

23 September 2019

Crossword Cybersecurity plc

("Crossword " or the "Company")

Interim Results

Crossword Cybersecurity plc (AIM: CCS, "Crossword", the "Company" or the "Group"), the cyber security technology commercialisation company, today announces its unaudited interim results for the 6 months ended 30 June 2019.

Financial Highlights:

- Orders received for Rizikon Assurance during the period were more than double those received in the same period last year
- The Rizikon Assurance pipeline more than doubled in the first six months of this year and now stands in excess of £3 million over 100 companies in a wide range of sectors
- Product and Consulting revenue increased by 21% over the same period in the prior year
- Total revenue increased by 5% to £570,757
- Total comprehensive loss for the period was £1,077,595, an increase of £246,804 over the same period in the prior year, following investment in product development and sales and marketing
- Cash and Cash Equivalents at 30 June 2019 of £1,294,491.

Operational Highlights:

- The Consulting division launched its vCISO service (virtual Chief Information Security Officer), securing its highest value, multi-year contract to date
- Worked with Imperial College London on enhancements to our second product, Nixer
- Appointed a new world class Advisory Board made up of senior figures from academia, the corporate world and government.

Outlook:

- Continuing to convert pipeline into revenue, aiming to close several large opportunities in the final quarter, and the Board remains confident that full year results will be in line with market expectations
- Next version of Rizikon Assurance which includes Supplier Assurance Framework dashboard was launched on 4 Sept
- Nixer, our second product, on track for release in Q4 2019
- Close to agreeing one or more distribution deals over the coming months.

Tom Ilube, Chief Executive Officer, commented:

"I am very pleased with the progress achieved in the first half of 2019, with a significant rise in the order book and pipeline for both Rizikon Assurance, and Consulting. We expect the momentum achieved in H1 to continue, with our focus on scalable, recurring product revenue, through conversion of pipeline into orders."

- Ends -

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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About Crossword Cybersecurity plc

Crossword Cybersecurity plc focuses on the development and commercialisation of university research-based cyber security related software and cyber security consulting. The Group's specialist cyber security product development and software engineering teams work with its university partners to develop the research concept into a fully-fledged commercial product that it will then take to market. The Group's aim is to build up a portfolio of revenue generating, intellectual property based, cyber security products. Rizikon Assurance, Crossword's leading product, is a SaaS platform that enables medium to large companies to assess the cyber maturity and GDPR readiness of their suppliers. Crossword's team of expert cyber security consultants leverages years of experience in national security, defence and commercial cyber intelligence and operations to provide bespoke advice tailored to its clients' business needs.

Chief Executive Officer's review

Crossword Cybersecurity plc ("Crossword") continues to focus on scalable, recurring product and consulting revenue, through conversion of our healthy sales pipeline into orders. In the first half of 2019, orders received for Rizikon Assurance were more than double those received in the same period last year. Crossword's Rizikon bid pipeline now stands in excess of £3m across over 100 companies in a wide range of sectors, up from £1.4m at the end of December 2018. The strength of the order book for both Rizikon Assurance and Consulting puts Crossword in a strong position for growth at the end of the first half of 2019. In the period under review, Group revenue grew by 5% compared with H1 2018, with product and consulting revenue growing 21% over the comparative period as we shifted the focus away from software development revenue toward recurring product revenue.

Demand for Crossword's products and services is driven by the continuing growth in cyber security incidents. In the second quarter of 2019, businesses in the UK saw a 179% increase in cyber attacks, an average of 146,491 attempted cyber attacks, compared to the same period last year. Ransomware threats have risen by 46% according to Kaspersky with more than 230,000 users attacked during Q2 2019. Kaspersky detected 16,017 new ransomware samples in the quarter, more than double the number of a year ago.

Rizikon Assurance, our Software-as-a-Service (SaaS) supplier risk assessment solution based on a recurring revenue model, directly addresses supply chain risks and we have seen a growing trend in supply chain attacks. Ponemon Institute Survey reports that 59% of companies in the UK and USA said they experienced a data breach via a third party. The UK's National Cyber Security Centre (NCSC) has provided a number of examples of supply chain attacks. For example a cyber-espionage group, Dragonfly, has allegedly targeted the supply chains of the energy sector across Europe and North America, attempting to install malware infected files in order to infect clients.

