**Crossword Cybersecurity Plc**

**Interim Results & Notice of Investor Presentation**

**28 September 2023 – London, UK** - [Crossword Cybersecurity Plc](http://www.crosswordcybersecurity.com/) (AIM:CCS, "Crossword", the "Company" or the "Group"), the cybersecurity solutions company focused on cyber strategy and risk,today announces its unaudited interim results for the 6 months ended 30 June 2023.

In the first half of 2023, Crossword shifted its focus from one of acquiring new products and building out the team towards establishing a clear path to profitability with its current suite of products and dedicated staff. Profitability will be underpinned by continuing strong revenue growth, margin improvement and cost containment.

**Financial Highlights**

* Revenue of £1.9m for the 6 months ended 30 June 2023, an increase of 27% from the same period in the previous year.
* ARR at the end of H1 2023 was £2.7m, growth of 35% compared to the same period in the prior year.
* Strong revenue growth was experienced across all revenue lines.
* In H1 2023, overall gross margin increased to 20% compared to 16% in H1 2022.
* Consulting margin continues to improve as revenue scales to achieve critical mass.
* 80% growth in the higher margin product revenues helped to drive margin improvement.
* Administrative expenses have stabilised in 2023. Excluding one-off professional fees in H1 2023, administrative expenses have increased by less than 2% over the same period in the prior year. With increasing revenue, this represents a reduction of 20% in administrative expenses as a percentage of revenue in H1 2023.
* Investment in Managed Services’ platform and operations, to support future revenue growth. This had a short-term adverse impact on Managed Services’ margin which was reflected in margin for the period.

**Operational Highlights**

* Software Engineering services revenue in H1 2023 helped to strengthen ties with a key partner and provided a valuable development opportunity for staff.
* Crossword has leveraged its 100+ client base to cross sell and has increased emphasis on targeting its larger clients that can make full use of Crossword’s range of products and services.

**Post Period Highlights**

* Following the General Meeting in July 2023, the company has authority to issue £2.5m additional debt.
* On 31 August the Company announced that it had entered into agreements for a five-year, unsecured, convertible loan up to the value of £2,015,000. The funds raised will be used to support sales and marketing, product and services development and to provide general working capital.

**Outlook**

* Crossword has a strong sales pipeline the continued conversion of which will drive revenue to achieve market expectations for the full year to 31 December 2023.
* Crossword’s diversified product and services offering will drive scale while managing risk.
* Crossword is targeting a drop by half in administrative expenses as a percentage of revenue in 2024 compared to 2022.
* Focus on margin improvement will ensure that there is a clear, carefully managed route to achieving profitability in the medium term.
* The Company is projecting the revenue growth rate for 2024 to be circa 30%, to achieve total revenue of circa £8m in 2024.
* Crossword is aiming to deliver EBITDA and cash breakeven on a monthly basis during the second half of 2024.

**Tom Ilube CBE, CEO at Crossword Cybersecurity Plc, said:**

“As the economic landscape continues to be challenging for many, Crossword is fortunate to be operating in the cyber security sector where client spend has held up well in the first half of the year. I am pleased to present the interim accounts of Crossword Cybersecurity plc for the 6 month period to 30 June 2023. During this period, we have made significant progress on our path to profitability and continue in our mission to reduce cyber risks for our clients by providing a portfolio of innovative products and services.

In an environment of increasing number and complexity of cyber-attacks, Crossword’s business model centred around specialist cyber security products and services with distinct USPs and a strongly growing Consulting division, saw continued strong revenue growth in the first half of 2023.

We are grateful for the continued support of our shareholders. The investment round earlier this month is intended to take Crossword to EBITDA and cash breakeven in the second half of 2024. We are also grateful for our dedicated employees, and valued customers for their ongoing support. Together, we will navigate the challenges and opportunities that lie ahead to deliver results for our shareholders, and a lower risk cyber environment for our clients and partners to operate in.

I am excited about the opportunities with AI and LLMs (Large Language Models). We are exploring initiatives with industry partners and leading academics to investigate the application of Generative AI to cyber security. It is extremely challenging for any single company to keep track of and evaluate the many applications that are emerging, so Crossword is looking to bring together its major clients to engage with this exciting area.

2023 is shaping up to be another year of strong growth for Crossword with a pipeline of opportunities to drive revenue in the second half of 2023. Our challenge is to convert this strong pipeline into signed contracts, and this will depend on our clients’ and prospects’ spend holding up during H2. We are forecasting continued growth into 2024, with revenue growth of 30% to circa £8m."

