

3 December 2019

Falanx Group Limited
("Falanx" or "the Company")

Interim results

Falanx Group Ltd ("Falanx", AIM: FLX), the global cybersecurity and intelligence provider, announces its interim results for the six months ended 30 September 2019.

Highlights

- Group revenues increased 21% to £2.64m (H1 2018: £2.18m).
- 31% increase in the intelligence business unit ("Assynt") H1 sales to £0.93 (2018: £0.71m), Cyber business unit increased by 16% to £1.71m (H1 2018: £1.48m)
- Group monthly recurring revenues in September 2019 of £0.29m (September 2018: £0.22m). Overall recurring revenues comprised 56% (2018: 53%) of total revenue in the 6 month period
- 6m to 30 September 2019 Adjusted EBITDA loss £0.93m (H1 2018: £0.71m) after £0.3m spend in readiness for our major Cyber opportunities
- Cash at period end of £708k (H1 2018: £69k) with receivables of £1.76m (H1 2018: £1.18m). The receivables balance has reduced post-period by circa £0.2m and collections remain strong
- The new Security Operations Centre ("SOC") in Reading is now fully operational and ready to support SolarWinds

Mike Read, Chief Executive Officer of Falanx, commented:

"We are reporting strong revenue growth of 21% for this six-month period during which we have invested to position ourselves for the considerable opportunities for our business. The move to the new premises in Reading has delivered a stronger operational infrastructure for the Group as we prepare to support SolarWinds, and we expect this to deliver benefits in the second half of the current financial year as they rollout their product. The second half has been historically a stronger period in terms of demand and delivery of our services, and we are delighted that it has started well with increased activity for our Cyber business. This combines well with the major increase in recurring revenue for the Assynt division as it has moved into sustainable profitability in recent months."

"The Board continues its focus on driving top line growth and reducing costs as it targets cashflow breakeven. Demand for our services is increasing as the Company sees strong growth in its sales pipeline. As a result, the Board is confident that the Company will deliver on its growth strategy and continues to view the future with optimism."

Enquiries (Via IFC):

Falanx Group Limited

Mike Read, Chief Executive Officer
Ian Selby, Chief Financial Officer

www.falanx.com

Stifel Nicolaus Europe Limited, Nomad and Joint Broker

Fred Walsh / Alex Price / Neil Shah

+ 44 (0) 207 710 7600

Turner Pope Investments (TPI) Ltd, Joint Broker

Ben Turner / James Pope

+44 (0) 203 621 4120

IFC Advisory Ltd, Financial PR & IR

Graham Herring / Zach Cohen

+44 (0) 203 934 6630

fanlx@investor-focus.co.uk

About Falanx

Falanx Group Limited, is a global intelligence and cyber defence provider working with blue chip and government clients. It operates a cyber monitoring platform for corporate and governmental customers which utilises a combination of proprietary and third-party processes and technologies. For more information: <http://www.falanx.com/>

Chairman's statement

This six-month period has seen a continued improvement in trading with revenue growth of 21% over the same period last year of which approximately 80% was organic. The Group has also delivered improved margins in the Assynt business based on an enlarged recurring revenue base. Stronger revenue performance in the Cyber division was generated alongside a major investment programme. Operational changes have been made in this division and the gross margin has improved in the second quarter which is expected to continue. At the same time, the Assynt division has seen a significant increase in its recurring revenue base and improvements in gross margin, both of which have now led the division to operating profitability on a consistent run rate. The investment programme in the business is largely complete and we are pleased that the new SOC in Reading is now fully operational and ready to support the SolarWinds rollout.

