security consulting.

The historical financial information includes the results of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The historical financial information presented herein is for the six months ended 30 June 2018 and 30 June 2017 (unaudited), and the years ended 31 December 2015, 31 December 2016 and 31 December 2017. The principal accounting policies applied in the preparation of the historical 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 historical 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 (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The historical financial information has been prepared on the historical cost. The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the historical financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 1.17.

The Group has adopted the following new and amended IFRSs from 1 January 2018 prospectively in the consolidated historical financial information. There has not been a material impact to the Group when adopting these new and amended IFRSs:

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRSs from 1 January 2018 prospectively in the consolidated historical financial information. There has not been a material impact to the Group when adopting these new and amended IFRSs:

IFRS9 – Financial Instruments; Classification and measurement, applicable for financial years beginning on/after 1 January 2018

IFRS15 – Revenue from contracts with customers, applicable for financial years beginning on/after 1 January 2018.

IFRS 9 Financial instruments

The Group adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in no adjustments to the carrying value of financial assets and liabilities at the date of transition.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with Customers:

- (1) identify the contract with the Customer;
- (2) identify the performance obligations in the contract, introducing the new concept of “distinct”;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and
- (5) recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration and contract modifications. It requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

Management has conducted a detailed analysis of the impact of IFRS 15 on the Group which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. Management have concluded following this assessment that the implementation of IFRS 15 has not resulted in any impact to revenue in the Group's consolidated historical financial information.

The following standards and interpretations were issued by the IASB and IFRS IC but have not been adopted either because they were not endorsed by the EU at 30 June 2018 or they are not yet mandatory and the Group has not chosen to early adopt.

IFRS16 – Leases, applicable for financial years beginning on/after 1 January 2019

IFRS 16 replaces IAS 17 Leases and will primarily change lease accounting, with lessor accounting under IFRS 16 expected to be similar to lessor accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease and the Group acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Group's balance sheet.

Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The impact of IFRS 16—Leases will require the Group to record its current property leases and qualifying technology contracts on the balance sheet giving rise to a right to use asset and a corresponding lease obligation. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase depreciation charges and lead to a reduction in lease costs in the income statement. Future commitments of the Group's two commitments under current operating leases are outlined in note 12 which gives some indication of the impact on the Group going forward, however, as IFRS 16 is effective for the first time for the financial year commencing 1 January 2019, a full assessment of the standard has not yet been made but it is expected that the standard will not have a material impact on the future results of the Group.

Other standards and interpretations yet to be adopted include:

IFRS 17 'Insurance Contracts'

Amendments to IFRS 2 'Share Based Payments'

Amendments to IFRS 11 'Accounting for Acquisition of Interests in Joint Operation'

Amendments to IFRS 9 'Prepayment Features with Negative Compensation'

Amendments to IAS 40 'Transfer of Investment Property'

And are not expected to have a material impact of the future results of the Group.

1.3 **Going Concern**

The financial information have been prepared on a going concern basis which the directors believe to be appropriate as the Group have sufficient funds to finance its operations for the next 12 months from publication of this admission document.

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, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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 comprises the fair value of consideration received or receivable for licence income and the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax and trade discounts. Income is reported as follows:

(a) *Licence income*

Technology and product licensing revenue represents amounts earned for licences granted under licensing agreements, including up-front payments. Revenues relating to up-front payments are recognised when the obligations related to the revenues have been completed.

Revenues for maintenance and support services are recognised in the accounting periods in which the services are rendered.

(b) *Rendering of Services*

Services relate to implementation and deployment fees for the technology and products licenced to customers. Revenue is recognised in the accounting periods in which the services are rendered.

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 **Foreign currency transactions**

Transactions in foreign currencies are translated to GBP at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to GBP at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to GBP at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

On consolidation, the assets and liabilities of foreign operations are translated into GBP at the rate of exchange at the reporting date. Their statements of profit or loss are transacted at exchange rates at the dates of transaction.

The exchange differences arising upon consolidation on retranslation from a functional currency other than GBP are recognised as a separate component of equity.

1.8 **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.

1.9 **Depreciation**

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 periods are as follows:

	<i>Useful lives in years</i>
Computers	3.33
Furniture & fittings	3.33

1.10 **Impairment of non-financial assets**

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its physical life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Items costing less than £2,000 per individual asset are written off in the period of acquisition.

At the end of each reporting period management assesses whether the indicators of impairment of property, plant and equipment exists.

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

For the purpose of impairment testing the recoverable amount is measured by reference to the higher of value in use (being the net present value of expected future cashflows of a relevant cash generating unit) and fair value less costs to sell (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties who are independent from each other less the costs of disposal).

Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group would receive for the cash generating unit.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment.

This reversal is recognised in profit or loss for the period and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

1.11 **Financial Instruments**

Financial Instruments are recorded as follows:

- Trade and other payables are initially recognised at the fair value and subsequently at amortised cost using the effective rate of interest.
- Cash and cash equivalents consist of cash at bank on demand.
- Trade receivables, loans, and other receivables that have fixed or determinate payments that are not quoted in active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.
- Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cashflows have been affected.
- Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

1.12 **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:

1.12.1 *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.

1.12.2 *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 does not consider credit risk to be significant given the type of services it provides.

1.12.3 *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.

1.13 **Research and development**

Research and development expenditure is written off as incurred.

1.14 **Taxes**

Income Taxes include all taxes based upon the taxable profits of all Group companies. Other taxes not based on income such as property and capital taxes are included within operating expenses or financial expenses according to their nature.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial information.

Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

1.15 **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.

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.

1.16 **Capital management**

The Group considers its capital to comprise of its equity share capital, share premium, foreign exchange reserve and share options 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.

1.17 **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 estimates that the directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the historical financial information. There are no further critical accounting judgements.

Going concern

The Group's business model is being developed and its operations have incurred a net loss in each period reported within this Financial Information whilst the Group's products and services are brought to market. Operations have been supported by cash flow from customers and issue of Equity such that the directors believe it is appropriate to adopt the going concern basis of preparation.

The directors have considered the Group's future and forecast business and cash requirements and have determined that the current cash resource is sufficient to enable the Group's going concern for a period of twelve months from the date of approval of these financial information.

Estimated impairment of assets

All assets are tested for impairment where there are indicators of impairment.

The recoverable amount of cash generating units have been determined based on value in use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. The estimates used are shown in note 8.

Fair value of options granted to employees

The Group uses a combination of the Black-Scholes model and Binomial 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:

				<i>Unaudited</i>	<i>6 months</i>
				<i>ended</i>	<i>ended</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Jun-17</i>	<i>Jun-18</i>
Revenue from the sale of goods/services	20,613	7,050	26,900	18,550	43,978
Revenue from the rendering of services	–	117,423	255,362	172,289	111,795
Revenue from CyberOwl Limited	–	58,932	153,222	63,025	110,006
Revenue from Consulting	–	161,331	301,062	142,788	278,273
Total Revenue	<u>20,613</u>	<u>344,736</u>	<u>736,546</u>	<u>396,652</u>	<u>544,052</u>

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 geographic operating segments (UK and Poland) supported by one centralised cost segment (UK and Poland) and one revenue segment (UK). Reporting on this basis is reviewed by the Board of directors which is the chief operating decision-maker and is responsible for the strategic decision-making of the Group.

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

3. Expenses By Nature

				<i>Unaudited</i>	<i>6 months</i>
				<i>ended</i>	<i>ended</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Jun-17</i>	<i>Jun-18</i>
Staff and related costs	394,475	794,980	1,293,951	620,337	841,038
Consultancy and related costs	123,609	236,669	270,252	86,499	146,533
Professional fees	136,277	152,823	179,858	84,942	113,996
Property related costs	45,931	75,362	91,021	58,774	69,340
Depreciation	2,704	2,235	5,474	1,758	2,271
Other expenses	75,048	111,926	177,920	85,319	176,575
Total cost of sales and administrative expenses	<u>778,044</u>	<u>1,373,995</u>	<u>2,018,476</u>	<u>937,629</u>	<u>1,349,753</u>

Expenses by geographic segment

				<i>Unaudited 6 months ended Jun-17</i>	<i>6 months ended Jun-18</i>
£	2015	2016	2017		
UK	695,672	1,201,725	1,714,111	798,278	1,119,682
Poland	82,372	172,270	304,365	139,351	230,071
Total cost of sales and administrative expenses	<u>778,044</u>	<u>1,373,995</u>	<u>2,018,476</u>	<u>937,629</u>	<u>1,349,753</u>

4. Staff Costs

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

				<i>Unaudited 6 months ended Jun-17</i>	<i>6 months ended Jun-18</i>
£	2015	2016	2017		
Wages and salaries	242,885	563,406	1,154,469	601,811	816,879
Social security costs	24,211	63,209	135,606	18,526	24,159
Share based payments	16,455	18,636	15,784	9,445	18,903
Other pension costs	–	–	3,876	–	–
	<u>283,551</u>	<u>645,251</u>	<u>1,309,735</u>	<u>629,782</u>	<u>859,941</u>

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

				<i>Unaudited 6 months ended Jun-17</i>	<i>6 months ended Jun-18</i>
£	2015	2016	2017		
Staff	5	10	15	15	18
Directors	3	3	4	5	4

Share based payments

The amount recognised in respect of share based payments was £18,903 for June 2018, £9,445 for June 2017, £15,784 for 2017, £18,636 for 2016 and £16,455 for 2015.

The Group has established share option programmes that entitle certain employees to purchase shares in the Group.

These were issued in July 2014, November 2014, July 2015, December 2015, January 2016, June 2016, September 2016, June 2017, Jan 2018, and May 2018.

There are no performance conditions attaching to these options. 6,666 shares were exercised in April 2018. No further options have been exercised at 30 June 2018.

Total options issued amount to 139,415 as at 30 June 2018, 115,658 as at 31 December 2017, 110,158 as at 31 December 2016, 89,000 as at 31 December 2015 by Crossword Cybersecurity plc. See details in Note 14 Earnings & Diluted Earnings per share.

