

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

Falanx Group Limited ("Falanx", AIM: FLX), the global cyber security and intelligence services** provider, announces its interim results for the six months ended 30 September 2021.

Highlights for six months to 30 September 2021

Cyber Security division (continuing business) in line with the trading update given on 13 October 2021

- Revenues from continuing operations £1.80m (2020: £1.40m) an increase of 28%
- Gross margin from continuing operations 40% (2020: 27%) driven by high utilisation levels and lower external licence fees following successful customer migration to single cyber security monitoring platform ("Triarii")
- Ongoing cyber division adjusted EBITDA* profit of £0.1m (2020: loss £0.28m)
- Continuing Group adjusted EBITDA loss £0.40m (2020: £0.67m), a reduction of 40%
- £1.0m loan investment by BOOST&Co in August 2021
- Cash balances at 30 September 2021 £0.51m (2020: £0.22m), normal working capital position and HMRC in terms
- Loss per share 0.13p (2020: 0.33p) from continuing operations
- Shareholders' funds £1.99m (2020: £3.58m)

Post Period Financial Highlights

- The Assynt Strategic Intelligence ("Assynt") division disposed 6 October 2021 for a cash enterprise value of £4.6m. In the six months to 30 September 2021 this division recorded revenues of £1.00m (2020: £1.05m) and an adjusted EBITDA loss of £0.02m (2020: profit £0.05m)
- Second £1.5m tranche of loan investment from BOOST&Co received October 2021 on the same terms as the August drawdown. Total amount £2.5m.
- Cash balance at 30 November 2021 £4.3m, trade debtors were £0.55m, and trade creditors were £0.24m

Operational highlights

- Disposal of the Assynt Strategic intelligence division allows expansion of and investment in the Cyber Security division
- Strong inflow of customer orders in the Cyber Division, with high staff utilisation levels has contributed to the adjusted EBITDA profitability
- Move to a single Triarii monitoring service complete, leading to significantly lower support costs whilst increasing customer functionality
- Largest ever cyber order received in April 2021 for £1m of penetration testing to be delivered over three years from a global financial services company
- N-Able completed spinout from Solar Winds in July 2021, confirming the opportunity to address this market of 25,000 MSP users and 500,000 end user customers with our cyber security services. Conversations are ongoing and Falanx expects this to start benefitting the next financial year
- The launch of the new f:CEL (falanx: Cyber Exposure Level) product designed to help customers understand their Cyber risk at an affordable price point, supporting SMEs through to larger organisations, with Enterprise class service available for SMEs. Increasing partner interest supports confidence in its growth potential

* Adjusted EBITDA is a non-IFRS headline measure used by management to measure the Group's performance and is based on operating profit before the impact of financing costs, IFRS16, share based payment charges, depreciation, amortisation, impairment charges and highlighted items

** Former operations sold in October 2021

Alex Hambro, (Non-executive Chairman) of Falanx, commented:

"Following the disposal of Assynt in October 2021, Falanx is now a 'pure play' Cyber Security services business which is well positioned and financed to address the growing market opportunity created by constantly increasing risks in the digital world. Customer demand has grown significantly compared with the pre-pandemic environment. Our new initiatives are gaining interest from both direct customers and from our larger partners, and we are beginning to achieve sales of these innovative services. Our core service offerings of penetration testing, and protective monitoring are doing well, have moved into profitability and provide us with a solid foundation for growth with their large customer bases.

We view the future for Falanx with increasing optimism. We are operating in an exciting high growth market where there is increasing corporate and customer activity, and we look forward to updating shareholders with our progress over the next few months. "

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About Falanx

Falanx Group Limited, is a cyber defence provider providing enterprise class defensive and offensive security solutions to SME. For further information: <http://www.falanx.com/>

Business Review

The business review focusses solely on the ongoing cyber operations of the Group.