Business review

Cyber Security division

The division generated revenues of £1.71m in the six months to 30 September 2019, a rise of 16% over the same period in 2018. Our current revenue mix is around 66% professional services and 34% monthly recurring revenues ("MRR") from our managed services product lines. Our professional services revenues grew by 18% while our MRR revenues grew by 9%. Our overall churn levels were less than 10% and were primarily driven by specific customer changes. Gross margins were 30% (2018: 42%). This fall was largely the result of product mix and certain utilisation issues which reduced gross profit by approximately £0.15m. These have now been remedied, more detail of which appears below, with improved performance in the second quarter continuing into the second half of the current financial year. During the period we, as planned, invested significantly in expanding our overall sales and marketing capabilities as well as building out the division's delivery capability and physical infrastructure, including the planned Solar Winds program. As a result of these investment plans, the division's adjusted EBITDA loss increased to £0.43m (2018: £0.13m).

SolarWinds is live and additional improvements are expected to commence in the first calendar quarter of 2020. The mid-market product continues to grow, and we are also expecting this to progress in early 2020.

Over the summer we reviewed the effectiveness of certain our utilisation processes and have adjusted our procedures and product mix to improve gross margin performance. Our customer offerings now better align with the needs of the readily addressable market and we are delivering against these with much greater efficiency. £0.1m of operational costs related to certain sales staff will not be present in the second half of the year.

We have a strong pipeline of opportunities across the division, including much larger potential deals for MRR services, which are progressing very well, and our order book remains strong. We have completed the bulk of the infrastructure upgrades to support Solar Winds, and the margin improving cost efficiencies introduced in the second quarter should provide the basis of a much-improved financial performance in the second half of the year and beyond. We believe we are now well-positioned to deliver shareholder value against this growing market opportunity.

Strategic Intelligence

Falanx Assynt, the Falanx Group's geopolitical and strategic intelligence business, generated revenues of £0.93m in the six months to 30 September 2019, a rise of 31% over the same period in 2018. Our strategy since mid-2018 has been to move away from spot revenues to predictable MRR and we are pleased that this now represents approximately 95% of total revenue. We invested in sales and marketing expansion at the start of the year and this delivered an increase of circa 75% of MRR between April and September 2019. Gross margins consequently increased to 36% (2018: 25%). This investment, which commenced at the start of the calendar year, produced a strong EBITDA profit performance at the end of the period and this momentum has carried over into the second half of the year. Overall it recorded an EBITDA loss of £0.01m (2018: profit £0.01m).

Over the half year, the division has won and commenced several new, large, long-term contracts, predominantly with new clients based outside the UK. Our non-UK client base now represents some 78% of revenues. The bulk of this came from our embedded analyst offering, which has been our fastest growing service line, and has helped provide content for our high margin report subscription. These new contracts are beginning to feed into our monthly revenues, which we anticipate will provide further revenue growth in H2. The pipeline remains strong and continues to improve as do the quantum and quality of opportunities, many of which are international. We are further expanding our offering in the Assynt Report subscription service to add greater content, including further expansion into emerging markets such as sub-Saharan Africa.

We are planning to close contracts on several further MRR opportunities in the second half of the current financial year. We expect these, combined with the much-improved recent financial performance, to provide the foundations of a much stronger result in the current financial year and beyond.

Technology division

We have continued to invest in our innovative technology platform (Project Furnace) which has the potential to support other data-driven business models. While we currently use this technology within our own SOC, we see the greatest opportunity for platform in areas beyond our core security services and we are evaluating appropriate strategies to best maximise returns from this investment.

Outlook

The second half of the year has historically been a stronger period in terms of demand for our services and we are delighted that it has started well with increased activity for our cyber business. This combines well with the increase in recurring revenue for the Assynt division as it has moved into profitability in recent months. Our gross margins have recently improved, and we expect this trend to continue in the second half of the year.

The Board continues its focus on driving profitable top line growth and further reducing costs as it targets cashflow breakeven. Demand for our services is increasing as the Company sees strong growth in its sales pipeline. As a result, the Board is confident that the Company will deliver on its growth strategy and continues to view the future with optimism.