**Investor Call**

Members of the Executive Team will provide a live presentation relating to the Interim Results via the Investor Meet Company platform on Monday 2nd Oct 2022 at 12:00pm BST.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00am the day before the meeting or at any time during the live presentation. Investors can sign up to Investor Meet Company for free and add to meet CROSSWORD CYBERSECURITY PLC via:

<https://www.investormeetcompany.com/crossword-cybersecurity-plc/register-investor>

Investors who already follow Crossword on the Investor Meet Company platform will automatically be invited.

- Ends -

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**About Crossword Cybersecurity plc**

Crossword offers a range of cyber security solutions to help companies **understand and reduce cyber security risk.** We do this through a **combination of people and technology**, in the form of SaaS and software products, consulting, and managed services. Crossword's areas of emphasis are **cyber security strategy and risk, supply chain cyber, threat detection and response,** and **digital identity** and the aim is to build up a portfolio of cyber security products and services with recurring revenue models in these four areas. We work closely with UK universities and our products and services are often powered by academic research-driven insights. In the area of **cybersecurity strategy** **and risk** our consulting services include cyber maturity assessments, industry certifications, and virtual chief information security officer (vCISO) managed services.

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

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

Visit Crossword at <https://www.crosswordcybersecurity.com/>

**CHIEF EXECUTIVE OFFICER**’**S REVIEW**

I am pleased to present the interim accounts of Crossword Cybersecurity plc for the 6 month period to 30 June 2023. During this period, we have made significant progress on our path to profitability and continue in our mission to reduce cyber risks for our clients by providing a portfolio of innovative products and services.

**Financial Performance**: Our financial performance during this period has been strong. Revenue of £1.9m for the 6 months ended 30 June 2023, was an increase of 27% over the same period in the previous year. We have not seen a slow-down in cyber security spend amongst our core regulated and critical national infrastructure clients. Strong revenue growth was experienced across all revenue lines and ARR at the end of H1 2023 was £2.7m, which is growth of 35% compared to the same period in the prior year. Software Engineering services revenue in H1 2023 helped to strengthen ties with a key partner and provided a valuable development opportunity for staff. Crossword continued to leverage its 100+ client base to cross sell. We have increased emphasis on targeting our larger clients that can make full use of Crossword’s range of products and services to drive scale while managing risk.

In H1 2023, overall gross margin increased to 20% compared to 16% in H1 2022. The consulting margin continues to improve as revenue scales to achieve critical mass. The Company invested in Managed Services’ platform and operations, to support future revenue growth. This had a short-term adverse impact on Managed Services margin. 80% growth in the higher margin product revenues helped to drive margin improvement.

Administrative expenses have stabilised in 2023, with a strong foundation now in place to drive the revenue growth and path to profitability. Excluding one-off professional fees in H1 2023, administrative expenses have increased by less than 2% over the same period in the prior year. With increasing revenue, this represents a reduction of 20% in administrative expenses as a percentage of revenue in H1 2023. Crossword is targeting a drop by half in administrative expenses as a percentage of revenue in 2024 compared to 2022. During H1 2023 we reduced headcount by c12% and have a strong cost control drive.

The momentum from 2022 placed Crossword in a strong position to achieve revenue growth to circa £6m in 2023 and focus on margin improvement will ensure that there is a clear, carefully managed route to achieving profitability in the medium term. Furthermore, the Company is projecting the revenue growth rate for 2024 to be circa 30%, to achieve total revenue of circa £8m in 2024. Crossword is aiming to deliver EBITDA and cash breakeven on a monthly basis during the second half of 2024.

**Operational Highlights:** In addition to our financial achievements, we have made significant strides operationally. In April 2023 we announced completion of £375,000 convertible loan notes, £250,000 of which I subscribed for. Additionally, in late August 2023 Crossword entered into agreements for a five year, unsecured convertible loan to the value of £2,015,000. Following issue of these new Convertible Loan Notes, the Company will have £485,000 capacity for further debt. The funds raised will be used to support sales and marketing, product and services development and to provide general working capital.

An example of how Crossword is supporting clients to reduce cyber risks, and to cross sell, is the contract awarded in June 2023 with a FTSE 250 engineering company to provide forward looking Dark Web Threat Intelligence services. The service will be delivered via Crossword’s [Trillion platform](https://www.crosswordcybersecurity.com/trillion) using its market leading credential leak and online discussion monitoring services. The technical solution will be backed up by expert human analysis to deliver the service.