27,000 share options were issued by Crossword Consulting Limited in January 2018. A value has been attributed to these options, but they will not have the same dilutive impact as options in the parent entity.

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) – 35 per cent. Given the thinly traded shares of the Company on NEX, the Directors have estimated Crossword's share price volatility by reference to the calculated volatility of quoted comparator companies Sophos Group plc and Osirium Technologies plc.
- 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 per cent.,
- Staff turnover – 0 per cent. however an adjustment has been made to account for lapsed options due to Leavers; and
- Performance conditions – none.

5. Directors' Remuneration

<i>Remuneration £</i>	<i>12 Months ended 31 December</i>			<i>Unaudited</i>	<i>6 months</i>
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>6 months</i>	<i>6 months</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>ended</i>	<i>ended</i>
				<i>Jun-17</i>	<i>Jun-18</i>
				<i>£</i>	<i>£</i>
Sir Richard Dearlove	–	8,333	25,000	12,500	12,500
Tom Ilube	50,000	100,000	100,000	50,000	50,000
Dr David Secher	6,000	6,000	6,000	3,000	3,000
Prof David Stupples	12,000	12,000	12,000	6,000	6,000
Andrew Gueritz	1,617	6,000	6,000	3,000	3,000
Ruth Anderson	–	–	–	–	2,500
Gordon Matthew	6,000	12,000	12,000	6,000	6,000
Mary Dowd	–	–	–	–	12,948
John Bottomley	9,000	–	–	–	–
Total	<u>84,617</u>	<u>144,333</u>	<u>161,000</u>	<u>80,500</u>	<u>95,948</u>

Share Options issued

	<i>Year</i>	<i>Share Options</i>	<i>Exercise Price</i>	<i>Total Value</i>
Gordon Matthew	2015	5,000	£1.90	£3,846
Sir Richard Dearlove	2016	13,158	£1.90	£9,676
Sir Richard Dearlove	2018	6,757	£3.70	£9,902

There is no key management personnel compensation outside of Directors' remuneration in any period presented.

6. Auditor's Remuneration

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

	2015	2016	2017	Unaudited 6 months ended Jun-17	6 months ended Jun-18
£	£	£	£	£	£
Fees for legal audit of consolidated financial information	9,000	14,000	20,500	500	9,250
Fees for tax advisory services	8,447	13,948	5,000	–	1,000
Fees for other services	–	500	–	–	–
	<u>17,447</u>	<u>28,448</u>	<u>25,500</u>	<u>500</u>	<u>10,250</u>

7. Tax

	2015	2016	2017	Unaudited 6 months ended Jun-17	6 months ended Jun-18
£	£	£	£	£	£
Income tax					
Current income tax expense	–	3,267	4,730	2,133	2,900
Deferred income tax	–	–	–	–	–
Total tax expense	<u>–</u>	<u>3,267</u>	<u>4,730</u>	<u>2,133</u>	<u>2,900</u>

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

The deferred income taxes for all years/periods and deferred tax assets as at the end of each year/period were considered nil as the Directors consider there is not sufficient certainty over the recoverability of the corporation tax losses available.

Corporation tax losses carried forward for offset against future year's trading profits amount to approximately £2,600,000 in June 2018 (2017: £2,500,000, 2016: £1,600,000, 2015: £700,000).

	2015	2016	2017	Unaudited 6 months ended Jun-17	6 months ended Jun-18
£	£	£	£	£	£
Loss before taxation	771,705	968,260	1,200,424	548,743	823,679
Average rate of corporation tax	20%	20%	19.25%	19.25%	19%
Tax on profit	(154,341)	(193,652)	(231,082)	(105,633)	(156,499)
Effects of:					
Expenses not deductible for tax purposes	7,890	989	7,004	3,097	4,490
Depreciation for the period in excess of capital allowances	370	429	5,474	1,758	2,271
Deferred tax not recognised	146,081	188,967	213,874	98,645	146,838
Total tax charge	<u>–</u>	<u>(3,267)</u>	<u>(4,730)</u>	<u>(2,133)</u>	<u>(2,900)</u>

Factors that may affect future tax changes

A reduction in the UK corporation tax rate from 20 per cent. to 19 per cent. was enacted in October 2015 and took effect from 1 April 2017. A further valuation from 19 per cent. to 17 per cent. was substantively enacted on the same date and will take effect from 1 April 2020.

Polish Corporation Tax has been 19 per cent. until 1 January 2017, when Crossword started to benefit from the new small companies reduced rate of 15 per cent. adopted by the Parliament Act amendment to Polish CIT Law.

8. Property, plant and Equipment

	<i>Computers</i>			<i>6 months ended Jun-18</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	
Opening	5,589	6,442	7,322	22,924
Additions	853	880	15,602	–
Closing	<u>6,442</u>	<u>7,322</u>	<u>22,924</u>	<u>22,924</u>
Accumulated Depreciation				
Opening	103	2,807	5,042	10,516
Charge for the period	2,704	2,235	5,474	2,851
Closing	<u>2,807</u>	<u>5,042</u>	<u>10,516</u>	<u>13,367</u>
Net Book Value	<u>3,635</u>	<u>2,280</u>	<u>12,408</u>	<u>9,557</u>

	<i>Furniture & Fittings</i>			<i>6 months ended Jun-18</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	
Opening	–	–	–	–
Additions	–	–	–	5,500
Closing	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,500</u>
Accumulated Depreciation				
Opening	–	–	–	–
Charge for the period	–	–	–	–
Closing	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net Book Value	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,500</u>

9. Other Unlisted Investment

				<i>6 months ended Jun-18</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	
Opening	–	0	31	31
Additions	–	31	–	–
Carrying Amount	<u>–</u>	<u>31</u>	<u>31</u>	<u>31</u>

The above investment represents Crossword Cybersecurity Plc's 2018 – 9.88 per cent. (2017 – 11.069 per cent., 2016 – 14.58 per cent.) holding in CyberOwl Limited which was purchased on 18 April 2016.

10. Trade and Other Receivables

				<i>6 months ended Jun-18</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	
Trade receivables	–	40,724	91,690	267,374
Other receivables	20,911	115,522	49,788	76,448
Prepayments & accrued income	9,852	21,908	34,102	11,273
	<u>30,763</u>	<u>178,154</u>	<u>175,580</u>	<u>355,095</u>
Overdue	–	–	24,000	18,760

All overdue amounts were paid following the period.

All of the above amounts are considered to be due within one year. The maximum exposure to credit risk at the reporting date is the carrying value as above and none are either past or impaired.

Of the above amounts held within the Group, Jun 2018: £13,841; 2017: £32,566; 2016: £20,609; 2015: £9,433 is denominated in Polish Zloty with the remainder in GBP.

There has been a restated figure of £583 in relation to intangible assets/amortisation that was incorrectly accounted for in 2016 Other receivables. This is not viewed as being significant.

11. Trade and Other Payables

				<i>6 months ended Jun-18</i>
£	<i>2015</i>	<i>2016</i>	<i>2017</i>	
Trade payables	12,183	63,263	44,101	108,846
Accruals and deferred income	40,934	30,559	34,370	43,629
Other payables	6,449	10,258	13,605	60,438
	<u>59,566</u>	<u>104,080</u>	<u>92,076</u>	<u>212,913</u>

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

Of the above amounts held within the Group, £55,957 (2017: £31,149, 2016: £5,491, 2015:£6,498) is denominated in Polish Zloty with the remainder in GBP.

Suppliers denominated in Euros had a balance of £3,183 outstanding at 30 June 2018 (zero in previous periods).

12. Operating Leases

£	<i>2019</i>	<i>2020</i>	<i>2021</i>
Future Commitments under operating leases			
UK Office	126,465	126,465	126,465
Polish Office	47,404	47,404	27,652

13. Share Capital

Allotted called up and fully paid

2015: 2,383,460, 2016: 3,120,250, 2017:3,183,408, 2018: 3,990,074 ordinary shares of £0.05 each

£	2015	2016	2017	6 months ended Jun-18
Share Capital				
Opening	79,697	119,173	156,015	159,173
Shares Issued in period	39,476	36,842	3,158	40,333
Closing	<u>119,173</u>	<u>156,015</u>	<u>159,173</u>	<u>199,506</u>
Share Premium				
Opening	620,303	2,080,827	3,413,416	3,555,522
Shares Issued in period	1,460,524	1,332,589	142,106	2,071,680
Closing	<u>2,080,827</u>	<u>3,413,416</u>	<u>3,555,522</u>	<u>5,627,202</u>

The shares issued during the periods represent the additional financing requirements of the Group.

14. Earnings & Diluted Earnings 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 6 months to 30 June 2018, this calculation was based on the loss for the period of £823,679 (30 June 2017: 548,743, 2017: £1,200,424, 2016: £968,260, 2015: £771,705) divided by the weighted average number of ordinary shares of 3,409,962 (30 June 2017: 3,126,703, 2017: 3,158,318, 2016: 2,458,102, 2015: 2,007,056).

Diluted earnings per share is calculated by dividing the loss of the period by the weighted average number of ordinary shares outstanding during the year.