Financial review

Consolidated Statement of Comprehensive Income

Revenue

Group revenues grew by 21% to £2.64m (2018: £2.19m) with both divisions recording organic growth. The Cyber division grew by 16% to £1.71m from stronger utilisation and monitoring revenues and the Intelligence division grew by 31% to £0.93m as a result of a much larger base of recurring revenue contracts. This recurring revenue contract base grew significantly in September 2019 and was some 80% higher than it was in April 2019.

Gross margin

Overall margin fell from 36% to 32% primarily caused by certain aspects of utilisation and product mix in the Cyber division. This division's margin fell from 42% to 30% attributable to investment in new staff, Solar Winds capacity, certain 3rd party costs and revenue mix. Action was taken to change processes and certain services with the result that margins have improved in recent months and further improvement is expected going forward. The Assynt business increased its gross margin from 25% to 36% as a result of a much stronger revenue performance and contribution from embedded analyst and report revenues.

Underlying operating costs

Our overall underlying operating cost base increased by approximately 18% to £1.77m. Assynt costs increased by approximately £0.17m relating to business development in support of the increase in recurring revenue contracts. Cyber costs increased by £0.20m, although we do not expect all this increase to be reflected in H2 2019. A significant element of this increase was as a result of the expansion of sales and marketing costs, increasing support for anticipated Solar Winds sales, and approximately £70,000 relating to the reallocation of certain costs from central group ("Other Segment"). This was reflected in the annual results to 31 March 2019 but not in the interims for that period. Central overheads fell by c.£0.1m to £0.48m reflecting the redeployment of resources into operations and investment programs. Our average headcount in the period was 78 (2018: 68).

Overall, we expect our current operating cost base to support our revenue growth expectations in the near term.

Adjusted EBITDA

As a result of the planned expansion our loss at this level increased from £0.71m to £0.93m.

Adjusting items

The Group recorded £0.35m (2018: £0.08m) of items outside of usual trading. £0.13m related to non-capitalised development costs related to Project Furnace. A further £0.13m related to investment in infrastructure and the IT environment which has now been largely completed. The remaining £0.09m related to staff changes and a legal action to recover monies from former parties.

Depreciation and amortisation

As a result of increased capital expenditure on infrastructure the Group's depreciation charge increased to c.£0.07m (2018: £0.04m) on depreciation relating to physical assets and a further amortisation charge of c£0.16m (2018: £0.15m), of which the vast bulk related to the amortisation of intangibles in the Cyber division arising from acquired customer bases in prior financial years.

Loss for the period

Overall the Group recorded a Loss of £1.55m (£0.97m). Loss per share increased marginally from 0.37p to 0.39p.

Consolidated Statement of Financial Position

As part of the planned expansion of capacity against Solar Wind and to support further Cyber division growth, specifically a larger talent pool, the SOC was relocated from Birmingham to Reading during the period. This has been accounted for as a lease under IFRS16 and an asset of £0.67m recorded relating to its future value, as well as an offsetting lease liability of £0.44m, have been recorded. These are

expected to be amortised over a period of 5 years. Intangibles increased by £0.63m compared to September 2018. Approximately £0.46m of this relates to an IFRS3 revaluation of the good will intangible asset recorded in the accounts for the year ended 31 March 2018. The remainder represents investment in Project Furnace. The bulk of the capital investment program has been completed and a much lower level is planned going forward.

Trade and other receivables increased by approximately £0.58m compared with 30 September 2018. This was mainly due to higher business volumes and higher level of prepayments including rental deposits compared to that at 30 September 2018. Since then the receivables balances has fallen by circa £0.2m. Overall debtors fell from 31 March 2019, and certain overdue items were collected in October 2019. Debtors were largely in terms and at the end of the period and trade debtors represented approximately 47 days of sales (2018: 38 days), with the increase arising from short-term timing issues and collections have been strong since the balance sheet date. Contract Liabilities (deferred income) reduced slightly mainly caused by short term timing issues. Trade creditors were largely in terms and represented a normal trading cycle. Accrued revenues are converting to cash in a short timescale in line with previous periods.