Falanx Cyber Defence has achieved a much-improved financial performance in the six months to 30 September 2021. The division recorded revenues of £1.8m (2020: £1.4m) and adjusted EBITDA profits of £0.1m (2020: loss £0.28m). Gross margins were 40% (2020: 27%) with the improvement arising from much improved utilisation of professional services staff which were adversely impacted by project delays during the COVID-19 crisis in 2020. Gross margins also increased due to the cyber security monitoring service moving to a single Triarii platform and the consequent elimination of certain 3rd party licence fees from July 2021 onwards.

The division won £2.5m (2020: £1.5m) of orders for penetration testing in the period. Included in this was the division's largest ever contract which was won in April 2021. This was from an existing global financial services customer and is for the provision of Penetration Testing services over a three-year period.

Triarii MDR / "Detection in Depth"

Triarii as the service brand gives our customers and partners a choice of technology stack, depending on their personal and technical preference. Our standard (default) Triarii offering is built on the enterprise-class elastic stack, including the big data database, SIEM tool and Elastic Endpoint Security (formerly Endgame). Our alternate offering replaces these technology components with Microsoft Azure sentinel and Endpoint technologies and are especially relevant for clients already heavily invested in Microsoft Azure.

Both stacks are then supported by a range of other tools looking at activity in a range of places both within and outside a client's network, resulting in our Detection in Depth approach wherein we look in multiple locations for signs of potential hostile activity.

The licensing cost of running Triarii has been significantly reduced from our previous technologies – which have both now been retired from service.

Falanx : Cyber Exposure Level ("f:CEL")

This new solution plays an important role in protecting a company from cyber-attacks. The more an organisation understands its security posture, the more it understands the risk it carries of being attacked. f:CEL emulates the reconnaissance phase often adopted by criminals in deciding whether to attack a business. A rapidly deployed, automated service, this can be offered at mass levels to get a view of the overall risk of an entire community of companies (e.g., customers, suppliers, policy holders and many more) providing insight into the risk carried by a community and the steps to take to mitigate that risk at individual entity level.

Pricing for f:CEL is disruptive, being affordable by even the smallest of businesses. The user can select the timing and frequency as to when they run the service so an ongoing picture of their security situation can be obtained. f:CEL is sold mainly by annual subscriptions (with an effective average monthly price of circa £40) which generates a predictable stream of high-quality recurring revenue. Users can select when to run their reports during the subscription period, so that they can have an ongoing view as to how their security profile is changing and with comparison to a wider cohort. The reports create a valuable database which can be used to help provide users, depending on the outcome of their report and in relation to a wider cohort, with their cyber security needs such as penetration testing or protective monitoring, and as the userbase expands this data is expected to become an increasingly valuable asset.

The platform has been developed internally using a combination of proprietary and standard components. This has allowed us to leverage our deep experience and sector expertise, to create a platform which can be highly configured to deal with a particular client or market requirement, which increases the relevance of our reports to their users. We are in discussions with several larger partners (in addition to N-able) who each have thousands of potential f:CEL users, and we look forward to announcing further progress on this in the coming months.

Outlook Statement

The investment in our Triarii and f:CEL services has created two new service lines each with strong potential and increasing demand. They are typically sold on a recurring revenue basis which generates predictable cash flows and revenues over a period, and therefore increases the quality of our revenues and profits. The Cyber Security business has had high levels of interest shown by both longer term and newer partners. Our partners have large market access (typically with several thousand end user clients) and are engaging with us on its deployment, and we are adding further similar partners. With these services

we are well positioned to address the growing needs of SMEs for increased defensive cyber security protection, and this fits alongside our highly skilled penetration testing teams who carry out offensive testing of our clients' IT infrastructures.

The board believes that the results of f:CEL reporting will improve the awareness in organisations as to their cyber vulnerabilities and risks and will provide a channel for further potential sales of XDR and penetration testing into large userbases.

To properly exploit the potential of these services, the division will be using its increased financial resources to expand its sales and marketing efforts with the recruitment of certain strategic hires, initiation of marketing programs and ongoing investment in service delivery and innovation. We will also be expanding the highly skilled penetration testing team to satisfy growing demand.