The FTSE 250 engineering company is already a Consulting client. The close relationship between the consulting team and the product team at Crossword helped identify the benefits the client will derive from the Dark Web Threat Intelligence services.

Our commitment to innovation and excellence has resulted in our inclusion in the [CYBERTECH100](https://fintech.global/cybertech100/) in May 2023. This is an annual list of 100 of the world’s most innovative CyberTech companies selected by a panel of industry experts and analysts. Companies were selected for inclusion in the fourth annual CyberTech100 based on their innovative use of technology to solve a significant industry problem or generate cost savings or efficiency improvements across the security value chain. CYBERTECH100 considers that these are the companies every financial institution needs to know about as they consider and develop their information security and financial crime fighting strategies.

During the first half of 2023, our product development teams made great strides including in the development of Rizikon modules for use in our Supply Chain Cyber practice, which we offer in response to client demand and the substantial increase in supply chain cyber threat levels. The integrated practice provides a set of controls, processes, and tools, along with a range of managed services, advice and training to massively reduce the risk of direct cyber-attacks as well as threats via third parties across a company’s supply chain. Our Trillion development team also progressed new features and modules.

The whole company is focused on our path to profitability, aiming to achieve EBITDA and cash breakeven on a monthly basis during the second half of 2024.

**Cybersecurity Landscape:** The cybersecurity landscape continues to evolve rapidly, presenting both challenges and opportunities. We remain vigilant in adapting to emerging threats and technologies, ensuring that our solutions are at the forefront of the industry. Our dedication to staying ahead of the curve positions us well for future success.

I am excited about the opportunities with AI and LLMs (Large Language Models). We are exploring initiatives with industry partners and leading academics to investigate the application of Generative AI to cyber security. It is extremely challenging for any single company to keep track of and evaluate the many applications that are emerging, so Crossword is looking to bring together its major clients to engage with in this exciting area.

The increase in ransomware attacks drove the launch of our Ransomware Readiness Assessment service during H1 2023. Ransomware is a malware designed to deny a user or organisation access to files on their computer. Ransomware affected 66% of organizations in 2021, an increase of 78% over 2020, according to Sophos's "The State of Ransomware 2022" [report](https://assets.sophos.com/X24WTUEQ/at/4zpw59pnkpxxnhfhgj9bxgj9/sophos-state-of-ransomware-2022-wp.pdf). The cost of these attacks can extend far beyond recovering systems and the ransom, if paid. Successful ransomware attacks almost always result in a significant portion of an organisation’s data being stolen, with associated costs including reputational damage, the loss of customers, a long-term loss of productivity during systems recovery, rising insurance premiums and an estimated 80% chance of a repeat attack.

Our Ransomware Readiness Assessment helps organisations reduce their exposure to ransomware attacks, provides detailed assessments on areas requiring protection and recommends how they should respond to attacks.

**Outlook:** Looking ahead, we remain optimistic about the future and are projecting the revenue growth rate for 2024 to be circa 30%, to achieve total revenue of circa £8m in 2024. While the cybersecurity industry remains dynamic and competitive, our team's expertise and our commitment to innovation will continue to drive our success.

In conclusion, I would like to express my gratitude to our dedicated employees, loyal shareholders, and valued customers for their ongoing support. Together, we will navigate the challenges and opportunities that lie ahead to deliver results for our shareholders, and a lower risk cyber environment for our clients and partners to operate in.