Rizikon Assurance also helps organisations address General Data Protection Regulation (GDPR) and the Information Commissioner's Office (ICO) has significantly ramped up its enforcement of GDPR, announcing its intention to fine British Airways £183 million due to a breach involving 500,000 customers' personal data and Marriott International Inc. £99 million when 7 million UK residents' details were exposed.

On 4 September 2019, we launched the new version of Rizikon Assurance, Rizikon Assurance 2.0, which allows organisations to visualise all risks for each third-party through fully customisable 360-degree supplier scorecards. The new Third-party Assurance Framework Dashboard - an industry first - gives Supplier Management teams, Chief Risk Officers and senior executives a complete understanding of third-party risks across their supply chain, helping identify problem areas and prioritise remedial action

Rizikon Assurance is gaining traction in the market. Having invested in our product sales team last year our sales pipeline has more than doubled since December 2018 to over £3m. The strong pipeline built up at the back end of 2018 has started to convert into client contracts with highlights including Kinnerton Confectionery, Britain's largest independent manufacturer of chocolate and novelty confectionery, Nuvia, the nuclear industry focused international engineering service provider, the Nursing and Midwifery Council (NMC), the regulator of over 690,000 nursing, midwives and nursing associates, and Stevenage Borough Council, Peterborough City Council and East Hertfordshire District Council, which will use Rizikon Assurance to manage compliance with GDPR across their suppliers and for wider information governance.

We assess the UK market alone for Rizikon Assurance to be worth £300m per annum. In addition to rolling out Rizikon, we have been working during 2019 with Imperial College London on enhancements to our second product, Nixer, with a focus on identifying attack tools such as credential stuffing using machine learning techniques. We intend to introduce the new, machine learning version of Nixer to prospective clients in 2019.

Crossword works with universities to commercialise technology based on their extensive cyber research. In January, we released insights from our global review of academic cyber security research. The new database looked at nearly 1,200 current and past research projects from academic institutions in the United Kingdom, United States, Europe, Australia and Africa. Our report reaffirms the value of the cyber security research market, with reported funding of EU projects at over €1 billion. The database identified several global trends including increases in research projects across cyber physical systems (CPS), Privacy, Internet of Things (IoT) and quantum cryptography.

Crossword's software development client, CyberOwl, the company created with Coventry University and funded by Mercia Fund Management, is actively selling its product, Medulla, a platform for cyber-risk prioritisation into the global shipping industry and industrial internet of things sector. Crossword has a 7.1 per cent. interest in CyberOwl. ByzGen, another software development client that the Company founded on blockchain work conducted at the University of Warwick and EPFL Switzerland, is making progress on its next fund raising round and is working on opportunities with some large corporate clients.

In the first half of 2019, the Consulting division launched its vCISO service (virtual Chief Information Security Officer), and secured its highest value, multi-year contract to date, which will deliver recurring revenue through to 2021. vCISO is a virtual/remote CISO (Chief Information Security Officer) service, provided by Crossword Consulting cyber security experts at a fraction of the cost of an in-house CISO. For a monthly retainer, clients of the vCISO service get information security advice and support tailored to their industry and specifics of their organisation and its network of information systems. Crossword's consulting team is building a strong and diverse client based and has worked with over 50 different clients to date.

On the corporate front, Crossword appointed a new world class Advisory Board made up of senior figures from academia, the corporate world and government. The new Advisory Board, chaired by former GlaxoSmithKline & NHS CISO, Dr Robert Coles, includes General Nick Houghton GCB CBE DL, former Chief of the Defence Staff of the British Armed Forces, Professor Nick Jennings CB FREng Vice- Provost at Imperial College London and Dr Una-May O'Reilly, Principal Research Scientist at Massachusetts Institute of Technology (MIT), Boston, USA.

We have continued to share cyber security spin out opportunities with IP Group plc, with whom we have an MoU, as we come across interesting concepts and teams at universities.

Crossword is in conversation with several distribution partners, including two large scale partners, about Rizikon Assurance opportunities. We believe we are getting close to agreeing one or more distribution deals over the coming months with partners who have large client bases both in the UK and internationally.

Outlook

Cash at 31 August was £834,041 and the Company is presently reviewing fundraising options with a view to raising additional funds in the next six months, which will be required to sustain the Company's current trajectory and continued growth. Trading since the period end has continued to be encouraging, and the Directors are confident that full year results will be in line with market expectations.