Overall shareholders' funds stood at £6.12m (2018: £3.93m)

Consolidated Cash Flow Statement

Our cash resources were used to support investment reflected in trading losses in operations at both an operational level and capital expenditure level. As referenced above circa £0.35m of non-underlying expenditure was incurred. Our working capital profile was broadly neutral, and this reflected a relatively lower level of creditors compared to the period to 30 September 2018. Overall our net use of cash in operating activities was £1.27m (2018: £0.53m) reflecting a greater level of investment than in the prior period.

Overall capital investment was £0.46m (2018: £0.27m) reflecting the investment in physical infrastructure around the SOC move, IT infrastructure, and the investment in Project Furnace.

Overall cash balances stood at £0.71m (2018: £0.07m).

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	6 Months to 30 Sep 2019 (Unaudited)	6 Months to 30 Sep 2018 (Unaudited)	Year to 31 Mar 2019 (Audited)
	£	£	£
Revenue	2,640,117	2,185,998	5,212,136
Cost of sales	(1,794,647)	(1,388,436)	(2,924,210)
Gross profit	845,470	797,562	2,287,926
Administrative expenses	(2,391,737)	(1,765,429)	(4,144,508)
Operating Loss	(1,546,267)	(967,867)	(1,856,582)
Analysis of operating loss			
Operating loss	(1,546,267)	(967,867)	(1,856,582)
Share option expense	45,000	—	60,715
Depreciation and amortisation	226,725	181,358	369,071
Exceptional costs	348,225	79,709	180,921
Adjusted EBITDA loss	(926,317)	(706,800)	(1,245,875)
Finance income	1,428	292	1,526
Finance expense	(5,593)	(2,228)	(4,257)
Net finance expense	(4,165)	(1,936)	(2,731)
Loss before income tax	(1,550,432)	(969,803)	(1,859,313)
Income tax credit	—	—	28,442
Loss for the period	(1,550,432)	(969,803)	(1,830,871)
Other comprehensive income:			
Re-translation of foreign subsidiaries	779	—	3,053
Total comprehensive loss for the period	(1,549,653)	(969,803)	(1,827,818)
Earnings per share			
Basic earnings per share	(0.39)p	(0.37)p	(0.58)p
Diluted earnings per share	(0.39)p	(0.37)p	(0.58)p

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	6 Months to 30 Sep 2019 (Unaudited)	6 Months to 30 Sep 2018 (Unaudited)	Year to 31 Mar 2019 (Audited)
	£	£	£
Assets			
Non-current assets			
Property, plant & equipment including leases	236,138	123,130	111,852
Right-of-use assets	523,020	-	-
Intangible assets	5,447,692	4,816,729	5,386,573
	6,206,850	4,939,859	5,498,425
Current assets			
Inventory	3,828	3,828	3,828
Trade and other receivables	1,758,518	1,177,987	2,112,097
Cash and cash equivalents	708,055	69,223	2,443,686
	2,470,401	1,251,038	4,559,611
Total assets	8,677,251	6,190,897	10,058,036
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account	17,903,427	13,968,734	17,903,427
Translation reserve	(107,801)	(80,894)	(108,580)
Shares to be issued reserve	403,959	245,369	358,959
Retained earnings	(12,077,184)	(10,196,293)	(10,526,752)
Total equity	6,122,401	3,936,916	7,627,054
Liabilities			
Non-current liabilities			
Deferred tax liability	7,172	9,133	7,593
Finance lease liability	441,696	-	-
	448,868	9,133	7,593
Current liabilities			
Trade and other payables	1,095,265	1,151,115	1,313,558
Contract liabilities	1,010,717	1,093,733	1,109,831
Total liabilities	2,105,982	2,244,848	2,423,389
Total liabilities	2,554,850	2,253,981	2,430,982
Total equity and liabilities	8,677,521	6,190,897	10,058,036