	12 Months ended 31 December			Unaudited 6 months ended Jun-17	6 months ended Jun-18
	2015	2016	2017	£	£
	£	£	£	£	£
Weighted average number of shares (WANS)	2,007,056	2,458,102	3,158,318	3,126,703	3,409,962

15. Share options

Reconciliation of share options-Company

	Weighted average exercise price		Weighted average exercise price		6 months ended Jun-18	Weighted average exercise price Jun-18
	2016	2016	2017	2017	£	£
		£	£	£	£	£
1 January	89,000	1.11	110,158	1.26	115,658	1.29
Granted during the period	21,158	1.90	11,500	1.90	38,757	2.96
Lapsed/exercised during the period	–	–	(6,000)	1.90	(15,000)	1.90
End of the period	<u>110,158</u>	<u>1.26</u>	<u>115,658</u>	<u>1.29</u>	<u>139,415</u>	<u>1.69</u>

Reconciliation of share options-Crossword Consulting Limited

	Weighted average exercise price		Weighted average exercise price		6 months ended	Weighted average exercise price
	2016	2016	2017	2017	Jun-18	Jun-18
1 January		£	£	£	£	£
Granted during the period	-	-	-	-	27,500	0.01
Lapsed/exercised during the period	-	-	-	-	(500)	0.01
End of the period	-	-	-	-	27,000	0.01

16. 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 in excess of nominal value
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

17. Financial Assets-Loans & Receivables and Financial Liabilities (At Amortised Cost)

£	2015	2016	2017	6 months ended Jun-18
Financial Assets				
Investments	-	31	31	31
Cash and cash equivalents	1,227,481	1,548,906	490,090	1,728,888
Trade and other receivables	20,911	156,246	141,478	343,822
	<u>1,248,392</u>	<u>1,705,183</u>	<u>631,599</u>	<u>2,072,741</u>
Financial Liabilities				
Trade and other payables	18,632	73,521	57,706	169,284
Accruals	40,934	30,599	34,370	43,629
	<u>59,566</u>	<u>104,120</u>	<u>92,076</u>	<u>212,913</u>

18. 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. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

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.

19. Related Party Transactions

	2015	2016	2017	Unaudited 6 months ended Jun-17	6 months ended Jun-18
CyberOwl Limited – Crossword Cybersecurity plc has an investment in CyberOwl Limited T Ilube is a Non Executive Director of CyberOwl Limited					
Percentage Holding			14.58%	11.069%	9.88%
Revenue from development services	58,932	153,222		55,050	110,006
Balance Outstanding	12,840	14,340		9,570	18,690
ByzGen Limited – Crossword Cybersecurity has a licencing agreement with ByzGen Limited T Ilube is a Non Executive Director of ByzGen Limited					
Revenue from development services and licence agreement		– 113,808		50,000	105,814
Balance Outstanding		– 20,768		60,000	39,460

Transaction	12 Months ended 31 December			Unaudited 6 months ended	6 months ended
	2015	2016	2017	Jun-17	Jun-18
Cambridge KT Ltd – Dr David Secher	6,000	6,000	6,000	6,000	6,000
Complex Systems Ltd – Prof David Stupples	–	–	7,000	2,000	8,000
Caprica Nelson Limited – Ruth Anderson	–	–	–	–	3,000
Trend Management Services – Gordon Matthew	7,200	14,400	21,600	14,400	–
JB Consulting – John Bottomley	9,000	–	–	–	–
<i>Closing Balance</i>	<i>as at 31 December</i>			<i>as at</i>	<i>as at</i>
	2015	2016	2017	Jun-17	Jun-18
Cambridge KT Ltd – Dr David Secher	–	–	–	–	3,000
Complex Systems Ltd – Prof David Stupples	–	–	–	–	3,000
Caprica Nelson Limited – Ruth Anderson	–	–	–	–	–
Trend Management Services – Gordon Matthew	–	–	7,200	7,200	–

20. Controlling Party

The ultimate controlling party throughout all periods was T Ilube, a director, by virtue of his holding of the Company's voting shares.

PART 4

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Directors, whose names are set out on page 6 of this document, and the Company, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (each of whom have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 6 March 2014, as a public limited company with the name of Crossword Cybersecurity plc and with registered number 8927013.
- 2.2 The liability of the Company's members is limited to the amount, if any, unpaid on the Ordinary Shares.
- 2.3 The Company is governed by, and its securities were created under, the Companies Act and the regulations made thereunder.
- 2.4 The Company's registered office is located at 6th Floor 60 Gracechurch Street, London, United Kingdom, EC3V 0HR. The address of the Company's principal place of business is 1st Floor, Midmoor House, 1-2 Kew Road, Richmond Upon Thames TW9 2NQ.
- 2.5 The Company's website for the disclosure of information required by Rule 26 of the AIM Rules for Companies is www.crosswordcybersecurity.com
- 2.6 Other than the Board, the Company has the Remuneration Committee, the Audit Committee, the Nomination Committee and the Market Disclosure Committee.
- 2.7 The Company's principal activity is, and will continue to be following Admission, the development of cyber security and compliance software and the provision of consulting services.

3. THE GROUP AND MINORITY INTEREST

- 3.1 The Company is the ultimate holding company of the Group. The following table contains details of the Company's subsidiaries as at the date of this document and immediately following Admission:

<i>Name</i>	<i>Country of incorporation</i>	<i>Registered office</i>	<i>Activity</i>	<i>Ownership interest</i>
Crossword Cybersecurity Sp. Z.o.o	Poland	ul. Wiejska 12a, 00-490 Warsaw, Poland	Software engineering	100% Held directly
Crossword Consulting Limited	England and Wales	6th Floor, 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Cyber security Consultancy	100% Held directly

- 3.2 The Company has a minority interest in:

CyberOwl Limited	England and Wales	6th Floor, 60 Gracechurch Street, London, United Kingdom, EC3V 0HR	Cyber risk management	9.88% Held directly
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4. SHARE CAPITAL

- 4.1 On incorporation of the Company, 1,000,000 Ordinary Shares of £0.05 were issued to Tom Ilube as subscriber, at a subscription price of £0.05 per Ordinary Share.
- 4.2 On 8 July 2014, the Company increased its share capital by the issue of 275,000 Ordinary Shares for cash at a subscription price of £0.545454 per Ordinary Share.
- 4.3 On 23 July 2014, the Company increased its share capital by the issue of 171,875 Ordinary Shares for cash at a subscription price of £1.454545 per Ordinary Share, all of which were issued to Tom Ilube.
- 4.4 On 22 December 2014, the Company increased its share capital pursuant to a placing whereby a further 147,059 Ordinary Shares were issued for cash at a subscription price of £1.70 per Ordinary Share.
- 4.5 On 24 June 2015, the Company increased its share capital pursuant to a placing whereby a further 789,474 Ordinary Shares were issued for cash at a subscription price of £1.90 per Ordinary Share.
- 4.6 On 24 November 2016, the Company issued 736,842 Ordinary Shares for cash at a subscription price of £1.90 per Ordinary Share.
- 4.7 On 25 May 2017, the Company issued 63,158 Ordinary Shares for cash at a subscription price of £2.30 per Ordinary Share.
- 4.8 On 19 March 2018, the Company issued 800,000 Ordinary Shares for cash at a subscription price of £2.70 per Ordinary Share.
- 4.9 On 24 April 2018, the Company issued 6,666 Ordinary Shares pursuant to the exercise of options at an exercise price of £1.90 per Ordinary Share.

- 4.10 The issued, fully paid, share capital of the Company as at 6 December 2018 (being the latest practicable date before publication of this document) was as follows:

	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares	3,990,074	£199,503.70

- 4.11 The Placing and the Subscription will result in the issue of 689,656 Ordinary Shares, diluting holders of Ordinary Shares immediately prior to the Placing and Subscription by 14.7 per cent.
- 4.12 Assuming completion of the Placing and the Subscription, the issued, fully paid, share capital of the Company, immediately following Admission, is expected to be as follows:

	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares	4,679,730	£233,986.50

- 4.13 Save as disclosed in paragraphs 4 and 10 of this Part 4:

- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
- (b) there are no Ordinary Shares in the Company not representing capital or that are not fully paid up;
- (c) there are no shares in the Company held by or on behalf of the Company itself;
- (d) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
- (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
- (f) no person has any preferential or subscription rights for any share capital in the Company; and
- (g) no share or loan capital of the Company is under option and the Company has not agreed conditionally or unconditionally to put any share or loan capital of the Company under option.

5. SECURITIES BEING ADMITTED

- 5.1 The Ordinary Shares are ordinary shares of £0.05 each in the capital of the Company, issued in British Pounds Sterling.
- 5.2 The International Security Identification Number (ISIN) of the Ordinary Shares is GB00BPFJXS57 and the Stock Exchange Daily Official List (SEDOL) number will be BYX0M86.
- 5.3 The Ordinary Shares will be in registered form. They will be capable of being held in certificated form or in uncertificated form in CREST. The Company's registrars are Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.
- 5.4 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 8 of this Part 4.
- 5.5 Section 561 of the Companies Act gives the Shareholders rights of pre-emption in respect of allotments of securities which are or are able to be paid up in cash (other than by way of allotments to employees pursuant to an employee share scheme as defined under section 1166 of the Companies Act). Subject to limited exceptions and to the extent authorised pursuant to the resolutions of the Shareholders described in paragraph 5.8 below, unless Shareholders' approval is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders pro-rata to their shareholdings.
- 5.6 Each Ordinary Share will be entitled, on a *pari passu* basis with all other issued Ordinary Shares, to share in any surplus on a liquidation of the Company.
- 5.7 The Ordinary Shares have no redemption or conversion rights.
- 5.8 By way of ordinary and special resolution, at the annual general meeting of the Company on 30 May 2018, pursuant to the Chapter 2 of Part 13 of the Companies Act:
- (a) the Directors were authorised generally and unconditionally in accordance with section 551 of the Companies Act, in substitution for all previous powers granted to them, to exercise all powers of the Company to allot and make offers to allot relevant securities up to an aggregate nominal amount of £45,000.00, with such authorisation expiring on the conclusion of the next annual general meeting of the Company (unless previously varied or revoked by the Company in a general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted as if such authority had not expired; and
 - (b) the Directors were empowered to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash as if section 561(1) of the Companies Act did not apply to any such allotment, save that the authority granted is limited to:
 - (i) the allotment of equity securities in connection with an issue in favour of the shareholders where the equity securities respectively attributed to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective number of Ordinary Shares in the capital of the Company held by them on the record date of such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities which represent fractional entitlements or on account of either legal or practical problems arising in connection with the laws of requirements of any recognised regulatory body or any stock exchange, in any territory;
 - (ii) 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
 - (iii) otherwise than pursuant to paragraphs 5.8(b)(i) and 5.8(b)(ii) above, the allotment of further equity securities up to an aggregate amount of £40,000.00,with such authorisation expiring on the conclusion of the next annual general meeting of the Company (unless previously varied or revoked by the Company in a general meeting), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such power has expired.