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| --- | --- | --- | --- | --- | --- |
| **Condensed Consolidated Statement of Comprehensive Income** | **Unaudited 6 Months to 30 June 2023** |  | **Audited 12 Months to 31 December 2022** |  | **Unaudited 6 Months to 30 June 2022\*** |
|  | **£** |  | **£** |  | **£** |
| Revenue | 1,941,995 |  | 3,648,000 |  | 1,525,234 |
| Cost of Sales | (1,560,960) |  | (2,755,662) |  | (1,282,216) |
| Other income | - |  | 39,814 |  | - |
| **Gross Profit** | 381,035 |  | 932,152 |  | 243,018 |
|  |  |  |  |  |  |
| Administrative expenses | (2,523,263) |  | (4,967,499) |  | (2,223,880) |
| Other operating expense | (200,521) |  | (304,457) |  | (135,636) |
| Finance costs-other interest expense | (183,574) |  | (395,762) |  | (155,365) |
| Foreign exchange | (20,382) |  | (1,569) |  | (1,123) |
| Gain on remeasurement of financial assets and liabilities | - |  | 170,283 |  | - |
| Loss for the year before taxation | (2,546,705) |  | (4,566,852) |  | (2,272,986) |
|  |  |  |  |  |  |
| Tax credit / (expense) | (3,429) |  | 1,144,302 |  | 393,810 |
|  |  |  |  |  |  |
| Loss for the Period | (2,550,134) |  | (3,422,550) |  | (1,879,176) |
|  |  |  |  |  |  |
| Other Comprehensive Income |  |  |  |  |  |
| Items that may be reclassified to profit or loss: |  |  |  |  |  |
| Foreign exchange translation Gain / (Loss) | 1,448 |  | 1,782 |  | (146) |
| Total Other Comprehensive Income | 1,448 |  | 1,782 |  | (146) |
|  |  |  |  |  |  |
| **Total Comprehensive Loss** | **(2,548,686)** |  | **(3,420,768)** |  | **(1,879,322)** |
|  |  |  |  |  |  |
| Loss for the period attributable to: |  |  |  |  |  |
| Owners of the parent | (2,530,551) |  | (3,408,149) |  | (1,861,609) |
| Non-controlling interests | (19,583) |  | (14,401) |  | (17,567) |
| **Total Loss for the Period** | **(2,550,134)** |  | **(3,422,550)** |  | **(1,879,176)** |
|  |  |  |  |  |  |
| Total comprehensive loss for the period attributable to: |  |  |  |  |  |
| Owners of the parent | (2,529,103) |  | (3,406,367) |  | (1,861,755) |
| Non-controlling interests | (19,583) |  | (14,401) |  | (17,567) |
| **Total Comprehensive Loss** | **(2,548,686)** |  | **(3,420,768)** |  | **(1,879,322)** |
|  |  |  |  |  |  |
| Loss Per Share (basic) | (0.03) |  | (0.04) |  | (0.02) |
| Loss Per Share (diluted) | (0.03) |  | (0.04) |  | (0.02) |
|  |  |  |  |  |  |
| All results are derived from continuing operations |  |  |  |  |  |
|  |  |  |  |  |  |
| \* Restated as per 2022 Annual Report note 1.2 |  |  |  |  |  |