The Group's much stronger financial position, supported by good trading so far in the second half of the year, will also help enable acquisitions of complementary cyber security business to be made. Acquisitions are filtered to have highly relevant products and services, addressable customer bases and to be both earnings enhancing and cash generative.

Financial Performance

Continuing Operations (Cyber Security Division)

Revenues from continuing operations grew by 28% to £1.8m from £1.4m in the previous year, and much improved utilisation, and a streamlined technology platform, helped the gross margin to increase to 40% (2020: 27%). This combined with firm control of the division's operating cost base (which fell by a further 4%), helped the division to produce an adjusted EBITDA profit of c£0.1m (2020: £0.28m loss). Central costs were £0.49m (2020: £0.39m), with the prior period benefitting from the salary sacrifice scheme which was initiated as part of the Group's initial response to the COVID-19 crisis.

Overall, the adjusted EBITDA loss from continuing operations was reduced by 40% to £0.4m (2020: £0.6m).

Adjusting items were much lower at £0.02m (2020: £0.21m) and reflected lower investment costs and professional fees.

Discontinued Operations (Assynt Strategic Intelligence Division)

The Assynt strategic intelligence recorded revenues of £1.0m (2020: £1.1m) and its gross margin declined to 23% from 28%, and it produced an adjusted EBITDA loss of £0.02m (2020: £0.05m profit). This division was disposed of on 6 October 2021, and on disposal approximately £0.43m of divisional liabilities were taken on by the purchaser.

Overall Group

Overall, the Group's revenues were £2.8m (2020: £2.5m) with a gross margin of 34% (2020: 27%) and had an adjusted EBITDA loss of £0.4m (2020: £0.6m).

Depreciation and amortisation charges were £0.25m (2020: £0.26m), with the vast majority being the routine amortisation of the customer bases acquired in 2018, as well as property lease costs related to IFRS16. Share option charges were £0.02m (2020: £0.24m), with the comparative period representing higher costs associated with the grant of share options under the salary sacrifice scheme in April 2020.

Interest payable £0.04m (2020: £0.02m) included financing costs associated with the lease of the Reading office as well as the interest payable on the loan from BOOST&Co which commenced in August 2021.

Overall, the loss from continuing operations for the period fell to £0.71m (2020: £1.33m) against an overall loss of £0.75m (2020: £1.35m). The loss per share (both on a basic and fully diluted basis) from continuing operations was 0.13p (2020: 0.33p) and on an overall basis was 0.15p (2020: 0.34p)

Consolidated Statements of Financial Position at & Cash Flow

Non-current assets were £4.0m (2020: £5.8m) and principally comprised of the acquired customers bases and associated goodwill. The £1.44m investment in Furnace Technology (which was spun out of Falanx in December 2019) was fully impaired in the year ended 31 March 2021.

Cash receipts were strong, with no incidence of bad debt being recorded, and debtor days were 42 (2020: 48 days). Net cash outflow from operations was £0.88m (2020: inflow £0.19m). This reflected the positive impact of HMRC deferrals in the prior year as a response to COVID-19, and the consequent repayments of circa £0.25m in the current year, as well as timings of certain large customer receipts at the start of the period.

At 30 September net liabilities (mainly related to deferred incomes) of approximately £0.43m were held on the balance sheet related to the discontinued business and these were transferred to the purchaser on 6 October 2021.

In August 2021 the Company drew down the first £1.0m (of a £2.5m facility & before costs) of secured loan from BOOST&Co, the key terms of which are:

- Annual interest of 11%, and straight-line amortisation of the loan commencing after 12 months
- The loan carries a 3% early prepayment fee on the then amount outstanding

The proceeds of this loan (and its subsequent extension) are to provide investment capital in the expansion of the Cyber division both through the investment in sales and marketing, service innovation and the expansion of delivery capability, as well as supporting value enhancing acquisitions of cyber security businesses.