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Translation reserve	Share option and warrant reserve	Total
	£	£	£	£	£
Balance at 1 April 2018	13,868,734	(8,695,881)	(111,633)	255,483	5,316,703
Loss for the year	—	(1,830,871)	—	—	(1,830,871)
Re-translation of foreign subsidiaries	—	—	3,053	—	3,053
Transactions with owners:					
Issue of share capital	4,255,000	—	—	—	4,255,000
Cost of share capital issue	(220,307)	—	—	—	(220,307)
Share based payment charge	—	—	—	103,476	103,476
Balance as at 31 March 2019	17,903,427	(10,526,752)	(108,580)	358,959	7,627,054
Loss for the period	—	(1,550,432)	—	—	(1,550,432)
Re-translation of foreign subsidiaries	—	—	779	—	779
Transactions with owners:					
Issue of share capital	—	—	—	—	—
Costs of issue of share capital	—	—	—	—	—
Share based payment charge	—	—	—	45,000	45,000
Balance as at 30 September 2019	17,903,427	(12,077,184)	(107,801)	403,959	6,122,401

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CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	6 Months to 30 Sep 2019 (Unaudited) £	6 Months to 30 Sep 2018 (Unaudited) £	Year to 31 Mar 2019 (Audited) £
Cash flows from operating activities			
Profit/(Loss) before tax	(1,550,432)	(969,803)	(1,859,313)
Adjustments for:			
Depreciation	69,704	35,801	75,526
Amortisation of intangibles	157,021	145,557	293,546
Share based payment	45,000	—	60,715
Net finance (income)/cost recognised in profit or loss	4,165	1,936	2,731
	(1,274,542)	(786,509)	(1,426,795)
Changes in working capital:			
Decrease in inventories	—	554	554
Decrease/(increase) in trade and other receivables	353,254	344,960	(588,755)
(Decrease)/increase in trade and other payables	(352,510)	(87,047)	98,006
Cash used in operations	(1,273,798)	(528,042)	(1,916,990)
Interest paid	(311)	(2,228)	(4,257)
Net cash used in operating activities	(1,274,109)	(530,270)	(1,921,247)
Cash flows from investing activities			
Interest received	1,428	292	1,526
Acquisition of property, plant and equipment	(245,590)	(22,804)	(51,251)
Expenditure on development cost	(218,139)	(229,283)	(461,008)
Acquisition of subsidiary net of cash acquired	—	(19,803)	(19,803)
Net cash used in investing activities	(462,301)	(271,598)	(530,536)
Cash flows from financing activities			
Proceeds from issue of shares	—	—	4,155,000
Costs of share issuance	—	—	(177,545)
Net cash generated from financing activities	—	—	3,977,455

Decrease/(increase) in cash equivalents	(1,736,410)	(801,868)	421,241
Cash and cash equivalents at beginning of the period	2,443,686	914,961	914,961
Foreign exchange gains on cash and cash equivalents	779	(43,870)	3,053
Cash and cash equivalents at end of the period	708,055	69,223	2,443,686

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NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1. General information

Falanx (the “Company”) and its subsidiaries (together the “Group”) operate in the security and intelligence markets. The Company is a public limited company which is listed on AIM on the London Stock Exchange and is incorporated and domiciled in the British Virgin Islands. The address of its registered office is PO Box 173, Road Town, Tortola, British Virgin Islands. The Company is UK based and its Head Office is at Five Kings House, 1 Queen St Pl, London EC4R 1QS.

2. Basis of preparation

These interim statements have been prepared on a basis consistent with International Financial Reporting Standards (IFRS). They do not contain all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2019. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act. These results reflect the impacts of IFRS’s 9, 15 and 16 which were not required in the comparative period. Adjustments required for IFRS 9 and 15 were trivial and the Group only had short term leases outstanding at 30 September 2018 and therefore no restatement has been made.

In relation to IFRS 16, the Group recognised a right-to-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group’s incremental borrowing rate.