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| **Condensed Consolidated Statement of Financial Position as at 30 June 2023** | **Unaudited Group** |  | **Audited  Group** |  | **Unaudited**  **Group** |
|  | **30 June 2023** |  | **31 December 2022** |  | **30 June 2022** |
|  |  |  | **£** |  |  |
| **Non-Current Assets** |  |  |  |  |  |
| Intangible assets | 2,698,879 |  | 2,708,423 |  | 2,761,202 |
| Tangible assets | 34,770 |  | 45,039 |  | 21,146 |
| Goodwill | 875,277 |  | 875,277 |  | 875,277 |
| Unlisted investment | 456,834 |  | 456,834 |  | 456,834 |
| **Total non-current assets** | **4,065,760** |  | **4,085,573** |  | **4,114,459** |
|  |  |  |  |  |  |
| **Current Assets** |  |  |  |  |  |
| Trade and other receivables | 1,198,658 |  | 2,078,050 |  | 1,570,310 |
| Current tax receivable | 398,511 |  | 398,511 |  | - |
| Cash and cash equivalents | 424,498 |  | 2,077,771 |  | 579,444 |
| **Total current assets** | 2,021,667 |  | 4,554,332 |  | 2,149,754 |
| **Total Assets** | **6,087,427** |  | **8,639,905** |  | **6,264,213** |
|  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |
| Attributable to the owners of the Company |  |  |  |  |  |
| Share Capital | 468,589 |  | 462,019 |  | 377,325 |
| Share premium account | 18,749,829 |  | 18,534,372 |  | 15,118,699 |
| Convertible debt reserve | 214,742 |  | 195,685 |  | - |
| Equity reserve | 439,329 |  | 370,762 |  | 313,262 |
| Retained earnings | (17,736,187) |  | (15,235,500) |  | (13,688,960) |
| Translation of foreign operations | (11,762) |  | (13,210) |  | (15,138) |
| Attributable to owners of the parent | 2,124,540 |  | 4,314,128 |  | 2,105,188 |
| Non-controlling interests | (173,110) |  | (153,527) |  | (156,695) |
| **Total equity** | **1,951,430** |  | **4,160,601** |  | **1,948,493** |
|  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |
| **Current Liabilities** |  |  |  |  |  |
| Trade and other payables | 2,258,183 |  | 2,456,783 |  | 2,282,918 |
| Other current liabilities | 17,000 |  | 17,000 |  | 1,381,594 |
| **Total current liabilities** | **2,275,183** |  | **2,473,783** |  | **3,664,512** |
| **Long Term Liabilities** |  |  |  |  |  |
| Convertible loan notes | 1,685,621 |  | 1,329,678 |  | - |
| Bank loans | 42,500 |  | 51,000 |  | 59,500 |
| Other non-current liabilities | 132,693 |  | 624,843 |  | 591,708 |
| **Total long term liabilities** | **1,860,814** |  | **2,005,521** |  | **651,208** |
|  |  |  |  |  |  |
| **Total Liabilities** | **4,135,997** |  | **4,479,304** |  | **4,315,720** |
| **Total Equity & Liabilities** | **6,087,427** |  | **8,639,905** |  | **6,264,213** |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Condensed Consolidated Statement of Changes in Equity** |  |  |  |  |  |  |  |  |  |
| **Unaudited - six months ended 30 June 2023** | **Share Capital** | **Share Premium** | **Convertible Debt Reserve** | **Equity Reserve** | **Retained Earnings** | **Translation Reserve** | **Attributable to owners of the parent** | **Non-controlling interests** | **Total** |
| £ |  |  |  |  |  |  |  |  |  |
| At 1st January | 462,019 | 18,534,372 | 195,685 | 370,762 | (15,235,500) | (13,210) | 4,314,128 | (153,527) | 4,160,601 |
| Issue of shares | 6,570 | 215,457 | - | - | - | - | 222,027 | - | 222,027 |
| Issue of convertible debt | - | - | 48,921 | - | - | - | 48,921 | - | 48,921 |
| Transfer of convertible debt reserve to retained earnings | - | - | (29,864) | - | 29,864 | - | - | - | - |
| Employee share schemes - value of employee services | - | - | - | 68,567 | - | - | 68,567 | - | 68,567 |
| Loss for the period | - | - | - | - | (2,530,551) | - | (2,530,551) | (19,583) | (2,550,134) |
| Other comprehensive loss for the period | - | - | - | - | - | 1,448 | 1,448 | - | 1,448 |
| At 30 June | 468,589 | 18,749,829 | 214,742 | 439,329 | (17,736,187) | (11,762) | 2,124,540 | (173,110) | 1,951,430 |
|  |  |  |  |  |  |  |  |  |  |
| **Audited - year ended 31 December 2022** |  |  |  |  |  |  |  |  |  |
| At 1st January | 374,786 | 14,971,221 | - | 240,310 | (11,827,351) | (14,992) | 3,743,974 | (139,126) | 3,604,848 |
| Issue of shares | 87,233 | 3,750,012 | - | - | - | - | 3,837,245 | - | 3,837,245 |
| Transaction costs | - | (186,861) |  | - | - | - | (186,861) | - | (186,861) |
| Issue of convertible debt | - | - | 195,685 | - | - | - | 195,685 | - | 195,685 |
| Employee share schemes - value of employee services | - | - | - | 130,452 | - | - | 130,452 | - | 130,452 |
| Loss for the period | - | - | - | - | (3,408,149) | - | (3,408,149) | (14,401) | (3,422,550) |
| Other comprehensive loss for the period | - | - | - | - | - | 1,782 | 1,782 | - | 1,782 |
| At 31 December | 462,019 | 18,534,372 | 195,685 | 370,762 | (15,235,500) | (13,210) | 4,314,128 | (153,527) | 4,160,601 |
|  |  |  |  |  |  |  |  |  |  |
| **Unaudited - six months ended 30 June 2022** |  |  |  |  |  |  |  |  |  |
| At 1st January | 374,786 | 14,971,221 | - | 240,310 | (11,827,351) | (14,992) | 3,743,974 | (139,126) | 3,604,847 |
| Issue of shares | 2,539 | 147,478 | - | - | - | - | 150,017 | - | 150,017 |
| Employee share schemes - value of employee services | - | - | - | 72,952 | - | - | 72,952 | - | 72,952 |
| Loss for the period | - | - | - | - | (1,861,609) | - | (1,861,609) | (17,567) | (1,879,177) |
| Other comprehensive loss for the period | - | - | - | - | - | (146) | (146) | - | (146) |
| At 30 June | 377,325 | 15,118,699 | - | 313,262 | (13,688,960) | (15,138) | 2,105,188 | (156,693) | 1,948,493 |