Cash balances as at 30 September 2021 were £0.51m (2020: £0.22m) and overall shareholders' funds were £2.0m (2020: £3.9m).

Events after the reporting period

- On 6 October 2021 the Group disposed of the Assynt strategic intelligence division. This included Falanx Assynt Ltd and including its four overseas wholly owned subsidiaries in the UAE, USA, Hong Kong, and Ireland. Assynt was acquired by Cross Atlantic Solutions Partners LLC, ("CAS") which is backed by funds advised by a US based investment firm focused on investing in information, marketing, and tech-enabled services businesses.

The consideration (before usual deal costs) was comprised of a total consideration of £4.6 million before the deduction of a working capital adjustment of approximately £0.5 million. £0.35 million of the consideration is held in a 3rd party escrow account against any potential warranty claims against standard issues for twelve months from completion.

Falanx made certain warranties to CAS in respect of Assynt's historic business and the Company has put in a normalised level of working capital at completion as referenced above. All of Assynt's employees transferred as part of the transaction, and Falanx is providing certain administration services to Assynt until the end of January 2022 as part of an orderly hand over under an agreement negotiated on an arm's length basis.

- On 13th October 2021 the Group drew down the final £1.5m of the Boost loan facility, under identical terms as the initial £1.5m drawdown in August 2021 outlined above.
- Cash balances on 30 November 2021 were £4.3m following the payment of the vast majority of deal costs related to the disposal of Assynt, working capital adjustments and certain cyclical payments. At this date trade debtors were £0.55m, and trade creditors were £0.24m and the group had a normal working capital profile, with all amounts due to HMRC being within agreed terms.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2021

6 Months to 30 Sep 2021 (Unaudited)	6 Months to 30 Sep 2020 (Unaudited)	Year to 31 Mar 2021 (Audited)
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	£	£	£
Revenue – continuing operations	1,794,862	1,400,414	3,119,724
Revenue – discontinued operations	993,735	1,062,481	2,124,437
Revenue	2,788,597	2,462,895	5,244,161
Cost of sales	(1,844,979)	(1,786,474)	(3,668,176)
Gross profit – continuing operations	718,920	379,819	1,016,937
Gross profit – discontinued operations	224,698	296,602	559,048
Gross profit	943,618	676,421	1,575,985
Administrative expenses	(1,654,212)	(2,010,370)	(5,095,355)
Operating loss	(710,594)	(1,333,949)	(3,519,370)
Operating loss from continuing operations	(671,435)	(1,297,963)	(3,455,158)
Operating loss from discontinued operations	(39,159)	(35,986)	(64,212)
Analysis of operating loss			
Operating loss	(710,594)	(1,333,949)	(3,519,370)
Share option expense	20,000	242,478	175,949
Depreciation and amortisation	254,865	258,294	533,482
Impairment of Furnace equity investment	—	—	340,000
Impairment of Furnace loan receivable	—	—	1,100,000
Highlighted costs	26,264	212,287	110,354
Adjusted EBITDA loss from continuing operations	(385,734)	(673,714)	(1,350,520)
Adjusted EBITDA loss from discontinued operations	(23,731)	52,824	90,935
Finance income	—	4	4
Finance expense	(36,312)	(16,810)	(32,574)
Net finance expense	(36,312)	(16,806)	(32,570)
Loss before income tax	(746,906)	(1,350,755)	(3,551,940)
Income tax credit	1,050	—	—
Loss for the period from continuing operations	(707,506)	(1,334,769)	(3,487,728)
Loss from discontinued operations, net of tax	(38,350)	(35,986)	(64,212)
Loss for the period	(745,856)	(1,350,755)	(3,551,940)
Other comprehensive income:			
Re-translation of foreign subsidiaries	(1,432)	(2,684)	5,403
	(1,432)	(2,684)	5,430
Total comprehensive loss for the period	(747,288)	(1,353,439)	(3,546,537)
Loss per share from continuing operations			
Basic loss per share	(0.13) p	(0.33) p	(0.75) p
Diluted loss per share	(0.13) p	(0.33) p	(0.75) p
Loss per share from continuing and discontinued operations			
Basic loss per share	(0.14) p	(0.34) p	(0.77) p
Diluted loss per share	(0.14) p	(0.34) p	(0.77) p