6. TAKEOVERS

- 6.1 The Takeover Code applies to the Company. Rule 9 of the Takeover Code ("**Rule 9**") therefore applies to any person, or group of "persons acting in concert" (as defined in the Takeover Code), who acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of the Company. It would also apply to any person who, together with persons acting in concert with him, is already interested in shares which in aggregate carry not less than 30 per cent. (but not more than 50 per cent.) of the voting rights of the Company if that person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested. Where Rule 9 applies, the person or concert party group is normally required by the Takeover Panel to make a general offer in cash to acquire from the other shareholders the remaining shares in the company at not less than the highest price paid by him or them within the preceding twelve months. Rule 9 is subject to a number of dispensations.
- 6.2 Under the Companies Act, a person who makes an offer to acquire shares in the Company (an "**offeror**") may require Shareholders to transfer their shares to the offeror, on the terms of that offer, provided that the offer is approved or accepted by the holders of 90 per cent. or more of the shares to which the offer relates within three months of the last day on which the offer can be accepted. In order to enforce this right, the offeror must give notice to any Shareholder not approving or accepting the offer within certain time limits, notifying them of the offeror's wish to acquire their shares in the Company (the "**Squeeze-out Notice**"). After the expiration of six weeks after the giving of the Squeeze-out Notice, the offeror can require that the Company registers the shares in their name provided that the consideration due to the holders of such shares is delivered to the Company to be held on trust for such Shareholders. The consideration offered to such Shareholders whose shares are acquired compulsory under the Companies Act must, in general, be the same as the consideration that was available under the offer.
- 6.3 The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of the shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.
- 6.4 No person has made a public takeover bid for the Company's issued share capital in the financial period to 31 December 2017 or in the current financial year.

7. CONTROL

- 7.1 As at the date of this document, Tom Ilube is the Company's ultimate controlling party, holding a total of 1,382,112 Ordinary Shares, representing 34.64 per cent. of the voting rights attached to the current issued share capital of the Company. Of the 1,382,112 shares held, 1,251,668 shares are held by Tom Ilube directly and 130,444 shares are held on his behalf by Share Nominees Limited.
- 7.2 The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

8. MEMORANDUM AND ARTICLES OF ASSOCIATION

8.1 A summary of the terms of the Articles is set out below. The summary below is not a complete copy of the terms of the Articles.

8.2 At the Company's General Meeting held on 6 May 2014, the Company adopted new Articles appropriate for a public company limited by shares.

8.3 The Articles contain, *inter alia*, provisions to the following effect:

Voting Rights

8.4 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present), on a show of hands every holder of an Ordinary Share present in person or by proxy (if an individual) or duly authorised representative (if a corporation) shall have one vote, and on a poll every holder of an Ordinary Share shall have one vote for each Ordinary Share of which he is the holder. Unless the directors determine otherwise, a member of the Company is not entitled in respect of any shares held by him to vote at any general meeting of the Company if any amounts payable by him in respect of those shares have not been paid or if the member has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a notice under section 793 of the Companies Act and the Articles.

Variation of rights

8.5 If at any time the capital of the Company is divided into different classes of shares, none of the rights, privileges or conditions for the time being attached to or belonging to any class of shares forming part of the issued share capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or, subject to the provisions of the Companies Act, the sanction of a special resolution passed at a separate meeting of the members of that class but not otherwise.

Dividends

8.6 Subject to the provisions of the Companies Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Companies Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights. A member will not be entitled to receive any dividend if he has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a notice under section 793 of the Companies Act. Subject to the provisions set out in the Articles, the Board may, with the prior authority of an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer to any holders of Ordinary Shares (excluding any member holding Ordinary Shares as treasury shares) the right to elect to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution. All dividends, interest or other sums payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, interest or other sums payable unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

Untraceable members

- 8.7 Subject to various notice requirements, the Company may sell any shares of a member, or any share to which a person is entitled by transmission at the best price reasonably obtainable if, during a period of 12 years, at least three dividend payments (whether interim or final) on those shares have become payable and the cheques or warrants have remained uncashed and on or after the expiry of that period of 12 years, the Company has published advertisements both in a national newspaper published in the United Kingdom and in a newspaper circulating in the area of the last known address of the shareholder and the Company has received no indication of the existence of such shareholder during such period.

Return of capital on winding up

- 8.8 On a winding up or other return of capital, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, in proportion to the number of shares held by them and to the amounts paid up or credited as paid up on them, to share in the whole of any surplus assets of the Company remaining after the discharge of its liabilities.
- 8.9 If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction, shall determine, but no member shall be compelled to accept any assets on which there is a liability.

Power to issue shares

- 8.10 Subject to the Companies Act and to any relevant authority of the Company required by the Companies Act, the Board may allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company to such persons (including the directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

Restrictions on transferability of share

- 8.11 Subject to such of the restrictions of the Articles as may be applicable, each member may transfer all or any of his shares by instrument of transfer, in the case of certificated shares, in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect of it. In relation to uncertificated shares, references in the Articles to instruments of transfer shall include instructions and/or notifications made in accordance with the relevant system (as defined in the Articles) relating to the transfer of such shares. All instruments of transfer which are registered may be retained by the Company.

- 8.12 The Board may, in its absolute discretion and without assigning any reason (but must provide the transferee with a notice of the refusal within two months), refuse to register the transfer of a share if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped, or if it is by a member who has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a notice under section 793 of the Companies Act. The directors may also decline to register any instrument of transfer unless (i) it is in respect of a share which is fully paid up; (ii) it is in respect of only one class of share; (iii) it is lodged with the Company, together with the relevant share certificate(s); (iv) it is in favour of not more than four transferees jointly in respect of a single transfer; (v) it is duly stamped (if so required); and (vi) it is delivered for registration to the registered office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.
- 8.13 The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the CREST Regulations and the relevant system.
- 8.14 The Articles contain no other restrictions on the free transferability of fully paid Ordinary Shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the Articles, if any, relating to registration of transfers have been complied with.

Alteration of share capital

- 8.15 The Company may by ordinary resolution and subject to the Companies Act, consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares; and sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to new shares. Subject to the provisions of the Companies Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Purchase by the Company of its own shares

- 8.16 Subject to the provisions of the Companies Act and to the authority of the Company in general meeting required by the Companies Act, the Company may purchase its own shares.

Borrowing powers

- 8.17 Subject to the paragraph below and the Companies Acts, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the provisions of the Companies Acts, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 8.18 The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure but as regards subsidiary undertakings only (so far as the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount outstanding of all borrowings of the Group (as defined in the Articles) (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to 20 per cent. of the Adjusted Capital and Reserves (as defined in the Articles).
- 8.19 Subject to the above paragraph, the Articles contain no provisions restricting the objects of the Company. In accordance with Section 31 of the Companies Act but subject to the above paragraph, the Company's objects are therefore unrestricted.

Board of Directors

- 8.20 No shareholding qualification is required by a director. Unless otherwise determined by ordinary resolution of the Company, the number of directors (other than alternate directors) shall not be subject to any minimum or maximum, except for the purposes of a quorum, where there shall not be less than two directors present. The directors shall not require a share qualification, but shall nevertheless be entitled to attend and speak at any general meetings of the Company.
- 8.21 The Company may by ordinary resolution appoint any person to be a director or may by ordinary resolution remove any director.
- 8.22 Subject to the provisions of the Articles at every annual general meeting any director:
- (i) appointed by the Board pursuant to Article 85 of the Articles since the last annual general meeting of the Company; or
 - (ii) who held office at the time of both of the two immediately preceding annual general meetings and did not retire at either such meeting; or
 - (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,
- shall retire from office and may offer himself for re-appointment by the members.
- 8.23 The directors shall have the power at any time to appoint any person as a director, either to fill a casual vacancy or as an additional director provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with the Articles as the maximum number of directors. Any director so appointed shall retire at the next annual general meeting but shall then be eligible for re-election.
- 8.24 Subject to the provisions of the Articles, the directors may regulate their proceedings as they think fit.
- 8.25 The quorum necessary for the transaction of business may be determined by the Board and, until otherwise determined, shall be two persons, each being a director or an alternate director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions for the time being vested in or exercisable by the Board. Subject to the Articles, any director who ceases to be a director at a meeting of the Board may continue to be present and to act as a director and be counted in the quorum until the termination of the meeting if no other director objects and if otherwise a quorum of directors would not be present.

Disclosure of Interests in Contracts

- 8.26 Subject to the provisions of the Companies Act and the Articles, any director may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with his office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or *in lieu* of any remuneration provided for by any other Article.
- 8.27 Subject to the provisions of the Articles, any director may continue to be or become a director, managing director, manager, executive or other officer or member of any other company or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate in which the Company may be interested as shareholder or otherwise or any parent undertaking or subsidiary undertaking of any parent undertaking of the Company, and (unless otherwise agreed) no such director shall be accountable for any remuneration or other benefits received by him as a director, managing director, manager, executive or other officer or member of any such other company which derive from any such office or employment or from any contract, transaction, or arrangement with or from his membership or interest in such other body corporate or undertaking. No such office, employment, contract, transaction or arrangement or interest shall be liable to be avoided on the ground of any such interest or benefit.