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T Ilube
CEO

Consolidated Statement of Comprehensive Income	Unaudited 6 Months to 30 June 2019 £	Audited 12 Months ended 31 December 2018 £	Unaudited 6 Months to 30 June 2018 £
Revenue	570,757	1,067,609	544,052
Cost of Sales	(667,023)	(1,013,521)	(453,545)
Gross Profit (Loss)	(96,266)	54,088	90,507
Other operating income-research & development tax credits	18	192,149	
Administrative expenses	(972,888)	(2,335,228)	(896,208)
Share based payments	2,990	(45,751)	(18,903)
Finance income-bank interest receivable	2,462	3,727	1,957
Finance costs-other interest payable	(8,597)	(1,237)	(1,032)
Loss for the year/period before taxation	(1,072,280)	(2,132,252)	(823,679)
Tax expense	(2,360)	(8,052)	(2,900)
Loss for the Year / Period	(1,074,640)	(2,140,304)	(826,579)
Other Comprehensive Income Items that may be reclassified to profit or loss:			
Foreign Exchange Translation Gain (Loss)	(2,955)	(13,542)	(4,212)
Total Comprehensive Loss	(1,077,595)	(2,153,846)	(830,791)
Earnings Per Share	(0.23)	(0.55)	(0.23)

All results are derived from continuing operations

Interim Statement of Financial Position as at 30 June 2019	Unaudited Group 30-Jun-19 £	Audited Group 2018 £	Unaudited Group 30-Jun-18 £
Non-Current Assets			
Tangible assets	9,690	12,066	15,057
Right to Use Asset	273,656	-	-
Investments in other unlisted investment & subsidiary	31	31	31
Total non-current assets	283,377	12,097	15,088
Current Assets			
Trade and other receivables	460,055	559,387	355,095
Cash and cash equivalents	1,294,491	2,222,706	1,728,888
Total current assets	1,754,546	2,782,093	2,083,983
TOTAL ASSETS	2,037,924	2,794,190	2,099,071
EQUITY			
Attributable to the owners of the Company			
Share Capital	234,039	234,022	199,506
Share premium account	7,514,670	7,513,906	5,627,202
Other reserves	93,636	96,626	69,778
Retained earnings	(6,402,010)	(5,327,370)	(4,013,645)
Translation of foreign operations	(8,968)	(6,013)	3,317
Total equity	1,431,367	2,511,172	1,886,158
LIABILITIES			
Current Liabilities			
Trade and other payables	606,557	283,018	212,913
Total current liabilities	606,557	283,018	212,913
Total Liabilities	606,557	283,018	212,913
Total Equity & Liabilities	2,037,924	2,794,190	2,099,071

Statement of Changes in Equity	Group	Group	Group
As At	Unaudited 6 Months to 30 June 2019	Audited 12 Months ended 31 December 2018	Unaudited 6 Months to 30 June 2018
	£	£	£
Share Capital			
At 1st January	234,022	159,173	159,173
Issue of shares	17	74,849	40,333
At Period/Year End	234,039	234,022	199,506
Share Premium	£	£	£
At 1st January	7,513,906	3,555,522	3,555,522
Issue of shares	764	3,958,384	2,071,680
At Period/Year End	7,514,670	7,513,906	5,627,202
Equity Reserve	£	£	£
At 1st January	96,626	50,875	50,875
Employee share schemes - value of employee services	(2,990)	45,751	18,903
At Period/Year End	93,636	96,626	69,778
Retained Earnings	£	£	£
At 1st January	(5,327,370)	(3,187,066)	(3,187,066)
Total Comprehensive loss for the period	(1,074,640)	(2,140,304)	(826,579)
At Period/Year End	(6,402,010)	(5,327,370)	(4,013,645)
Translation of Foreign Operations	£	£	£
At 1st January	(6,013)	7,529	7,529
Translation of Foreign Operations	(2,955)	(13,542)	(4,212)
At Period/Year End	(8,968)	(6,013)	3,317
Total	£	£	£
At 1st January	2,511,172	586,033	586,033
Total Comprehensive loss for the Period	(1,077,595)	(2,153,846)	(830,791)
Issue of shares	780	4,033,233	2,112,013
Share based Payments	(2,990)	45,751	18,903
At Period/Year End	1,431,367	2,511,172	1,886,158