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| --- | --- | --- | --- | --- | --- |
| **Condensed Consolidated Statement of Cashflows** | **Unaudited 6 Months to 30 June 2023** |  | **Audited 12 Months to 31 December 2022** |  | **Unaudited 6 Months to 30 June 2022** |
| **Cashflows From Operating Activities** | **£** |  | **£** |  | **£** |
| Loss for the period | (2,550,134) |  | (3,422,550) |  | (1,879,176) |
| Movement in trade and other receivables | 879,392 |  | (786,642) |  | (279,314) |
| Movement in trade and other payables | (530,200) |  | 381,130 |  | 217,315 |
| Depreciation | 10,372 |  | 11,287 |  | 2,581 |
| Amortisation | 190,148 |  | 293,170 |  | 133,055 |
| Finance costs | 183,574 |  | 395,762 |  | 156,487 |
| Gain on remeasurement of financial assets and liabilities | - |  | (170,283) |  | - |
| Employee share schemes | 68,567 |  | 130,452 |  | 72,952 |
| Tax (credit) / expense | 3,429 |  | (1,144,302) |  | (393,810) |
| Tax received / (paid) | (3,429) |  | 348,662 |  | (2,907) |
| **Net Cashflow from Operating Activities** | (1,748,281) |  | (3,963,314) |  | (1,972,817) |
|  |  |  |  |  |  |
| **Cashflow From Investing Activities** |  |  |  |  |  |
| Investment in intangible assets | (180,605) |  | (203,627) |  | (96,291) |
| Purchase of tangible assets | - |  | (48,971) |  | (17,061) |
| Acquisition of subsidiaries, net of cash acquired | - |  | (625,408) |  | (625,408) |
| **Net Cashflow from Investing Activities** | (180,605) |  | (878,006) |  | (738,760) |
|  |  |  |  |  |  |
| **Cashflows From Financing Activities** |  |  |  |  |  |
| Proceeds from issue of ordinary shares | - |  | 3,837,245 |  | - |
| Share issuance costs | - |  | (186,861) |  | - |
| Proceeds from issue of convertible loan notes | 375,000 |  | 800,000 |  | - |
| Repayment of convertible loan notes | - |  | (700,000) |  | - |
| Interest paid on convertible loan notes | (98,230) |  | (189,640) |  | (81,896) |
| Other interest paid | (2,606) |  | (16,495) |  | - |
| **Net Cash Inflow from Financing Activities** | 274,164 |  | 3,544,249 |  | (81,896) |
|  |  |  |  |  |  |
| **Net Increase in Cash & Cash Equivalents** | (1,654,722) |  | (1,297,071) |  | (2,793,473) |
| Foreign Currency Translation Difference | 1,449 |  | 1,780 |  | (145) |
| Cash and Cash Equivalent at the beginning of the period | 2,077,771 |  | 3,373,062 |  | 3,373,062 |
| Cash and Cash Equivalent at the end of the period | 424,498 |  | 2,077,771 |  | 579,444 |

**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 cybersecurity sector. The principal activities are the development and commercialisation of university research-based cyber security related software and cybersecurity consulting.

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

**1.2 Basis of preparation of financial information**

The financial information has been prepared in accordance with the requirements of the London Stock Exchange plc AIM Rules for Companies ("AIM Rules") and in accordance with UK adopted International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. As permitted, this Half Yearly Financial Report has been prepared in accordance with the AIM Rules and not in accordance with IAS 34 ‘Interim Financial Reporting'. The financial information has been prepared on the historical cost basis, except for accounting for business combinations and certain financial assets and liabilities. The preparation of 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 financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate.

The financial information does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. The financial information together with the comparative information for the six months ended 30 June 2022 are unaudited with the audited information included for the 12 month period ended 31 December 2022. The audited information received an audit report which was unmodified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006. The audit report for the 12 month period ended 31 December 2022 included an emphasis of matter relating to going concern.

The financial information was approved by the Board of Directors on 27 September 2023 and authorised for issue on 28 September 2023.

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2023 are in accordance with the recognition and measurement criteria of the International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 and are consistent with those which will be adopted in the annual financial statements for year ending 31 December 2023.

These Interim Financial Statements have been prepared in accordance with the accounting policies, methods of computation and presentation adopted in the financial statements for the year ended 31 December 2022.