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

6 Months to 6 Months to Year to
30 Sep 2021 30 Sep 2020 31 Mar 2021

	(Unaudited)	(Unaudited)	(Audited)
	£	£	£
Assets			
Non-current assets			
Property, plant & equipment	125,679	187,165	155,831
Intangible assets	3,531,661	3,729,594	3,702,840
Right of use asset	308,781	417,762	363,271
Investments with fair value through Profit and Loss	—	340,000	—
Loan Receivable	—	1,100,000	—
	3,966,121	5,774,521	4,221,942
Current assets			
Trade and other receivables	930,628	1,103,389	1,076,216
Cash and cash equivalents	512,972	223,054	545,321
	1,443,600	1,326,443	1,621,537
Assets in a disposal group classified as held for sale	190,214	—	—
Total assets	5,599,935	7,100,964	5,843,479
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account	4,039,125	17,903,427	4,033,161
Translation reserve	(109,209)	(115,864)	(107,777)
Share based payment reserve	767,243	829,803	747,243
2022 liabilities reserve	1,000,000	—	1,000,000
Retained earnings	(3,689,845)	(14,758,835)	(2,943,989)
Total equity	2,007,314	3,858,531	2,728,638
Liabilities			
Non-current liabilities			
Deferred tax liability	8,479	9,529	9,529
Lease liability	203,081	301,339	252,874
Borrowings	968,830	—	42,129
Other payables	5,532	242,734	5,409
	1,185,922	553,602	309,401
Current liabilities			
Trade and other payables	1,286,839	1,688,178	1,592,715
Contract liabilities	386,677	907,658	1,108,317
Lease liability	99,926	92,995	95,997
Borrowings	9,594	—	7,871
	1,783,036	2,688,831	2,804,900
Liabilities directly associated with assets in the disposal group classified as held for sale	623,663	—	—
Total liabilities	3,592,620	3,242,433	3,114,841
Total equity and liabilities	5,599,935	7,100,964	5,843,479

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Share Accumulated Translation Share based 2022

	capital £	losses £	Reserve £	payment reserve £	Liabilities reserve	Total £
Balance at 1 April 2020	17,903,427	(13,408,080)	(113,180)	587,325	—	4,969,492
Loss for the year	—	(3,551,940)	—	—	—	(3,551,940)
Re-translation of foreign subsidiaries	—	—	5,403	—	—	5,403
Transactions with owners:						
Capital reconstruction	(15,000,000)	14,000,000	—	—	1,000,000	—
Issue of share capital	1,247,600	—	—	—	—	1,247,600
Costs of issue of share capital	(117,866)	—	—	—	—	(117,866)
Share based payment charge	—	—	—	175,949	—	175,949
Forfeited share options reversed through reserves	—	16,031	—	(16,031)	—	—
Balance at 31 March 2021	4,033,161	(2,943,989)	(107,777)	747,243	1,000,000	2,728,638
Loss for the year	—	(745,856)	—	—	—	(745,856)
Re-translation of foreign subsidiaries	—	—	(1,432)	—	—	(1,432)
Transactions with owners:						
Issue of share capital	5,964	—	—	—	—	5,964
	—	—	—	20,000	—	20,000
Balance as at 30 September 2021	4,039,125	(3,689,845)	(109,209)	767,243	1,000,000	2,007,314