This interim financial information has not been reviewed nor audited by the auditors. The interim financial information was approved by the Board of Directors on 2 December 2019. The information for the year ended 31 March 2019 is extracted from the statutory financial statements for that year which have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The audit report was unqualified.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended and as at 31 March 2019. The interim report is the responsibility of, and has been, approved by the Directors. The Directors are responsible for preparing the interim financial statements in accordance with the AIM rules for Companies.

Going Concern

The Group made losses of £1.55m (2018: £0.97m) in the 6-month period to 30 September 2019 of which £0.92 (2018: £0.71m) relates to the Adjusted EBITDA performance of the business. Cash balances as at 30 September 2019 were £0.71m and these are seen by the Board as sufficient to achieve break even and cash generation on its current organic plans. The group expects gross margins in the Cyber division to be stronger in the second half of the year and beyond, and also expects lower operational costs as well as a much lower capital expenditure program. The Assynt division has recently started to benefit from a much larger base of profitable monthly recurring revenues. Should the Group not achieve its revenue, margin and growth targets, the Board routinely prepares alternative stress test scenarios to deal with lower performance and any ensuing shortfall in working capital. This assumes that cost reductions and discretionary expansion spend would be curtailed as well as cessation of certain investment spends. Other measures could involve the disposal of assets or business units. Furthermore, the Group could seek, as in previous years, the support of investors and Directors (debt or equity) and has received offers of invoice discounting facilities should it want them. The Group has also received the support of its bankers in previous years for the provision of overdraft facilities. Based upon the above the Directors have a reasonable expectation that the Group has adequate working capital for the twelve months following the date of approving these interim results. For this reason, they continue to adopt the going concern basis in preparing these interim results.

3. Critical accounting estimates and judgements

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being IFRS as adopted by the European Union, requires the Directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

The significant judgements made by management in applying the Group's accounting policies were the same as those applied in the last annual financial statements for the year ended 31 March 2019.

4. Segmental reporting

The Directors consider that the Group's internal financial reporting is organised along product and service lines as referenced in the Business Review and Finance reports, and, therefore, segmental information has been presented about business segments. The segmental analysis of the Group's business was derived from its principal activities as set out below. The information below also comprises the disclosures required by IFRS 8 in respect of products and services as the Directors consider that the products and services sold by the disclosed segments are essentially similar and, therefore, no additional disclosure in respect of products and services is required. The other segment below and overleaf is made up of the parent company's administrative operation. Other segments represent central group functions as well as certain R&D development activities under Project Furnace.

Reportable segments

The reportable segment results for the period ended 30 September 2019 are as follows:

Six months ended 30 September 2019				
	Intelligence	Cyber	Other segments	Total
	£	£	£	£
Assynt report	890,083		—	890,083
Professional services	40,640	1,220,751	—	1,261,391
Monitoring managed services		488,643	—	488,643
Revenues from external customers	930,723	1,709,394	—	2,640,116
Gross margin	338,023	507,447		845,470
Segment Reported EBITDA	(18,861)	(482,785)	(764,356)	(1,319,542)
Share option expense	4,274	9,799	30,927	45,000
Exceptional costs	—	41,758	305,467	348,225
Segment Adjusted EBITDA	(14,587)	(431,228)	(480,501)	926,317
Finance costs - net	372	(299)	(4,238)	(4,165)
Depreciation and amortisation	(14,836)	(155,746)	(56,143)	(226,725)
Segment profit/(loss) for the period	(33,325)	(692,370)	(824,737)	(1,550,432)
Six Months Ended 30 September 2018				
	Intelligence	Cyber	Other segments	Total
	£	£	£	£
Assynt report	642,024		—	642,024
Professional services	66,399	1,030,780	—	1,079,179
Monitoring managed services		446,795	—	446,795
Revenues from external customers	708,423	1,477,575	—	2,185,998
Gross margin	179,174	618,388	—	797,562
Segment Reported EBITDA	7,340	(162,264)	(631,585)	(786,509)
Exceptional costs	—	37,925	41,784	79,709
Segment Adjusted EBITDA	7,340	(124,339)	(589,801)	(706,800)
Finance costs - net	(1,338)	(828)	230	(1,936)
Depreciation and amortisation	(3,359)	(175,196)	(2,803)	(181,358)
Segment profit/(loss) for the period	2,643	(338,288)	(634,158)	(969,803)

