

Registered number: 08927013

CROSSWORD CYBERSECURITY PLC

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

CROSSWORD CYBERSECURITY PLC

COMPANY INFORMATION

DIRECTORS

T Ilube
J Bottomley
Professor D Secher
Dr D Stupples
G Matthew (appointed 24th June 2015)

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
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CROSSWORD CYBERSECURITY PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

	Unaudited 30 June 2015 £	Audited 6 Mar to 31 Dec 2014 £
SALES	5,515	-
Cost of sales	(176,949)	(54,142)
GROSS LOSS	<u>(171,434)</u>	<u>(54,142)</u>
Administrative expenses	(169,113)	(184,538)
LOSS BEFORE TAXATION	<u>(340,547)</u>	<u>(238,680)</u>
Tax expense	-	-
LOSS FOR THE PERIOD	<u>(340,547)</u>	<u>(238,680)</u>
Loss from continuing operations	(340,547)	(238,680)
Other comprehensive income:		
Exchange differences on translating foreign operations	(17,011)	(1,282)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(357,558)</u>	<u>(239,962)</u>

The notes on pages 5 to 10 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	Unaudited Group 30 June 2015 £	Unaudited Company 30 June 2015 £	Audited Group 31 Dec 2014 £	Audited Company 31 Dec 2014 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	2	4,318	-	5,486	-
Investments in subsidiaries	3	-	1,017	-	1,017
Total non-current assets		4,318	1,017	5,486	1,017
CURRENT ASSETS					
Trade and other receivables	4	37,283	55,850	44,112	65,475
Cash and cash equivalents		1,616,107	1,602,287	445,163	435,609
Total current assets		1,653,390	1,658,137	489,275	501,084
TOTAL ASSETS		1,657,708	1,659,154	494,761	502,101
TOTAL EQUITY AND LIABILITIES					
EQUITY					
Attributable to the owners of Crossword Cybersecurity Plc					
Share capital		119,170	119,170	79,697	79,697
Share premium account		2,080,831	2,080,831	620,303	620,303
Retained earnings		(579,227)	(591,351)	(238,680)	(238,680)
Translation of foreign operations		(18,293)	-	(1,282)	-
Total Equity		1,602,481	1,608,650	460,038	461,320
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	5	55,227	50,504	34,723	40,781
Total current liabilities		55,227	50,504	34,723	40,781
TOTAL LIABILITIES		55,227	50,504	34,723	40,781
TOTAL EQUITY AND LIABILITIES		1,657,708	1,659,154	494,761	502,101

The notes on pages 5 to 10 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2015**

GROUP	Share Capital £	Share Premium £	Retained Earnings £	Translation of Foreign Operations £	Total £
As at 1 January 2015					
loss for 2014	79,697	620,303	(238,680)	(1,282)	460,038
Total comprehensive loss for the period			(340,547)	(17,011)	(357,558)
Issue of shares	39,473	1,460,528			1,500,001
Balance at 30 June 2015	119,170	2,080,831	(579,227)	(18,293)	1,602,481

COMPANY	Share Capital £	Share Premium £	Retained Earnings £	Total £
As at 1 January 2015				
	79,697	620,303	(238,680)	461,320
Total comprehensive loss for the period			(352,671)	(352,671)
Issue of shares	39,473	1,460,528		1,500,001
Balance at 30 June 2015	119,170	2,080,831	(591,351)	1,608,650

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.

The notes on pages 5 to 10 form part of these financial statements.

CROSSWORD CYBERSECURITY PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

	Note	Unaudited Group 30 June 2015 £	Unaudited Company 30 June 2015 £	Audited Group 6 Mar to 31 Dec 2014 £	Audited Company 6 Mar to 31 Dec 2014 £
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	6	(313,214)	(333,323)	(247,966)	(263,374)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(313,214)	(333,323)	(247,966)	(263,374)
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal of non-current assets	4	1,168	-	(5,589)	-
Purchase of subsidiary		-	-	-	(1,017)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		1,168	-	(5,589)	(1,017)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,500,001	1,500,001	700,000	700,000
NET CASH INFLOW FROM INVESTING ACTIVITIES		1,500,001	1,500,001	700,000	700,000
		1,187,955	1,166,678	446,445	435,609
FOREIGN CURRENCY TRANSLATION DIFFERENCE		(17,011)	-	(1,282)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,170,944	1,166,678	445,163	435,609
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		445,163	435,609	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,616,107	1,602,287	445,163	435,609

The notes on pages 5 to 10 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Unaudited Financial Statements

These financial statements as at 30th June 2015 are unaudited and have not been reviewed by the Company's auditors.