FALANX GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	6 Months to 30 Sep 2021 (Unaudited) £	6 Months to 30 Sep 2020 (Unaudited) £	Year to 31 Mar 2021 (Audited) £
Cash flows from operating activities			
Profit/(Loss) before tax	(746,906)	(1,350,755)	(3,551,940)
Adjustments for:			
Depreciation	33,608	39,588	75,753
Amortisation of intangibles	166,766	164,215	348,748
Amortisation of right of use assets	54,491	54,491	108,981
Impairment of investment in Furnace	—	—	340,000
Impairment of loan receivable	—	—	1,100,000
Share based payment	20,000	242,478	175,949
Loss on disposal of equipment / fixtures and fittings	77	—	—
Amortisation of borrowing cost	2,361	—	—
Net finance cost recognised in profit or loss	36,312	16,806	32,569
	(433,291)	(833,177)	(1,369,940)
Changes in working capital:			
Increase/(decrease) in trade and other receivables	(39,760)	1,066,247	1,093,419
Decrease in trade and other payables	(403,510)	(44,627)	(126,756)
Cash generated from / used in operations	(876,561)	188,443	(403,277)
Interest paid	(11,003)	(1,605)	(3,774)

Tax paid	1,050	—	—
Net cash used in / generated from operating activities	(886,514)	186,838	(407,277)
Cash flows from investing activities			
Interest received	—	4	4
Acquisition of property, plant and equipment	(3,987)	(31,330)	(36,161)
Expenditure on development cost	—	—	(157,779)
Net cash used in investing activities	(3,987)	(31,326)	(193,936)
Cash flows from financing activities			
Repayment under finance lease	(47,133)	(43,851)	(89,413)
Interest paid on lease liabilities	(11,923)	(15,205)	(28,799)
Proceeds from bank borrowing	—	50,000	50,000
Repayment of bank borrowing	(3,104)	—	—
Proceeds from borrowing	1,000,000	—	—
Loan transaction costs	(70,834)	—	—
Interest paid on borrowing	(13,386)	—	—
Proceeds from issue of shares	5,964	—	1,247,600
Costs of share issuance	—	—	(117,866)
Net cash used in financing activities	859,584	(9,056)	1,061,623
Decrease/(increase) in cash equivalents			
Cash and cash equivalents at beginning of the period	545,321	79,282	79,282
Foreign exchange gains on cash and cash equivalents	(1,432)	(2,684)	5,403
Cash and cash equivalents at end of the period	512,972	223,054	545,321

FALANX GROUP LIMITED

NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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.

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 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 2021. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act.

The interim financial information has not been reviewed nor audited by the auditors. The interim financial information was approved by the Board of Directors on 6 December 2021. The information for the year ended 31 March 2021 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 2020. 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

These interim financial statements have been prepared on a going concern basis, which notwithstanding the loss incurred for the six-month period to 30 September 2021.

- On 6th October 2021 the group disposed of its Assynt strategic intelligence division for an enterprise value of £4.6m cash. This division had been loss making in this six-month period following a reduction in both revenue and gross margins.
- On 13th October 2021 the Group drew down the final £1.5m of loan from BOOST&Co. Both post balance sheet events have very significantly improved the Group's cash position.
- Trading has remained solid in the cyber security division with strong order intake and a healthy pipeline of new business, including significant opportunities for its Triarii and f:CEL services which have recurring revenues with high gross margin. The ongoing business is now purely focussed on the Cyber security division, which benefits from very favourable macro-economic conditions with the move to an online environment for many businesses and the consequent rise in cyber security risks which need to be mitigated.
- The Group adjusted EBITDA loss for October 2021 was approximately £90,000 and cash balances at 30 November 2021 were £4.3m. All amounts due to HMRC are either current or are the subject to agreed payment plans which are being adhered to. The Group's debtor book is performing well, and cash receipts are strong, and on 30 November 2021 trade debtors and creditors stood at £0.55m and £0.24m respectively.
- The Group has produced stress test as well as base case financial forecasts which cover the period to 31 December 2022. These reflect investment in organic expansion, and the stress test scenario has been prepared on losses running at over three times the current run rate for 12 months with no mitigation and no growth in business. This shows that the Group should still have a positive cash balance in December 2022.