- 8.28 The Board may authorise, to the fullest extent permitted by law:
- (i) any matter which, if not so authorised, would or might result in a director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it) and which may reasonably be regarded as likely to give rise to a conflict of interest;
 - (ii) a director to accept or continue in any office, employment or position in addition to his office as a director of the Company and without prejudice to the generality of Article 124.2 may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises.
- 8.29 An authorisation under Article 124.2 may be given to such terms and conditions as the Board thinks fit to impose at the time of such authorisation or subsequently and the authorisation may be varied or terminated by the Board at any time.
- 8.30 An authorisation under Article 124.2 is only effective if any requirement as to the quorum of the meeting is met without the director in question and any other interested director counting in the quorum at any meeting at which such matter, or such office, employment or position, is approved and the authorisation is agreed to without their voting or would have been agreed to if their votes had not been counted.
- 8.31 A director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the Board pursuant to Article 124 (subject in any such case to any terms or conditions to which such approval is for the time being subject).
- 8.32 Save as provided below, pursuant to Article 126.1, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he is to his knowledge alone or together with any person connected with him materially interested unless the resolution concerns any of the following matters:
- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (iv) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other body corporate (a "relevant company") in which he (together with persons connected with him), directly or indirectly (and whether as an officer or shareholder, creditor or otherwise), does not hold or have a beneficial interest in one per cent. or more of any class of the equity share capital of either a relevant company or an intermediate company (any such interest being deemed for the purposes of Article 126 to be a material interest in all circumstances); for the purposes of such paragraph:
 - (a) an intermediate company means a company having an interest in a relevant company which would be material if held by a director;
 - (b) a director shall be deemed to have an interest in one per cent. or more of a relevant company or an intermediate company if directly or indirectly he is the holder of or beneficially interested in one per cent. or more of any class of equity share capital or of the voting rights available to members of either such company; and

- (c) there shall be disregarded any shares held by a director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the director's interest is in reversion or is in remainder (if and so long as some other person is entitled to receive the income from the trust) and any shares comprised in any authorised unit trust scheme in which the director is interested only as a unit holder;
- (v) any contract, arrangement, transaction or proposal relating to an arrangement for the benefit of the employees of the Company or its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to which such arrangement relates, and concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme under which he may benefit and which either has been approved by or is subject to and conditional on approval by HMRC for taxation purposes or relates to both employees and directors of the Company (or any of its subsidiaries) and does not accord to any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
- (vi) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors pursuant to Article 163.

Remuneration and other Compensation of Directors

- 8.33 The remuneration of the directors of the Company for their services as such (excluding any remuneration applicable to any employment, secondment or executive office) is determined by the Board but must not exceed in aggregate the sum of £100,000 in any financial year or such greater sum as the Company may determine by ordinary resolution. Any fees payable pursuant to the Articles shall be distinct from and shall not include any salary, remuneration for an executive office or other amounts payable to a director pursuant to any other provisions of the Articles and shall accrue from day to day.
- 8.34 The directors shall determine the remuneration of the directors. The directors shall be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of the Company including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or annual general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.
- 8.35 If by arrangement with the Board, or any committee authorised by the Board, any director shall perform or render any special duties or services outside his ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board, or any committee authorised by the Board, may from time to time determine. The salary or remuneration of any director appointed to hold any employment or executive office in accordance with the provisions of the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, or any committee authorised by the Board, and may be in addition to or *in lieu* of any fee payable to him for his services as director pursuant to the Articles.

General Meetings

- 8.36 The Company shall in each year hold a general meeting as its annual general meeting. The annual general meetings shall be held at such time and place as the Board shall determine.
- 8.37 The directors may, (in addition) call a general meeting other than the annual general meeting and shall, upon a shareholders' requisition convene an extraordinary general meeting. A shareholders' requisition is a requisition of shareholders of the Company holding at the date of deposit of the requisition not less than five per cent. in nominal value of the issued share capital of the Company as at that date that carries the right of voting at general meetings of the Company.

- 8.38 At least 21 clear days' notice shall be given of any annual general meeting and at least 14 clear days' notice shall be given in respect of any other general meeting of the Company to those members who under the provisions of the Articles or under the rights attached to the shares held by them are entitled to receive the notice, directors, the auditors and any other person who are entitled to receive the notice. The notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be transacted at the meeting.
- 8.39 No business shall be transacted at any general meeting unless a quorum is present. Two shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum. If within 15 minutes (or such longer interval as the chairman of the Company in his absolute discretion thinks fit) from the time appointed for the holding of an annual general meeting or a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to such other day (being not less than ten clear days after the date of the original meeting) and at such time and place as the chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, one person entitled to vote on the business to be transacted, being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum.
- 8.40 At any general meeting or annual general meeting a resolution put to a vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution on a show of hands has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded for or against such resolution.
- 8.41 Subject to the provisions of the Companies Act, and subject to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to these Articles, pursuant to Article 74, at any general meeting or annual general meeting, every member who is present in person shall, on a show of hands, have one vote, every proxy who has been appointed by a member entitled to vote on the resolution shall (subject to below), on a show of hands, have one vote and every member present in person or by proxy shall, on a poll, have one vote for each share of which he is the holder.
- 8.42 If, on a vote on a resolution on a show of hands a proxy has been duly appointed by more than one member entitled to vote on the resolution and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he has one vote for and one vote against the resolution.
- 8.43 Any person or persons (whether a member of the Company or not) may be appointed to act as a proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person on a show of hands or on a poll on any matters in respect of which the proxy or proxies is or are appointed. In the event that and to the extent that a member personally votes his shares his proxy or proxies shall not be entitled to vote and any vote cast by a proxy in such circumstances shall be ignored.
- 8.44 The appointment of a proxy or proxies shall, subject to the provisions of the Companies Act:
- (i) be in writing, in any common form or in such other form as the Board may approve, and (i) if in writing but not in electronic form, made under the hand of the appointor or of his attorney duly authorised in writing; or, if the appointor is a corporation, under its common seal or under the hand of some officer or attorney or other person duly authorised in that behalf; or (ii) if in writing in electronic form, submitted by or on behalf of the appointor and authenticated;

- (ii) be deemed (subject to any contrary direction contained in it) to confer authority to exercise all or any rights of his or their appointee to demand or join in demanding a poll and to speak at any meeting and to vote (whether on a show of hands or on a poll) on any resolution or amendment of a resolution put to the meeting in respect of which the proxy is given, as the proxy or proxies think(s) fit;
- (iii) unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates; and
- (iv) where it is stated to apply to more than one meeting, be valid for all such meetings as well as for any adjournment of any such meetings.

8.45 The Board may allow a proxy for a holder of any shares in uncertificated form to be appointed by electronic communication in the form of an uncertificated proxy instruction. The Board may also allow any supplement to the uncertificated proxy instruction or any amendment or revocation of any uncertificated proxy instruction to be made by a further uncertificated proxy instruction.

9. INTERESTS OF THE DIRECTORS AND SIGNIFICANT SHAREHOLDINGS

9.1 As at the date of this document and as expected to be immediately following Admission, the interests of the Directors and persons connected to them (within the meaning of section 252 of the Companies Act) in the share capital of the Company, the existence of which is known to or could with reasonable diligence be ascertained by the Directors, are (other than the rights set out in paragraph 10 of this Part 4) as follows:

<i>Name</i>	<i>Number of Ordinary Shares at the date of this document</i>	<i>Percentage of Existing Ordinary Share Capital</i>	<i>Number of Ordinary Shares at Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Sir Richard Dearlove	0	0.00%	0	0.00%
Tom Ilube	1,382,112*	34.64%	1,382,112	29.53%
Mary Dowd	0	0.00%	0	0.00%
Ruth Anderson	0	0.00%	0	0.00%
Andrew Gueritz	0	0.00%	0	0.00%
Gordon Matthew	0	0.00%	0	0.00%
David Secher	26,365	0.66%	26,365	0.56%
David Stupples	5,263	0.13%	5,263	0.11%

* This includes 130,444 shares which are held indirectly through Share Nominees Limited.

9.2 Save as disclosed in paragraph 9.1 above, the Company is not aware of any interest in the Company's Ordinary Shares which amounts or would, immediately following Admission, amount to 3 per cent. or more of the Enlarged Share Capital, other than the following:

<i>Name</i>	<i>Number of Ordinary Shares at the date of this document</i>	<i>Percentage of Existing Ordinary Share Capital</i>	<i>Number of Ordinary Shares at Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Brenlen Jinkens	348,343	8.73%	391,446	8.36%
Hargreave Hale AIM VCT	–	0.00%	344,828	7.37%
Moulton Goodies Ltd	289,474	7.25%	289,474	6.19%
Steven Gee	228,852	5.74%	246,093	5.26%
Maurice Zimmerman	215,694	5.41%	232,935	4.98%
Marlborough				
Nano-Cap Growth Fund	185,185	4.64%	219,668	4.69%
Share Nominees Limited*	158,994	3.98%	209,684	4.48%
John Taysom	126,514	3.17%	147,205	3.15%
GPIM Limited	94,575	2.37%	141,127	3.02%

* Tom Ilube holds 130,444 shares indirectly through Share Nominees Limited. The number of 209,684 does not include Mr Ilube's holding.

The voting rights of the Shareholders set out in paragraphs 9.1 and 9.2 do not differ from the voting rights held by other Shareholders.

- 9.3 Save as disclosed in this paragraph 9, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 9.4 Save as otherwise disclosed in this document, none of the Directors nor any member of their respective families nor any person connected with the Directors (within the meaning of section 252 of the Companies Act) has any holding, whether beneficial or otherwise, in the share capital of the Company.
- 9.5 None of the Directors nor any member of their respective families is dealing in any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.

10. CONVERTIBLE SECURITIES

10.1 *Share Option Scheme*

The Company has adopted a share option scheme under which it has issued 82,851 options in respect of Ordinary Shares to Directors as follows:

<i>Name of Director</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares under Option</i>	<i>Exercise price</i>	<i>Vesting conditions</i>	<i>Expiry date</i>
Sir Richard Dearlove	03/10/16	13,158	£1.90	(1)	03/10/26
Sir Richard Dearlove	25/05/18	6,757	£3.70	(1)	24/05/28
David Secher	18/07/14	15,000	£0.54	(1)	17/07/24
David Stupples	18/07/14	35,000	£0.54	(1)	17/07/24
Gordon Matthew	20/07/15	5,000	£1.90	(1)	19/07/25
Mary Dowd	24/10/18	7,936	£3.15	(1)	23/10/28
TOTAL		<u>82,851</u>			

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 67,993 options to members of staff and a former Director, John Bottomley.

