

Registered number: 08927013

CROSSWORD CYBERSECURITY PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CROSSWORD CYBERSECURITY PLC

COMPANY INFORMATION

DIRECTORS

T Ilube
Dr D Secher
Professor D Stupples
A Gueritz
G Matthew

REGISTERED NUMBER

08927013

REGISTERED OFFICE

One America Square
Crosswall
London
United Kingdom
EC3N 2SG

INDEPENDENT AUDITORS

MHA MacIntyre Hudson
Chartered Accountants & Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

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STRATEGIC REPORT OF THE DIRECTORS

INTRODUCTION

The directors present their strategic report with the audited financial statements of the group for the period ended 31 December 2015.

BUSINESS REVIEW

I am pleased to report a strong year of progress as we continue to develop Crossword Cybersecurity PLC's specialist cyber security technology transfer business.

The challenges of cyber security continued to grow throughout 2015. TalkTalk in the UK suffered a high profile cyber breach resulting in 157,000 customer's personal details being accessed. The European Central Bank's website was compromised. Ashley Madison, the online dating site, lost 32 million client's data. In the USA, the Office of Personnel Management suffered a huge data breach resulting in the loss of 22m Federal employees' data and more recently Mossack Fonseca had 11.5m very sensitive documents stolen.

To help address these challenges, Crossword works with universities to identify leading edge research in cyber security and establish intellectual property (IP) and technology transfer deals with the university to commercialise their research.

We started the year by launching CLUE, a comprehensive database of cyber security projects taking place across UK universities, working with the Partnership for Conflict, Crime & Security (PaCCS), a Research Council UK (RCUK) initiative. CLUE covers over 500 cyber security research projects from over 50 UK and European universities. CLUE provides us with a comprehensive view of the cyber security academic research landscape and enables us to identify the universities with the most compelling cyber security projects.

During the year Crossword established relationships with a number of major cyber security research universities. In January we signed a commercialisation agreement with Bristol University in the area of cryptography. This was followed in February with an initiative with the University of Warwick to jointly explore commercial opportunities in the security aspects of blockchain technologies. April resulted in the signing of a licence agreement with City University, London for their cyber risk assessment intellectual property. In November we agreed to work with Coventry University to commercialise their advanced network monitoring research aimed at the Internet of Things and Smart Cities.

By mid-year we started to see the fruits of these relationships. Our first IP based commercial product, Rizikon, a cyber risk assessment tool based on City University's research, was announced in 2015 and we started the process of seeking large scale distribution partners for this product.

Given Crossword's leadership role in the industry to drive forwards commercialisation of UK cyber security research, in November we became a founding member of CyberInvest, the £6.5m GCHQ and Department of Culture, Media and Sport initiative to boost world class UK cyber security.

On the corporate front, in June we raised £1.5m in a placing to pursue cyber security intellectual property transfer deals and in September Crossword's ordinary share capital was admitted to trading on the ISDX Growth Market in London.

We have ambitious plans for the year ahead and Crossword is well positioned. We believe that we have quickly established a strong reputation and carved out a distinct cyber security niche in the wider technology transfer sector. We are building up a network of commercial partners to distribute our IPR based products as they emerge from our development pipeline and we expect to see revenue growth through 2016 and beyond. We aim to add new university partnerships both in the UK and in Europe and we will start to raise our profile amongst the cyber security community in the USA too. We intend to continue to strengthen the Crossword team with additional industry leading security professionals to further reinforce our position as the experts in the cyber security technology transfer sector.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks to the group are as follows:

- failure to develop an appropriate commercial application for its developing products;
- failure to obtain sufficient financial support to enable such products to be adequately delivered;
- failure to establish commercialisation partnerships with leading research universities
- competition from existing IP transfer businesses seeking to engage in cyber security commercialisation activity
- failure to commercialise the products that it develops.

At present the directors are pleased with progress in both of these areas and consider these risks are sufficiently mitigated.

FINANCIAL AND NON FINANCIAL KEY PERFORMANCE INDICATORS

The directors consider the key financial performance indicator to be cash 'burn rate'. At present they consider that this is within reasonable parameters and will continue to monitor this in the future.

At this stage in its development, the directors do not consider that there are any relevant non-financial key performance indicators.

.....
T Ilube
Director
25 April 2016

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the period ended 31 December 2015.