Year Ended 31 March 2019	Intelligence	Cyber	Other segment	Total
	£	£	£	£
Assynt report	1,402,196	—	—	1,402,196
Professional services	238,765	2,567,845	—	2,806,610
Monitoring managed services	—	1,003,330	—	1,003,330
Revenues from external customers	1,640,961	3,571,175	—	5,212,136
Gross Margin	548,966	1,738,960	—	2,287,926
Segment Reported EBITDA	(54,706)	(88,250)	(1,344,555)	(1,487,511)
Share option expense	5,766	13,221	41,728	60,715
Exceptional costs (Note 5)	—	128,997	51,924	180,921
Segment Adjusted EBITDA	(48,940)	53,968	(1,250,903)	(1,245,875)
Finance costs-net	(827)	(2,134)	230	(2,731)
Depreciation and amortisation	(16,103)	(309,995)	(42,973)	(369,071)
Segment profit/(loss) for the year	(71,636)	(400,379)	(1,387,297)	(1,859,313)

Segment assets, liabilities and capital expenditure for the period then ended are as follows:

As at 30 September 2019	Intelligence	Cyber	Other segments	Total
	£	£	£	£
Contract assets	22,683	91,061	—	113,744
Other assets	599,639	6,220,844	1,743,025	8,040,488
Contract liabilities (deferred income)	578,980	421,737	—	1,010,717
Other liabilities	183,700	893,916	466,517	1,544,134
Capital expenditure – tangible	932	199,154	45,303,	245,560
Capital expenditure – intangible	—	29,332	188,803	218,139

Excludes impact of IFRS16

As at 30 September 2018	Intelligence	Cyber	Other segments	Total
	£	£	£	£
Contract assets	42,680	—	—	42,680
Other assets	524,291	4,244,967	1,379,355	6,184,613
Contract liabilities (deferred income)	542,816	550,917	—	1,093,733
Other liabilities	186,024	532,757	441,467	1,160,248
Capital expenditure - tangible	2,203	20,601	—	22,804
Capital expenditure - intangible	53,965	436,790*	—	490,755

*now classified within Other related to Furnace development

As at 31 March 2019	Intelligence	Cyber	Other segment	Total
	£	£	£	£

Contract assets	63,528	133,702	—	197,230
Other assets	2,085,245	5,252,009	2,039,553	9,376,807
Contract liabilities (deferred income)	679,068	430,763	—	1,109,831
Other liabilities	267,139	665,231	388,781	1,321,151
Capital expenditure - Tangible	2,203	54,480	—	56,683
Capital expenditure - Intangible	76,265	673,483	—	749,748

As at 31 March 2019	Intelligence	Cyber	segment	Total
	£	£	£	£
Contract assets	63,528	133,702	—	197,230
Other assets	2,085,245	5,252,009	2,039,553	9,376,807
Contract liabilities (deferred income)	679,068	430,763	—	1,109,831
Other liabilities	267,139	665,231	388,781	1,321,151
Capital expenditure - Tangible	2,203	54,480	—	56,683
Capital expenditure - Intangible	76,265	673,483	—	749,748

5. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	6 Months to 30 Sep 2019 (Unaudited)	6 Months to 30 Sep 2018 (Unaudited)	Year to 31 Mar 2019 (Audited)
Loss attributable to equity holders of the company (£)	(1,550,432)	(969,803)	(1,830,371)
Weighted average number of ordinary shares in issue	400,401,186	260,601,854	313,614,123
Basic (loss)/profit per share (pence per share)	(0.39)	(0.37)	(0.58)

As at 30 September 2019, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making.