Should this stringent stress test scenario not be achieved, then further mitigating actions would be carried out to ensure that the Group remains within its resources, and these would include a reduction of planned capital expenditure, headcount reduction, reducing discretionary spend and sales investment, freezing or reducing pay and cancelling recruitment, and all of these are within the director's control. Further actions could include seeking further support from existing and new shareholders and debt providers.

Based on the above, the Group expects to have will have sufficient resources to meets its liabilities as they fall due for at least 12 months from the date of these interim results.

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Assynt Group Limited and subsidiaries ("Assynt") are presented with discontinued operations in the consolidated statement of comprehensive income (for which comparatives are restated) and the assets and liabilities of these operations are presented separately on the consolidated statement of financial position. Please see note 6 for further details.

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 2021.

4. Segmental reporting

The Directors consider that the Group's internal financial reporting is organised along product and service lines 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.

Reportable segments

The reportable segment results for the period ended 30 September 2021 are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Assynt report	—	—	—	972,633	972,633
Professional services	1,407,699	—	1,407,699	21,102	1,428,801
Monitoring managed services	387,163	—	387,163	—	387,163
Revenues from external customers	1,794,832	—	1,794,832	993,735	2,788,597
Gross margin	718,920	—	718,920	224,698	943,618
Segment Reported EBITDA	105,369	(515,186)	(409,817)	(25,912)	(435,729)
Exceptional costs	(21,242)	45,325	24,083	2,181	26,264
Segment Adjusted EBITDA	84,127	(469,861)	(385,734)	(23,731)	(409,465)
Finance costs - net	(18,435)	(17,636)	(60,071)	(241)	(104,785)
Depreciation and amortisation	(155,954)	(85,664)	(241,618)	(13,247)	(254,865)
Share option expense	—	(20,000)	(20,000)	—	(20,000)
Segment profit/(loss) for the period	(69,020)	(638,486)	(707,506)	(39,400)	(749,906)

The reportable segment results for the period ended 30 September 2020 are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Assynt report	—	—	—	1,018,606	1,018,606
Professional services	941,496	—	941,496	43,875	985,371
Monitoring managed services	458,918	—	458,918	—	458,918
Revenues from external customers	1,400,414	—	1,400,414	1,062,481	2,462,895
Gross margin	379,819	—	379,819	296,602	676,421
Segment Reported EBITDA	(320,562)	(492,160)	(812,722)	(20,455)	(833,177)

Exceptional costs	40,478	98,530	139,008	73,279	212,287
Segment Adjusted EBITDA	(280,084)	(393,630)	(673,714)	52,824	(620,890)
Finance costs - net	(491)	(16,315)	(16,806)	—	(16,806)
Depreciation and amortisation	(144,538)	(98,225)	(242,763)	(15,531)	(258,294)
Share option expense	—	(242,478)	(242,478)	—	(242,478)
Segment profit/(loss) for the period	(485,591)	(849,178)	(1,334,769)	(35,986)	(1,350,755)

The reportable segment results for the year ended 31 March 2021 are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Assynt report	—	—	—	2,016,062	2,016,062
Professional services	2,272,951	—	2,272,951	108,375	2,381,326
Monitoring managed services	846,773	—	846,773	—	876,773
Revenues from external customers	3,119,724	—	3,119,724	2,124,437	5,244,161
Gross Margin	1,016,937	—	1,016,937	559,048	1,575,985
Segment Reported EBITDA	(419,020)	(918,607)	(1,337,627)	(32,312)	(1,369,939)
Highlighted costs (Note 5)	(27,369)	14,476	(13,093)	123,247	110,354
Segment Adjusted EBITDA	(446,389)	(904,131)	(1,350,520)	90,935	(1,259,585)
Finance costs-net	(1,346)	(31,224)	(32,570)	—	(32,570)
Depreciation and amortisation	(308,590)	(195,305)	(503,895)	(29,587)	(533,482)
Impairment of Furnace equity investment	—	(340,000)	(340,000)	—	(340,000)
Impairment of Furnace loan investment	—	(1,100,000)	(1,100,000)	—	(1,100,000)
Share option expense	(8,112)	(165,524)	(173,636)	(2,313)	(175,949)
Segment loss before tax for the year	(737,068)	(2,750,660)	(3,487,728)	(64,212)	(3,551,940)