Further information in respect of the share option scheme is set out in paragraph 15 of this Part 4.

11. DIRECTORS' SERVICE AGREEMENTS/LETTERS OF APPOINTMENT

- 11.1 The Company has entered into service agreements/letters of appointment with the Directors as follows:

Executive directors

- (a) Tom Ilube

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 twelve 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. Tom's basic salary is £130,000 per annum, subject to annual review and a discretionary bonus. The Company will reimburse all reasonable expenses incurred in carrying out the role and Tom is entitled to sick pay and to join the Company's permanent health insurance scheme, life assurance scheme and private medical scheme. Following termination of employment, Tom is subject to certain restrictions for a period of twelve months, including a restriction on dealing with the Company's customers and suppliers.

(b) Mary Dowd

Mary Dowd is employed as a Finance Director 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*, the employee 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's basic salary is £100,000 per annum, subject to annual review and a discretionary bonus of up to a maximum of 20 per cent. of base salary. The Company will reimburse all reasonable expenses incurred in carrying out the role and Mary is entitled to sick pay and to join the Company's pension scheme. On 16 August 2018, Mary successfully completed her three month probation period and is therefore eligible to join the Company's life assurance scheme. 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

(a) Sir Richard Dearlove

Sir Richard Dearlove is appointed as a non-executive director and Chairman of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 1 September 2016 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. Sir Richard Dearlove receives an annual fee of £25,000 and is granted share options over shares worth £25,000 per annum as at the date of grant. The Company reimburses all reasonable expenses incurred. On termination, Sir Richard is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

(b) Ruth Anderson

Ruth Anderson is appointed as a non-executive director of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 1 February 2018 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. Ruth Anderson receives an annual fee of £6,000 payable through her consulting company, Caprica Nelson Limited. The Company reimburses all reasonable expenses incurred. On termination, Ruth is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

(c) Andrew Gueritz

Andrew Gueritz is appointed as a non-executive director of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 22 September 2018 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. Andrew Gueritz receives an annual

fee of £6,000 payable in arrears in equal monthly instalments. The Company reimburses all reasonable expenses incurred. On termination, Andrew is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

(d) Gordon Matthew

Gordon Matthew is appointed as a non-executive director of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 30 June 2015 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. Gordon Matthew receives an annual fee of £12,000 payable in two equal instalments through his consulting company, Trend Management Services Limited. The Company reimburses all reasonable expenses incurred. On termination, Gordon is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

(e) David Secher

David Secher is appointed as a non-executive director of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 16 June 2014 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. David Secher receives an annual fee of £6,000 payable in two equal instalments through his consulting company, Cambridge KT Limited. The Company reimburses all reasonable expenses incurred. On termination, David is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

(f) David Stupples

David Stupples is appointed as a non-executive director of the Company under a letter of appointment dated 6 November 2018. The appointment commenced from 16 June 2014 and will continue unless terminated by either party giving three months' written notice. The Company may terminate the appointment with immediate effect if the Director commits a serious breach of his obligations, is guilty of any act of fraud or dishonesty which may bring the Company into disrepute, is declared bankrupt or is disqualified from acting as a director. David Stupples receives an annual fee of £12,000 payable through his consulting company, Complex Systems Limited. The Company reimburses all reasonable expenses incurred. On termination, David is entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

11.2 Save as set out in this paragraph 11.1 none of the above service contracts or letters of appointment have been entered into or amended within six months of the date of this document.

12. ADDITIONAL INFORMATION ON THE DIRECTORS

12.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Sir Richard Dearlove KCMG OBE	73	Ascot Group Limited (Bermuda) Ascot Underwriting Limited Ascot Underwriting Holdings Limited Cambridge Security Initiative LLP Cambridge University Lightweight Rowing Club Limited Endsleigh Fishing Club Limited Kosmos Energy Limited (Delaware) Lower Tamar Fishing Club Limited The Cambridge Arts Theatre Trust Limited The Cambridge Security Initiative 2017 The Gulf Research Centre Cambridge Limited	The Cambridge Union Society The Cambridge Security Initiative LLP Pembroke College, Cambridge
Tom Ilube CBE	55	African Gifted Foundation African Gifted Foundation Ghana British Broadcasting Corporation ByzGen Limited Crossword Consulting Limited Crossword Cybersecurity Sp. Z.o.o CyberOwl Limited Deathio Limited	Hammersmith Academy Trust National College for Digital Skills Limited

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Mary Dowd	50	Crossword Consulting Limited	–
Ruth Anderson	41	–	–
Andrew Gueritz	60	Crossword Consulting Limited Sixhills Consulting Limited	–
Gordon Matthew	62	Flow UK Holdings Limited IT EBT Realisations Limited (<i>in liquidation</i>) ITG Realisations Limited (<i>in liquidation</i>) ITH Realisations Limited (<i>in liquidation</i>) Trend Management Services Limited	Bright International Training Limited (<i>liquidation</i>) Calyx Managed Services Limited Dataplex Systems Limited Intrinsic Technology Limited MDMSI Limited (<i>dissolved</i>) M-hance Group Limited M-hance Holding Ireland Limited (<i>Ireland</i>) M-hance Inc. (<i>US</i>) M-hance Limited Science Warehouse Limited Science Warehouse EBT Limited
David Secher	70	Cambridge KT Limited Fitzwilliam Museum (Enterprises) Limited	Budworth Development Limited Caius Property Services Limited Praxis Courses Limited Unico Commercial Projects Limited (<i>dissolved</i>)
David Stupples	74	Complex Systems Engineering Limited	Stupples Cruyton (<i>dissolved</i>)

12.2 Gordon Matthew was appointed as a director of Bright International Training Limited on 1 July 2011 and subsequently resigned on 4 December 2013. An administrator was appointed on 16 September 2014 and a compulsory winding up order was made on 11 September 2015. The liquidators reported on 11 October 2018 that there is no current prospect of recovery for the creditors of the company due to insufficient funds. No further work will be undertaken by the liquidators as it is not cost beneficial to do so.

12.3 Save as disclosed above, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

12.4 Tom Ilube is a director of CyberOwl Limited which entered into a consultancy agreement with the Company on 1 January 2017 (as amended). Both Tom Ilube and the Company confirm that the consultancy agreement was entered into on an arm's length basis. Tom Ilube does not receive any remuneration from CyberOwl Limited.

12.5 Tom Ilube is also a director of ByzGen Limited which entered into consultancy agreements with both the Company and Crossword Consulting Limited dated 1 August 2017 and 9 April 2018, respectively. Tom Ilube and the Company each confirm that both consultancy agreements were entered into on an arm's length basis. Tom does not receive any remuneration from ByzGen Limited.

13. EMPLOYEES

On Admission, the Group will have 31 employees of whom 23 are based in the UK, and 8 are based in Poland. Primarily the employees work in software engineering and development and sales and marketing.

14. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been: (a) entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material; or (a) entered into by a member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is (or may be) material to the Group as at the date of this document.

14.1 *Placing Agreement*

- (a) A placing agreement dated 6 December 2018 and made between (1) the Company, (2) Hybridan, (3) the Directors and (4) Grant Thornton, pursuant to which Hybridan has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price.
- (b) The Placing is conditional on, *inter alia*, Admission occurring by 8.00 a.m on 14 December 2018 or by such later date as is agreed in writing between the Company, Hybridan and Grant Thornton. Under the Placing Agreement, the Company has agreed to pay to Hybridan a corporate broking fee and a commission on the aggregate value of the Placing Shares for which Hybridan procures placees, together with all costs and expenses of Hybridan and Grant Thornton properly and reasonably incurred, arising out of, or incidental to, the Placing and Admission (together in each case with any applicable VAT).
- (c) The Placing Agreement contains customary warranties from the Company and the Directors in favour of Hybridan and Grant Thornton in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company and the Directors have agreed to indemnify Hybridan and Grant Thornton in respect of certain liabilities they may incur in respect of the Placing.
- (d) Hybridan and Grant Thornton have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a force majeure event. If the Placing Agreement is terminated, the Placing will not proceed and no shares will be issued under the Placing.

- (e) the Directors have also undertaken to the Company, Hybridan, and Grant Thornton not to dispose of the Ordinary Shares held by each of them following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the twelve month anniversary of Admission (the “Lock in Period”). Furthermore, each of the Directors has also undertaken to the Company and Hybridan for twelve months following the expiry of the Lock in Period to notify Hybridan (for such time as they shall remain brokers to the Company) should they choose to sell any of their Ordinary Shares and to dispose of such Ordinary Shares through Hybridan.

14.2 **Nominated Adviser Agreements**

- (a) Pursuant to an agreement between Grant Thornton UK LLP and the Company dated 28 August 2018, Grant Thornton has been engaged by the Company to act as nominated adviser to the Company in relation to the Admission and the Placing. The Company has undertaken to Grant Thornton that it will, *inter alia*, comply with the AIM Rules for Companies and provide Grant Thornton with the information it needs in order to properly carry out its services. The Company has agreed to pay Grant Thornton a fee for Admission and an ongoing retainer for continuing nominated adviser services following Admission. The Company has agreed to indemnify Grant Thornton against any losses, liabilities, damages, costs charges and expenses relating to, or arising from, the engagement, provided such sum has not arisen as a result of a criminal or fraudulent act by Grant Thornton, wilful default or negligence by the Nomad or a material breach of the agreement.
- (b) The Nomad has been engaged by the Company to act as a Nominated Adviser on an on-going basis by way of a separate agreement dated 6 December 2018. A nominated adviser agreement dated 6 December 2018 and made between (1) the Company (2) the Directors and (3) Grant Thornton pursuant to which the Company has appointed Grant Thornton to act as nominated adviser to the Company for the purposes of the AIM Rules for Companies for an initial term of twenty-four months. The Company has agreed to pay Grant Thornton an annual retainer. It has also been agreed that the retainer fee will be reviewed and agreed between the Company and Grant Thornton annually. The agreement contains certain undertakings and indemnities given by the Company to Grant Thornton and certain undertakings given by the Directors to Grant Thornton. The agreement is terminable upon not less than three months’ prior written notice by either the Company or Grant Thornton.