DIRECTORS

The directors who served during the year were as follows:

T Ilube
J Bottomley (resigned 21 September 2015)
Dr D Secher
Professor D Stupples
A Gueritz (appointed 21 September 2015)
G Matthew (appointed 24 June 2015)

RESULTS

The statement of comprehensive income is set out on page 5 and shows the loss for the year. The group is in an early stage of development and the directors consider the loss for the year to be satisfactory. The directors do not recommend the payment of a dividend.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient
- enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance, and
- make an assessment of the group's ability to continue as a going concern

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

.....
T Ilube
Director
25 April 2016

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF CROSSWORD CYBERSECURITY PLC

We have audited the financial statements of Crossword Cybersecurity Plc for the period ended 31 December 2015 which comprise the group statement of comprehensive income, the group and parent company statement of financial position, the group and parent company statement of changes in equity, the group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent company's affairs as at 31 December 2015 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Andrew Burnham FCA (Senior Statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

New Bridge Street House

30-34 New Bridge Street

London

EC4V 6BJ

Date: 25 April 2016

CROSSWORD CYBERSECURITY PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Note	Year ended 31 December 2015 £	6 March 2014 to 31 December 2014 £
TURNOVER	1	20,613	-
Cost of sales	2	(247,630)	(54,142)
GROSS LOSS		(227,017)	(54,142)
Administrative expenses	2	(530,414)	(184,538)
Interest receivable		2,181	-
LOSS BEFORE TAXATION		(755,250)	(238,680)
Tax expense		-	-
LOSS FOR THE YEAR/PERIOD		(755,250)	(238,680)
Other comprehensive income			
Total other comprehensive expenditure		(1,659)	(1,282)
TOTAL COMPREHENSIVE LOSS		(756,909)	(239,962)
EARNINGS PER SHARE	10		
Basic loss per share		(£0.38)	(£0.15)

The notes on pages 10 to 20 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group £ 2015	Company £ 2015	Group £ 2014	Company £ 2014
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	3,635	-	5,486	-
Intangible assets	6	816	-	-	-
Investment in subsidiaries	7	-	1,017	-	1,017
Total non-current assets		<u>4,451</u>	<u>1,017</u>	<u>5,486</u>	<u>1,017</u>
CURRENT ASSETS					
Trade and other receivables	8	43,464	46,738	44,112	65,475
Cash and cash equivalents		1,227,481	1,209,495	445,163	435,609
Total current assets		<u>1,270,945</u>	<u>1,256,233</u>	<u>489,275</u>	<u>501,084</u>
TOTAL ASSETS		<u>1,275,396</u>	<u>1,257,250</u>	<u>494,761</u>	<u>502,101</u>
EQUITY					
Attributable to the owners of the company					
Share capital	10	119,173	119,173	79,697	79,697
Share premium account	10	2,080,827	2,080,827	620,303	620,303
Retained earnings		(993,930)	(1,008,519)	(238,680)	(238,680)
Translation of foreign operations		(2,941)	-	(1,282)	-
Total equity		<u>1,203,129</u>	<u>1,191,481</u>	<u>460,038</u>	<u>461,320</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	9	72,267	65,769	34,723	40,781
Total current liabilities		<u>72,267</u>	<u>65,769</u>	<u>34,723</u>	<u>40,781</u>
TOTAL LIABILITIES		<u>72,267</u>	<u>65,769</u>	<u>34,723</u>	<u>40,781</u>
TOTAL EQUITY AND LIABILITIES		<u>1,275,396</u>	<u>1,257,250</u>	<u>494,761</u>	<u>502,101</u>

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

.....
T Ilube
Director

Date:

The notes on pages 10 to 20 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

GROUP

	Share Capital £	Share Premium £	Retained Earnings £	Translation of Foreign Operations £	Total £
Total comprehensive loss for the period			(238,680)	(1,282)	(239,962)
Issue of shares	79,697	620,303			700,000
Balance at 31 December 2014	79,697	620,303	(238,680)	(1,282)	460,038
At 1 January 2015	79,697	620,303	(238,680)	(1,282)	460,038
Total comprehensive loss for the period			(755,250)	(1,659)	(756,909)
Issue of shares	39,476	1,460,524			1,500,000
Balance at 31 December 2015	119,173	2,080,827	(993,930)	(2,941)	1,203,129

The notes on pages 10 to 20 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

COMPANY	Share Capital £	Share Premium £	Retained Earnings £	Total £
Total comprehensive loss for the period			(238,680)	(238,680)
Issue of shares	79,697	620,303		700,000
Balance at 31 December 2014	79,697	620,303	(238,680)	461,320
	Share Capital £	Share Premium £	Retained Earnings £	Total £
At 1 January 2015	79,697	620,303	(238,680)	461,320
Total comprehensive loss for the period			(769,839)	(769,839)
Issue of shares	39,476	1,460,524		1,500,000
Balance at 31 December 2015	119,173	2,080,827	(1,008,519)	1,191,481