**1.3 Going concern**

The financial information has been prepared on a going concern basis. The Group’s business model has been enhanced following the three acquisitions in 2021 and early 2022. The Group’s operations have incurred a loss in the financial period whilst the Group’s products and services continue to be enhanced, developed and brought to market. The Directors forecast for the full year 2023 show a trading loss with net cash outflows as the business continues to develop and enhance its products and services and grows revenue. The Groups operations in 2023 have been largely supported by cash inflows from customers, funds from fundraises in 2021 and issuance of new loan notes in 2022 and 2023.

The Directors have considered the Group's forecast business and cash requirements. On 31 August 2023 the company entered into agreements for a five year, unsecured, convertible loan of £2.015m to provide liquidity to the group. The Directors have assessed the group business model and the required levels of investment in its growth plans. The liquidity raised is at a level to support the group to achieve EBITDA and cash breakeven in the second half of 2024.

The Directors have concluded that the current position could give rise to a material uncertainty arising from events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern if cash flows varied significantly from those expected to be generated by the approved business model. However, based on the business model, the Directors are confident that they can continue to adopt the going concern basis in preparing the financial statements.

**1.4 Basis of consolidation**

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

− the power over the investee;

− exposure, or rights, to variable returns from its involvement with the investee; and

− the ability to use its power over the investee to affect the amount of the investor’s returns.

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 Business combinations**

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

the acquiree. Acquisition related costs are recognised in the income statement as incurred.

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash generating unit (“CGU”) that is expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss is recognised directly in the income statement.

**1.6 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 and recognized over time. 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 licensed to customers. Revenue is recognised in the accounting periods in which the services are rendered.

(c) Consulting

Consulting revenue is recognised when the performance obligation is met, primarily at a point of time. Contracts are structured to support the revenue recognition process by stating what the objectives and deliverables are for each part of the project, and the revenue attributable to each deliverable.

**2. Revenue and segmental information**

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

|  |  |  |  |
| --- | --- | --- | --- |
| £ | **Unaudited  6 Months to  30 June 2023** | **Audited  12 Months ended 31 December 2022** | **Unaudited  6 Months to  30 June 2022** |
|  |  |  |  |
| Revenue from the sale of goods/licences | 348,388 | 479,849 | 179,679 |
| Revenue from the rendering of services | - | 64,667 | 7,719 |
| Revenue from consulting services | 1,439,208 | 3,013,884 | 1,337,835 |
| Software engineering revenue | 154,400 | 89,600 | - |
| **Total Revenue** | **1,941,995** | **3,648,000** | **1,525,234** |