14.3 **Broker Agreement**

Pursuant to a broker agreement entered into between the Company and Hybridan LLP on 20 May 2016 (“**Broker Agreement**”), the Company has appointed Hybridan to act as its sole broker in relation the Admission and Placing by way of an engagement letter dated 2 August 2018 (“**Broker Engagement**”). Hybridan will, *inter alia*, introduce the Company to potential investors, control stock allocation and manage the Placing and Admission in conjunction with the Company’s other professional advisers. Hybridan is under no obligation to underwrite the Placing. The Company will pay to Hybridan a fee payable on the first day of Admission, together with a commission of 5 per cent. of the value of the Placing Shares subscribed by investors and a further 0.5 per cent. of the value of the Placing Shares subscribed by investors not brought in by Hybridan. The Company will also pay a subsequent commission of 5 per cent. on the value of new shares subscribed by investors (not already addressed above) in the period up to the first anniversary of the Broker Engagement and/or termination of the Broker Agreement (which may be terminated on not less than three months’ written notice by either party, save in certain circumstances where Hybridan may terminate with immediate effect). The Company has agreed to indemnify Hybridan against any claims, actions, liabilities, demands, proceedings or judgements arising in connection with, *inter alia*, Hybridan carrying out the services under the Broker Engagement or Broker Agreement, provided such sum has not arisen as a result of Hybridan’s fraud, gross negligence or wilful default. The indemnity under the Broker Engagement is limited to twice the value of the Placing and Admission and no claim shall be made after a period of five years from the date of the Broker Engagement. The Broker Engagement may be terminated by either party giving one month’s prior written notice or without notice if, *inter alia*, either party is in material breach of its obligations under the Broker Engagement.

On completion of Admission, the Company will continue to appoint Hybridan as the sole broker on the terms of a new broker agreement for an annual fee (reviewable after 12 months from the date of Admission, at which point the fee will increase) in addition to other fees, commissions and expenses.

14.4 **Stuart Jubb Bonus Arrangement**

The Company intends to put in place an incentive scheme for Stuart Jubb, the Managing Director of Crossword Consulting Limited. The incentive scheme will be designed to deliver entrepreneurial style rewards to Stuart on the basis that he was attracted from his corporate career as a consulting Director of KPMG to build Crossword's consulting business. The scheme will be designed to provide Stuart with a reward which is referable to a percentage of the value of the consulting business, envisaged to be in the region of 10 per cent. of the enterprise value of the consulting business. The details of this proposed scheme are in the process of being worked out.

14.5 **Relationship Agreement**

- (a) A Relationship Agreement dated 6 December 2018 and made between (1) the Company, (2) Tom Ilube, (3) Roland Ilube, (4) Elizabeth Leonard, (5) Susan Gill, and, (6) Grant Thornton to regulate the relationship between each of them and the Company after Admission.
- (b) The Relationship Agreement provides for the autonomous operation of the Company by the board independently of Tom Ilube and will be binding on him for so long as he (together with his associates and members of his direct family, not including, for these purposes, the other members of the Concert Party ("**Associates**")) is interested in voting rights representing 20 per cent. or more of the rights to vote at a general meeting of the Company.
- (c) Pursuant to the Relationship Agreement, Tom Ilube undertakes, amongst other things, that: (i) he will conduct all transactions, agreement and arrangements with the Group on an arm's length basis and on normal commercial terms; (ii) he will not vote (nor will any of his Associates vote) on resolutions concerning any business with the Company in which they are interested or which involves a conflict of interest; (iii) the Group and the business shall be managed for the benefit of the shareholders as a whole and independently of Tom Ilube, and that he will not (either alone or together with any of his Associates) exercise his (or their) voting rights to allow, permit or cause breaches of any of the undertakings to subsist; and (iv) not to exercise his voting rights (nor will any of his Associates exercise their voting rights) to cancel the Company's admission to trading on AIM.
- (d) Should Tom Ilube not be a director of the Company by virtue of his employment, Tom Ilube and his Associates have the right to appoint one director to the Board.
- (e) Tom Ilube has given various non-competition and non-solicitation undertakings which are to the benefit of the Company for the 12 months following Admission.
- (f) In addition, each member of the Concert Party has noted that they are deemed to be acting in concert under the Takeover Code and has undertaken to consult with other members of the Concert Party and take appropriate professional advice before dealing in any of the Company's Ordinary Shares.

14.6 **Subscription Agreements**

Each Subscriber has entered into a Subscription Agreement with the Company to subscribe for the Subscription Shares at the Subscription Price. The Subscription Agreements contain customary certifications and undertakings from each Subscriber as to his identity and level of sophistication. The Subscriber's obligation to subscribe for the Subscription Shares is conditional upon Admission occurring by no later than 31 December 2018.

15. **SHARE OPTION SCHEMES**

15.1 **Non Tax-Advantaged Share Option Plan**

The Company has established a non tax-advantaged share option plan under scheme rules dated 21 May 2014 ("**Unapproved Option Plan**"), whereby the Company may grant a right to acquire ordinary shares of £0.05 each in the capital of the Company ("**Option(s)**") to any individual at any time (save where prohibited by law or any corporate governance code which applies to the Company).

No Options may be granted by the Company after the tenth anniversary of the date of the Unapproved Option Plan.

Options granted under the Unapproved Option Plan (together with any options granted pursuant to any other share incentive plan operated by the Company) must not exceed 10 per cent. of the issued share capital of the Company.

On granting an Option, the Company will enter into an option agreement with the relevant individual specifying the number and class of shares over which the Option is granted, the grant date, the exercise price, the exercise date and the date on which the Option will lapse. Option holders may not transfer, assign or charge their Options and any attempt to do so will result in the Option lapsing. Options may also lapse (subject to the Board's discretion) on the termination of the individual's engagement or employment with the Company, upon death, upon the option holder becoming bankrupt and in the event of a takeover or liquidation of the Company.

Upon granting an Option, the option holder is required to irrevocably agree to pay to the Company any amount of income tax, employee National Insurance Contributions ("**NICs**") and employer NICs for which the Company is or may be liable to account.

In the event of a variation of share capital (including a capitalisation, rights issue, consolidation, subdivision or reduction of capital), the Board may, at their sole discretion, adjust the number, description and exercise price of Options as appropriate and subject to certain limitations.

The Unapproved Option Plan is subject to the laws of England and Wales.

15.2 **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.

At any time, the total market value of the shares (as at the relevant grant date and calculated in accordance with the Taxation of Chargeable Gains Act 1992), which can be acquired on the exercise of all EMI Options, must not exceed £3,000,000. In addition, EMI Options granted under the EMI Option Plan (together with any options granted pursuant to any other share incentive plan operated by the Company) must not exceed 10 per cent. of the issued share capital of the Company. The EMI Options are also subject to individual grant limits.

On granting an Option, the Company will enter into an option agreement with the relevant individual specifying the number and class of shares over which the Option is granted, the grant date, the exercise price, the exercise date and the date on which the Option will lapse. Option holders may not transfer, assign or charge their Options and any attempt to do so will result in the Option lapsing. Options may also lapse (subject to the Board's discretion) on, *inter alia*, the termination of the individual's engagement or employment with the Company, upon death, upon the option holder becoming bankrupt and in the event of a takeover or liquidation of the Company.

Upon granting an Option, the option holder is required to irrevocably agree to pay to the Company any amount of income tax, employee NICs and employer NICs for which the Company is or may be liable to account.

In the event of a variation of share capital (including a capitalisation, rights issue, consolidation, subdivision or reduction of capital), the Board may adjust the number, description and exercise price of Options as appropriate and subject to certain limitations (and taking into account the potential impact on the qualifying status of the EMI Options).

The EMI Option Plan is subject to the laws of England and Wales.

15.3 **Crossword Consulting Limited share option scheme**

Crossword Consulting Limited (“**Consulting**”) has established a non tax-advantaged share option plan under scheme rules dated 2 January 2018 (“**Consulting Option Plan**”), whereby Consulting may grant a right to acquire ordinary shares of £0.01 each in the capital of Consulting (“**Consulting Option(s)**”) to any individual who is an employee of, director of, adviser to or consultant of Consulting from time to time (save where prohibited by law or any corporate governance code which applies to Consulting). No Consulting Options may be granted after the tenth anniversary of the date of the Consulting Option Plan.

The Consulting Options are time based options whereby a proportion of the options shares granted shall vest on the first, second and third anniversaries of the date of grant. In addition, the board of Consulting may grant Consulting Options with exercise conditions attached which may apply to any part of the option. Any such conditions may be varied or waived by the board subject to certain limitations. The board shall determine whether any applicable exercise conditions have been satisfied.

Consulting Options granted under the Consulting Option Plan (together with any options granted pursuant to any other share incentive plan operated by Consulting) must not exceed 10 per cent. of the issued share capital of Consulting.

On granting a Consulting Option, Consulting will enter into an option agreement with the relevant individual specifying the number and class of shares over which the Consulting Option is granted, the grant date, the exercise price, the exercise date and the date on which the Consulting Option will lapse. Consulting Option holders may not transfer, assign or charge their Options and any attempt to do so will result in the Consulting Option lapsing. Consulting Options will also lapse on the earliest of the termination of the individual’s engagement or employment with Consulting (for any reason other than death) (“**Cessation Event**”), the lapse date in the option agreement, the date upon which any exercise condition is determined as incapable of being satisfied, upon the option holder becoming bankrupt and in the event of a takeover or liquidation of Consulting or a takeover of the Company.