1.2 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 2014 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).

1.3 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 13 "*Regulatory Deferral Accounts*"

IFRS 15 "*Revenue from Contracts with Customers*"

Amendments to IFRS 11 "*Accounting for Acquisitions of Interests in Joint Operations*"

Amendments to IAS 16 & IAS 38 "*Clarification of Acceptable Methods of Depreciation & Amortisation*".

Amendments to IAS 16 and IAS 41 "*Agriculture: Bearer Plants*"

Amendments to IAS 19 "*Defined Benefit Plans: Employee Contributions*"

Amendments to IFRSs "*Annual Improvements to IFRSs 2010-2012 Cycle*"

Amendments to IFRSs "*Annual Improvements to IFRSs 2011-2013 Cycle*"

1.4 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. They are confident that the group will be able to meet its current liabilities and are satisfied that there is no material uncertainty in relation to the going concern basis of accounting.

1. ACCOUNTING POLICIES (continued)

1.5 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.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

1.6 Functional and presentation currency

The functional and presentation currency of the group is GB pounds (GBP). 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.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

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

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 initially recorded at fair value. Subsequent measurement depends on the designation of the instrument, 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 Value Added Tax (VAT)

Value added tax related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statement of financial position on a net basis.

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.

The group is in the early stages of setup and as such has few transactions. Management consider the most significant accounting estimates to be accrued and prepaid expenses. These estimates are based on the timing of provisions of services.

CROSSWORD CYBERSECURITY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

2. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Computers £	Total £
Cost		
As at 1 January 2015	5,486	5,486
Additions	-	-
Disposals	(1,168)	(1,168)
At 30 June 2015	<u>4,318</u>	<u>4,318</u>
Accumulated Depreciation		
Charge for the year	-	-
At 30 June 2015	<u>-</u>	<u>-</u>
Net Book Value		
At 30 June 2015	<u>4,318</u>	<u>4,318</u>

3. INVESTMENTS IN SUBSIDIARIES

	Shares of Subsidiaries £	Total £
Cost		
As at 1 January 2015	1,017	1,017
Additions	-	-
At 30 June 2015	<u>1,017</u>	<u>1,017</u>
Carrying Amount		
At 30 June 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.

4. TRADE AND OTHER RECEIVABLES

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Other receivables	28,679	47,246	32,538	53,900
Prepayments and accrued income	8,604	8,604	11,574	11,575
	<u>37,283</u>	<u>55,850</u>	<u>44,112</u>	<u>65,475</u>

CROSSWORD CYBERSECURITY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

5. TRADE AND OTHER PAYABLES

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Trade payables	25,906	25,906	19,096	19,096
Accruals and deferred income	24,598	24,598	13,201	21,646
Other payables	4,723	-	2,426	39
	<u>55,227</u>	<u>50,504</u>	<u>34,723</u>	<u>40,781</u>

6. CASH GENERATED FROM OPERATIONS

	Group 30 June 2015 £	Company 30 June 2015 £	Group 6 Mar to 31 Dec 2014 £	Company 6 Mar to 31 Dec 2014 £
Loss before tax	(340,547)	(352,672)	(238,680)	(238,680)
(Increase) decrease in debtors	6,829	9,625	(44,111)	(65,475)
Increase (decrease) in creditors	20,504	9,724	34,722	40,781
Depreciation	-	-	103	-
Cash generated from operations	<u>(313,214)</u>	<u>(333,323)</u>	<u>(247,966)</u>	<u>(263,374)</u>

7. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Group 30 June 2015 £	Company 30 June 2015 £	Group 6 Mar to 31 Dec 2014 £	Company 6 Mar to 31 Dec 2014 £
Financing				
Proceeds of issue of ordinary shares	<u>1,500,001</u>	<u>1,500,001</u>	<u>700,000</u>	<u>700,000</u>

8. RELATED PARTY TRANSACTIONS

The following numbers of shares were issued to directors in the period 1st January 2015 to 30th June 2015:

Director	Shares
T Ilube	82,632
D Stupples	5,263
J Bottomley	13,158

The loan from Crossword Cybersecurity Plc to its 100% owned subsidiary Crossword Cybersecurity Sp. Z.o.o of £28,000 was still outstanding as at 30th June 2015.

9. CONTROLLING PARTY

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