The notes on pages 10 to 20 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	<u>(715,170)</u>	<u>(247,966)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(715,170)</u>	<u>(247,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets	5	<u>(853)</u>	<u>(5,589)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(853)</u>	<u>(5,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	13	<u>1,500,000</u>	<u>700,000</u>
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>1,500,000</u>	<u>700,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>783,977</u>	<u>446,445</u>
FOREIGN CURRENCY TRANSLATION DIFFERENCE		<u>(1,659)</u>	<u>(1,282)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>445,163</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>1,227,481</u></u>	<u><u>445,163</u></u>

The notes on pages 10 to 20 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 The group and its operations

These group financial statements have been prepared in accordance with International Financial Reporting Standards for the period ended 31 December 2015 for Crossword Security Plc (referred to as the company).

Crossword Cybersecurity Plc is a company incorporated in England and Wales. The group financial statements consolidate those of the company and its subsidiaries (together referred to as a group). The group's payment policy is to abide by the terms of the suppliers. The trade creditors to purchases ratio expressed in days was 32 days.

1.2 Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years presented.

In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. There was no difference between the company only loss and the group loss for the period.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The financial statements have been prepared under the historical cost convention.

At the period end the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 9 "*Financial Instruments*"

IFRS 14 "*Regulatory Deferral Accounts*"

IFRS 15 "*Revenue from Contracts with Customers*"

IFRS 16 *Leases*

Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities- Applying Consolidation Exception*

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IAS 12 : *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 7: *Disclosure Initiative*

1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate as the group and the company have sufficient funds to finance its operations for the next 12 months from approval of these financial statements. Further details are given in note 1.13.

1. ACCOUNTING POLICIES (continued)

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 companies to ensure consistency.

1.5 Revenue recognition

The group's turnover relates to internet security courses and these are recognised once the courses are delivered.

1.6 Functional and presentation currency

The presentation currency of the group is pounds sterling (GBP). The functional currency of the parent 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. 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 with 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. ACCOUNTING POLICIES (continued)

1.9 Depreciation

Each item of property, plant and equipment is depreciated using the straight-line method over its 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:

	Useful lives in years
Office equipment	3.33

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 useful life. The residual value of an asset is nil if the group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

1.10 Impairment of non-financial assets

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 cash flows 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 could 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 year 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. ACCOUNTING POLICIES (continued)

1.11 Financial instruments

Financial instruments are recorded as follows:-

- Trade and other payables are initially recognised at 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 determinable 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 cash flows have been affected.
- Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

1.12 Intangible assets

Costs relating to the acquisition of intellectual property have been capitalised. At the current year end these are immaterial but will be amortised over its estimated useful life with effect from next year.

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

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives will be reclassified from the previously reported results to take into account presentational changes.

Management consider the key judgments to be as follows:

- (i) The financial statements have been prepared on a going concern basis. 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 statements.
- (ii) The acquisition of intellectual property is at an early stage and the directors have capitalised a small sum based on their assessment of relevant cost.

2. EXPENSES BY NATURE

	Group 2015	Company 2015	Group 2014	Company 2014
	£	£	£	£
Staff and related costs	394,475	270,094	57,691	57,691
Consultancy and related costs	123,609	262,294	54,142	54,142
Professional fees	136,277	136,277	101,402	101,402
Property related costs	45,931	39,144	14,175	14,278
Depreciation	2,704	-	103	-
Other expenses	75,048	84,899	11,167	11,167
Total cost of sales and administrative expenses	778,044	792,708	238,680	238,680

3. STAFF COSTS

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

	2015 £	2014 £
Wages and salaries	242,885	52,320
Social security costs	24,211	5,347
	<u>267,096</u>	<u>57,667</u>

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

	2015 No.	2014 No.
Staff	5	2
Directors	<u>3</u>	<u>1</u>

4. DIRECTORS' REMUNERATION

	2015 £	2014 £
Remuneration	<u>90,617</u>	<u>10,969</u>

Key management compensation paid during the year/period was £90,617 (2014: £10,969).

5. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Computers £	Total £
Cost		
At 1 January 2015	5,589	5,589
Additions	853	853
At 31 December 2015	<u>6,442</u>	<u>6,442</u>
Accumulated Depreciation		
At 1 January 2015	103	103
Charge for the year	2,704	2,704
At 31 December 2015	<u>2,807</u>	<u>2,807</u>
Net Book Value		
At 31 December 2015	<u><u>3,635</u></u>	<u><u>3,635</u></u>

GROUP

	Computers £	Total £
Cost		
Additions	5,589	5,589
At 31 December 2014	<u>5,589</u>	<u>5,589</u>
Accumulated Depreciation		
Charge for the period	103	103
At 31 December 2014	<u>103</u>	<u>103</u>
Net Book Value		
At 31 December 2014	<u><u>5,486</u></u>	<u><u>5,486</u></u>

CROSSWORD CYBERSECURITY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

6. INTANGIBLE ASSETS

GROUP

	Intellectual Property £	Total £
Cost		
Additions	816	816
At 31 December 2015	<u>816</u>	<u>816</u>
Accumulated Depreciation		
At 1 January 2015	-	-
Charge for the year	-	-
At 31 December 2015	<u>-</u>	<u>-</u>
Net Book Value		
At 31 December 2015	<u>816</u>	<u>816</u>

The intangible assets represent computer software and will commence amortisation in 2016.

7. INVESTMENTS IN SUBSIDIARIES

	Shares of Subsidiaries £	Total £
Cost		
At 1 January 2015	1,017	1,017
At 31 December 2015	<u>1,017</u>	<u>1,017</u>
Carrying Amount		
At 31 December 2015	<u>1,017</u>	<u>1,017</u>

The above investment represents the company's holding in its subsidiary, Crossword Cybersecurity Sp. Z.o.o, a company registered in Poland.

8. TRADE AND OTHER RECEIVABLES

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Other receivables	33,612	36,886	32,538	53,900
Prepayments and accrued income	9,852	9,852	11,574	11,575
	<u>43,464</u>	<u>46,738</u>	<u>44,112</u>	<u>65,475</u>

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 due or impaired. Of the above amounts, £24,726 (2014: 6,637) is denominated in Polish Zloty with the remainder in GBP

Foreign exchange risk is currently considered insignificant.

CROSSWORD CYBERSECURITY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

9. TRADE AND OTHER PAYABLES

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Trade payables	24,884	24,835	19,096	19,096
Accruals and deferred income	40,934	40,934	13,201	21,646
Other payables	6,449	-	2,426	39
	<u>72,267</u>	<u>65,769</u>	<u>34,723</u>	<u>40,781</u>

All of the above amounts are considered to be due within one year. Of the above amounts £6,498 (2014: £2,387) is denominated in Polish Zloty with the remainder in GBP. Foreign exchange risk is currently considered insignificant.

10. SHARE CAPITAL

	2014 £
Allotted, called up and fully paid	
2,383,460 (2014: 1,593,934) - ordinary shares of £0.05 each	<u>119,173</u>
Share capital	
At 1 January 2015	79,697
Shares issued in period	<u>39,476</u>
Carried forward	<u>119,173</u>
Share premium	
At 1 January 2015	620,303
Shares issued in period	<u>1,460,524</u>
Carried forward	<u>2,080,827</u>

The shares issued during the year represent the initial capital base of the company.

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The loss for the financial year for the group was £755,250 (2014 – loss £238,680) and the weighted average number of shares in issue for the year was 2,383,408 (2014 – 1,593,934).

11. 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.
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 year and a closing rate for the year end statement of financial position.

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12. NET CASH OUTFLOWS

	2015 £	2014 £
Total comprehensive loss	(756,066)	(238,680)
Decrease/(increase) in debtors	648	(44,112)
Increase in creditors	37,544	34,723
Depreciation	2,704	103
Net cash outflow from operations	(715,170)	(247,966)

13. NET CASH INFLOWS FROM FINANCING ACTIVITIES

	2015 £	2014 £
Financing		
Proceeds of issue of ordinary shares	<u>1,500,000</u>	<u>700,000</u>

14. FINANCIAL INSTRUMENTS

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Financial Assets				
Cash and cash equivalents	1,227,481	1,209,495	445,163	435,609
Trade and other receivables	43,464	46,738	44,112	65,475
Financial Liabilities				
Trade and other payables	31,333	24,835	21,522	19,135
Accruals and deferred income	40,934	40,934	13,201	21,646

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2014**

15. RELATED PARTY TRANSACTIONS

A loan was made from Crossword Cybersecurity Plc to its 100% owned subsidiary Crossword Cybersecurity Sp. Z.o.o of £28,000 during the year. This was still outstanding at year end.

16. CONTROLLING PARTY

The ultimate controlling party throughout the period was T Ilube, a director.