Where a Cessation Event occurs, the board of Consulting shall determine, within 60 days, the extent to which any Consulting Options have vested. The board shall notify the option holder and, if necessary, specify the terms on which the vested options may be exercised (which may not include a period exceeding 12 months from the Cessation Date). Those Consulting Options which have not vested shall lapse.

If no shares have vested at the date of death of an option holder, then their Consulting Options shall lapse. To the extent vested, the option holder’s personal representatives may exercise the options in accordance with the relevant option agreement if an exit (as defined under the scheme rules) occurs within the first anniversary of the date of death.

Upon granting a Consulting Option, the option holder is required to irrevocably agree to pay to Consulting any amount of income tax, employee NICs and employer NICs for which Consulting is or may be liable to account.

In the event of a variation of share capital (including a capitalisation, rights issue, consolidation, subdivision or reduction of capital), the board of Consulting may, at their sole discretion, adjust the number, description and exercise price of Consulting Options as appropriate and subject to certain limitations.

The Consulting Option Plan is subject to the laws of England and Wales.

16. **RELATED PARTY TRANSACTIONS**

During the period covered by the historical financial information and up to the date of this document, the Company did not enter into any related party transactions, other than as disclosed in Note 18 of the Company’s historical financial information in Section B of Part 3 of this document.

17. LITIGATION

Save as disclosed in this document, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any such proceedings pending or threatened by or against any member of the Group, which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position or profitability of the Group.

18. NO SIGNIFICANT CHANGE

Save for matters disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2018, being the date to which the historical financial information set out in Part 3 of this document was prepared.

19. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing and the Subscription, that the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

20. TAXATION

20.1 Introduction

The following paragraphs are intended as a general guide only to the United Kingdom tax position of Shareholders who are the beneficial owners of Ordinary Shares in the Company who are United Kingdom tax resident and, in the case of individuals, domiciled in the United Kingdom for tax purposes and who hold their shares as investments (otherwise than under an individual savings account (ISA)) only and not as securities to be realised in the course of a trade.

Certain Shareholders, such as dealers in securities, traders, brokers, bankers, persons connected with the Company, collective investment schemes, insurance companies and persons acquiring their Ordinary Shares in connection with their (or another person's) employment or as an office holder may be taxed differently and are not considered. Furthermore, the following paragraphs do not apply to:

- prospective investors who intend to acquire Ordinary Shares as part of a tax avoidance arrangement; or
- persons with special tax treatment such as pension funds or charities.

Any prospective purchaser of Ordinary Shares in the Company who is in any doubt about their tax position or who is subject to taxation or domiciled in a jurisdiction other than the United Kingdom should consult their own professional adviser immediately.

Unless otherwise stated the information in these paragraphs is based on current United Kingdom tax law and published HMRC practice as at the date of this document. Shareholders should note that tax law and interpretation can change (potentially with retrospective effect) and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

20.2 Income Tax – taxation of dividends

The taxation of dividends paid by the Company and received by a Shareholder resident for tax purposes in the United Kingdom is summarised below.

United Kingdom resident individuals

Since 6 April 2016 a new system of taxation for dividends applies to United Kingdom resident individual shareholders. Dividends received are no longer grossed up to include a 10 per cent. notional tax credit. Instead individuals pay tax on the amount received.

Dividend income is subject to income tax as the top slice of the individual's income. Each individual has an annual dividend allowance of £2,000 (2018/19 tax year) which means that they do not have to pay tax on the first £2,000 of all dividend income they receive.

Dividends in excess of the dividend allowance are taxed at the individual's marginal rate of tax, with dividends falling within the basic rate band taxable (2018/19 tax year) at 7.5 per cent. (the "dividend ordinary rate"), those within the higher rate band taxable at 32.5 per cent. (the "dividend upper rate") and those within the additional rate band taxable at 38.1 per cent. (the "dividend additional rate").

United Kingdom discretionary trustees

The annual dividend allowance available to individuals is not available to United Kingdom resident trustees of a discretionary trust. Since 6 April 2016, United Kingdom resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 38.1 per cent., which mirrors the dividend additional rate.

United Kingdom resident companies

Shareholders that are bodies corporate resident in the United Kingdom for tax purposes, may (subject to anti-avoidance rules) be able to rely on Part 9A of the Corporation Tax Act 2009 to exempt dividends paid by the Company from being chargeable to United Kingdom corporation tax. Such shareholders should seek independent advice with respect to their tax position.

Non-United Kingdom residents

Generally, non-United Kingdom residents will not be subject to any United Kingdom taxation in respect of United Kingdom dividend income. Non-United Kingdom resident shareholders may be subject to tax on United Kingdom dividend income under any law to which that person is subject outside the United Kingdom. Non-United Kingdom resident shareholders should consult their own tax advisers with regard to their liability to taxation in respect of any cash dividend.

Withholding tax

Under current United Kingdom tax legislation no tax is withheld from dividends or redemption proceeds paid by the Company to Shareholders.

20.3 **United Kingdom Taxation of capital gains**

The following paragraphs summarise the tax position in respect to a disposal of Ordinary Shares on or after 6 April 2018 by a Shareholder resident for tax purposes in the United Kingdom. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the amount paid for the Ordinary Shares will generally constitute the base cost of the Shareholder's holding.

A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for United Kingdom tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

For individual Shareholders who are United Kingdom tax resident or only temporarily non-United Kingdom tax resident, capital gains tax (2018/19 tax year) at the rate of 10 per cent. for basic rate taxpayers or 20 per cent. for higher or additional rate taxpayers may be payable on any gain (after any available exemptions, reliefs or losses). For Shareholders that are bodies corporate any gain may be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance) depending on their circumstances. Shareholders that are bodies corporate resident in the United Kingdom for taxation purposes will, subject to the availability of any exemptions, reliefs or allowable losses, generally be subject to UK corporation tax at the current rate of 19 per cent. (falling to 17 per cent. from 1 April 2020).

Individual Shareholders who continuously hold their Ordinary Shares for no less than three years from their issue date may, on a subsequent disposal of those Ordinary Shares, qualify for "Investors' relief". Investors' relief is a new relief contained within the Finance Act 2016 which provides for a reduced rate of capital gains tax of 10 per cent. on gains realised on the disposal of certain ordinary shares,

up to a lifetime limit of £10 million of gains, subject to various conditions being met by both the investor and investee company.

For trustee Shareholders of a discretionary trust who are United Kingdom tax resident, capital gains tax (2017/18 tax year) at the rate of tax of 20 per cent. (previously 28 per cent.) may be payable on any gain (after any available exemptions, reliefs or losses).

Non-United Kingdom resident Shareholders will not normally be liable to United Kingdom taxation on gains unless the Shareholder is trading in the United Kingdom through a branch, agency or permanent establishment and the Ordinary Shares are used or held for the purposes of the branch, agency or permanent establishment.

20.4 **Stamp duty and stamp duty reserve tax (SDRT)**

No UK stamp duty or SDRT will be payable on the issue or allotment of Ordinary Shares pursuant to the Placing and the Subscription, nor on subsequent transfers or agreements to transfer Ordinary Shares by virtue of the exemption from 28 April 2014 from stamp duty and SDRT on shares traded on AIM.

The statements in this paragraph 20.4 apply to any holders of Ordinary Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate than that referred to above or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities should not give rise to a liability to stamp duty or SDRT.

20.5 **Inheritance Tax**

Shares in AIM quoted trading companies or a holding company of a trading group may after a two year holding period qualify for business property relief for United Kingdom inheritance tax purposes, subject to the detailed conditions for the relief.

20.6 **Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) Schemes**

The Company has applied for and received advance assurance from HMRC that the Ordinary Shares will satisfy the requirements for EIS Relief and are expected to constitute a qualifying holding for the purposes of VCT Relief.

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional (amongst other things) on the qualifying conditions being satisfied throughout the period of ownership. The continuing status of the Ordinary Shares as qualifying for EIS Relief will be conditional (amongst other things) on the qualifying conditions being satisfied, both by the Company and (as regards those conditions to be met by the investor) the investor throughout a period of at least three years from the date of issue. 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 (and indeed circumstances may arise where the directors of the Company believe that the interests of the Group are not served by seeking to retain such status). Further, the conditions for VCT Relief and EIS Relief are complex and relevant investors are recommended to seek their own professional advice before investing. This paragraph is without prejudice to any separate comfort letter which may have been given by the Company to certain VCT investors in connection with the Placing.

21. **GENERAL**

21.1 The net proceeds of the Placing and the Subscription are expected to be £1.49 million. The total costs and expenses relating to Admission and the Placing and Subscription are payable by the Company and are estimated to amount to approximately £510,000 (excluding VAT).

21.2 Prior to the application for Admission, the Ordinary Shares have previously been admitted to dealings on the NEX Exchange Growth Market. Following the delisting of the Ordinary Shares from the NEX

Exchange Growth Market and, save in connection with the application for Admission, no application for the Ordinary Shares to be admitted to any recognised exchange has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

- 21.3 PKF Littlejohn LLP (as reporting accountant) of 1 Westferry Circus, London E14 4HD has given and not withdrawn its written consent to the inclusion in this document of its accountants report in Part 3 of this document in the form and context in which it appears and has authorised its report for the purpose of Schedule Two of the AIM Rules for Companies.
- 21.4 Grant Thornton UK LLP (as nominated adviser) of 30 Finsbury Square, London EC2A 1AG has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 21.5 Hybridan LLP (as broker) of 20 Ironmonger Lane, London EC2V 8EP has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 21.6 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 21.7 The accounting reference date of the Company is 31 December. The current accounting period will end on 31 December 2018.
- 21.8 The Placing Price and Subscription Price of £2.90 each represent a premium of £2.85 over the nominal value of £0.05 per Ordinary Share.
- 21.9 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

22. AVAILABILITY OF ADMISSION DOCUMENT

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Grant Thornton at 30 Finsbury Square, London, EC2A 1AG for one month from Admission. This document is also available on the Company's website, www.crosswordcybersecurity.com

DATED: 7 December 2018