	Unaudited 6 Months to 30 June 2019	12 Months ended 31 December 2018	Unaudited 6 Months to 30 June 2018
Consolidated Statement of Cashflows			
Years			
Cashflows From Operating Activities	£	£	£
Loss for the year / period	(1,074,640)	(2,140,304)	(826,579)
Movement in trade and other receivables	99,331	(383,807)	(179,515)
Movement in trade and other payables	49,883	190,942	120,837
Depreciation and amortisation	72,778	5,592	2,271
Non cash employee benefits	(2,990)	45,751	18,903
Net Interest	6,135	(2,490)	(925)
Net Cashflow from Operating Activities	(849,503)	(2,284,316)	(865,008)
Cashflow From Investing Activities			
Purchase of tangible assets	-	(5,250)	(4,920)
Purchase of shares in other unlisted investment	-	-	-
Interest receivable	2,462	3,727	1,957
Net Cashflow from Investing Activities	2,462	(1,523)	(2,963)
Cashflows From Financing Activities			
Proceeds from issue of ordinary shares	780	4,033,233	2,112,013
Lease liability payments	(70,402)		
Interest payable	(8,597)	(1,237)	(1,032)
Net Cash Inflow from Financing Activities	(78,219)	4,031,996	2,110,981
Net Increase in Cash & Cash Equivalents	(925,260)	1,746,158	1,243,010
Foreign Currency Translation Difference	(2,955)	(13,542)	(4,212)
Cash and Cash Equivalent at the beginning of the period	2,222,706	490,090	490,090
Cash and Cash Equivalent at the end of the period	1,294,491	2,222,706	1,728,888

Notes to the Financial Information

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 principle 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").

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 International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. 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. 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 2017 are unaudited with the audited information included for the 12 month period ended 31 December 2018. The audited information received an audit report which was unqualified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The financial information was approved by the Board of Directors on 20 September 2019 and authorised for issue on 23 September 2019.

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2019 are in accordance with the recognition and measurement criteria of the International Financial Reporting Standards as adopted by the European Union ('IFRS') and are consistent with those which will be adopted in the annual financial statements for year ending 31 December 2019.

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 2018, except for; IFRS 16 'Leases', effective 1 January 2019.

IFRS 16 'Leases' - The Group only acts as a lessee and is required to recognise operating leases on the balance sheet. The group has adopted the modified retrospective approach meaning the Group recognised such leases on the balance sheet as at 1 January 2019. The Group has recognised right-of-use assets in respect of the properties it leases with a value of £344,058 being attributed to the assets and a lease liability of £320,121. The asset is being depreciated over the remaining terms of the leases, which are 31 months and 29 months, from 1 January 2019.

After making enquiries, the directors have concluded that under current fund raising plans, the Group has adequate resources to continue operational existence for the foreseeable future. The Company is presently reviewing fundraising options with a view to raising additional funds in the next six months, which will be required to sustain the Company's current trajectory and continued growth. The Group could scale back and carry on at a low level activity with low or even no growth and in that scenario it

would not need to raise cash within the next 6 months. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly consolidated unaudited financial statements.

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control exists when then the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the Group entities to ensure consistency.

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 licenses granted under licensing agreements, including up-front payments. Revenues relating to up-front payments are recognised when the obligations related to the revenues have been completed.

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

(b) Rendering of Services

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

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 2019	Audited 12 Months ended 31 December 2018	Unaudited 6 Months to 30 June 2018
Revenue from the sale of goods/licences	45,939	66,373	40,278
Revenue from the rendering of services		30,336	10,680
Revenue from software development services - Cyberowl Limited	63,307	165,806	110,006
Revenue from software development services - Byzgen Limited	120,835	236,421	104,814
Revenue from Consulting	340,676	568,673	278,274
Total Revenue	570,757	1,067,609	544,052

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

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

Share Options

42,354 share options were issued by Crossword Cybersecurityplc in June 2019. Total options issued amounts to 190,698 as at 30 June 2019. All share options in Crossword Consulting Limited were

cancelled during the period. The fair value of these payments is calculated by the Company using the binomial option valuation model. The expense, where material, is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of shares that will eventually vest.

Earnings and diluted Earnings per Share

Earnings per share is calculated by dividing the loss for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. During the year the calculation was based on the loss for the year of £1,072,280 (2018: £2,132,252) divided by the weighted average number of ordinary shares of 4,680,521 (2018: 3,853,254). Diluted earnings per share is calculated by dividing the loss of the year by the weighted average number of ordinary shares outstanding during the year plus unexercised share based payments. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was 4,871,426 (2018: 4,725,481).