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

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

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Unaudited - six months ended  30 June 2023** | Software product and Services and Engineeing Services |  | Consulting and Managed Services |  | Eliminations |  | Total |
|  | £ |  | £ |  | £ |  | £ |
| Revenue | 502,788 |  | 1,473,489 |  | (34,282) |  | 1,941,995 |
| Cost of Sales | (256,850) |  | (1,322,673) |  | 18,563 |  | (1,560,960) |
| Gross Profit | 245,938 |  | 150,816 |  | (15,719) |  | 381,035 |
| Administrative expenses | (2,259,412) |  | (286,812) |  | 22,961 |  | (2,523,263) |
| Other operating expense | (160,032) |  | (40,488) |  | - |  | (200,521) |
| Financial income and expenses | (93,565) |  | (103,150) |  | (7,242) |  | (203,956) |
| Loss for the period before taxation | (2,267,071) |  | (279,634) |  | - |  | (2,546,705) |
| Tax credit / (expense) | (3,429) |  | - |  | - |  | (3,429) |
| Loss for the Period | (2,270,500) |  | (279,634) |  | - |  | (2,550,134) |
|  |  |  |  |  |  |  |  |
| Total Comprehensive Loss | (2,269,052) |  | (279,634) |  | - |  | (2,548,686) |
|  |  |  |  |  |  |  |  |
| Segment assets | 10,237,468 |  | 1,738,105 |  | (5,888,146) |  | 6,087,427 |
| Segment liabilities | 4,052,078 |  | 3,240,974 |  | (3,157,055) |  | 4,135,997 |
|  |  |  |  |  |  |  |  |
| EBITDA | (1,816,723) |  | (325,505) |  | - |  | (2,142,228) |
|  |  |  |  |  |  |  |  |
| **Audited - year ended  31 December 2022** | Software product and Services and Engineeing Services |  | Consulting and Managed Services |  | Eliminations |  | Total |
|  | £ |  | £ |  | £ |  | £ |
| Revenue | 634,116 |  | 3,131,103 |  | (117,219) |  | 3,648,000 |
| Cost of Sales | (136,287) |  | (2,619,375) |  | - |  | (2,755,662) |
| Other income | 39,814 |  | - |  | - |  | 39,814 |
| Gross Profit | 537,643 |  | 511,728 |  | (117,219) |  | 932,152 |
| Administrative expenses | (4,561,425) |  | (523,292) |  | 117,218 |  | (4,967,499) |
| Other operating income | (226,447) |  | (78,010) |  | - |  | (304,457) |
| Financial income and expenses | (29,958) |  | (197,090) |  | - |  | (227,048) |
| Loss for the year before taxation | (4,280,186) |  | (286,666) |  | - |  | (4,566,852) |
| Tax credit / (expense) | 1,144,302 |  | - |  | - |  | 1,144,302 |
| Loss for the Year | (3,135,884) |  | (286,666) |  | - |  | (3,422,550) |
|  |  |  |  |  |  |  |  |
| Total Comprehensive Loss | (3,134,102) |  | (286,666) |  | - |  | (3,420,768) |
|  |  |  |  |  |  |  |  |
| Segment assets | 10,413,274 |  | 1,594,370 |  | (3,367,738) |  | 8,639,905 |
| Segment liabilities | 4,234,893 |  | 2,649,280 |  | (2,404,869) |  | 4,479,304 |
|  |  |  |  |  |  |  |  |
| EBITDA | (4,023,782) |  | (11,565) |  | - |  | (4,035,347) |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Unaudited - six months ended  30 June 2022 \*** | Software product and Services and Engineeing Services |  | Consulting and Managed Services |  | Eliminations |  | Total |
|  | £ |  | £ |  | £ |  | £ |
| Revenue | 187,399 |  | 1,407,320 |  | (69,485) |  | 1,525,234 |
| Cost of Sales | (60,785) |  | (1,221,432) |  | - |  | (1,282,216) |
| Gross Profit | 126,614 |  | 185,888 |  | (69,485) |  | 243,017 |
| Administrative expenses | (2,051,278) |  | (242,087) |  | 69,485 |  | (2,223,880) |
| Other operating expense | (84,714) |  | (50,922) |  | - |  | (135,636) |
| Financial income and expenses | (67,134) |  | (89,353) |  | - |  | (156,487) |
| Loss for the period before taxation | (2,076,512) |  | (196,474) |  | - |  | (2,272,986) |
| Tax credit / (expense) | 393,810 |  | - |  | - |  | 393,810 |
| Loss for the Period | (1,682,703) |  | (196,474) |  | - |  | (1,879,176) |
|  |  |  |  |  |  |  |  |
| Total Comprehensive Loss | (1,682,849) |  | (196,474) |  | - |  | (1,879,322) |
|  |  |  |  |  |  |  |  |
| Segment assets | 7,630,989 |  | 1,113,659 |  | (2,480,434) |  | 6,264,214 |
| Segment liabilities | 3,970,879 |  | 2,107,083 |  | (1,762,242) |  | 4,315,719 |
|  |  |  |  |  |  |  |  |
| EBITDA | (1,870,851) |  | (111,135) |  | - |  | (1,981,985) |
|  |  |  |  |  |  |  |  |
| \* Restated as per 2022 Annual Report note 1.2 |  |  |  |  |  |  |  |

**3. Share Options**

775,270 of share options were issued by Crossword Cybersecurity plc in the period up to 30 June 2023, with total options issued amounted to 2,943,923. The fair value of these share options is calculated by the Company using the binomial model and Monte Carlo simulation model. The expense, where material, is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company’s best estimate of the number of shares that will eventually vest.

**4. Loss per Share**

Earnings per share is calculated by dividing the loss for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. During the period the calculation was based on the loss for the period attributable to owners of the parent of £2,530,551 (full year 2022: £3,408,149) divided by the weighted average number of ordinary shares of 93,212,166 (full year 2022: 80,022,937).

**5. Subsequent events**

On 31 August 2023 the Company announced that it has entered into agreements for a five year, unsecured, convertible loan to the value of £2.015m. The funds raised will be used to support sales and marketing, product and services development and to provide general working capital. The interest rate is fixed at 12% and is payable at the end of the term.