Segment assets and liabilities as at 30 September 2021 and capital expenditure for the period then ended are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Contract assets	2,688	—	2,688	—	2,688
Other assets	3,811,082	1,535,630	5,346,712	250,535	5,597,247
Contract liabilities (deferred income)	386,677	—	386,677	442,927	829,604
Other liabilities	1,407,674	1,174,606	2,582,280	180,736	2,763,016
Capital expenditure - tangible	3,017	970	(3,987)	—	3,987
Capital expenditure - intangible	—	—	—	—	—

Segment assets and liabilities as at 30 September 2020 and capital expenditure for the period then ended are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Contract assets	56,925	—	56,925	21,811	78,736
Other assets	3,667,703	2,914,037	(6,584,740)	440,488	7,022,228
Contract liabilities (deferred income)	266,008	—	266,008	641,650	907,658
Other liabilities	603,845	1,388,925	(1,992,770)	342,004	2,334,774
Capital expenditure - tangible	27,046	4,284	(31,330)	—	31,330
Capital expenditure - intangible	—	—	—	—	—

Segment assets and liabilities as at 31 March 2021 and capital expenditure for the year then ended are as follows:

	Cyber	Corporate segment	Total Continuing operations	Discontinued operations	Total
	£	£	£	£	£
Contract assets	62,141	—	62,141	1,551	63,692
Other assets	3,741,016	1,526,695	5,267,711	374,615	5,642,326
Contract liabilities (deferred income)	465,000	—	465,000	643,317	1,108,317
Other liabilities	588,087	1,029,262	(1,617,349)	389,175	2,006,524
Capital expenditure – Tangible	31,007	5,154	36,161	—	36,161
Capital expenditure – Intangible	157,780	—	157,780	—	157,780

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 2021 (Unaudited)	6 Months to 30 Sep 2020 (Unaudited)	Year to 31 Mar 2021 (Audited)
Loss attributable to equity holders of the company (£)	(794,329)	(1,350,755)	(3,551,940)
Weighted average number of ordinary shares in issue	526,001,185	400,401,185	462,675,158
Basic loss per share (pence per share)	(0.15)	(0.34)	(0.77)

As at 30 September 2021, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making.

6. Events after the reporting period

Disposal of Assynt

On 6 October 2021, Falanx announced that it had disposed of the Assynt Strategic Intelligence Division (“Assynt”) for an enterprise value of £4.6 million in cash to Cross Atlantic LLC. As substantial progress towards a sale had been made before 30 September 2021, the results of Assynt have been disclosed as discontinued operations in the consolidated statement of comprehensive income and the assets and liabilities of Assynt have been classified as a disposal group held for sale in the consolidated statement of financial position.

The estimated fair value less costs to sell exceeds the carrying value of Assynt’s net assets, and accordingly no impairment losses have been recognised on reclassification as a disposal group.

The tables below show the results of the discontinued operations which are included in the consolidated statement of comprehensive income and consolidated cash flow statement, together with the classes of assets and liabilities comprising the operations as held for sale on the consolidated statement of financial position.

Income Statement for discontinued operations	6 Months to 30 Sep 2021 (Unaudited)	6 Months to 30 Sep 2020 (Unaudited)	Year to 31 Mar 2021 (Audited)
	£	£	£
Revenue	993,735	1,062,481	2,124,437
Cost of sales	(769,037)	(765,879)	(1,562,389)
Gross profit	224,698	296,602	559,048
Administrative expenses	(263,857)	(332,188)	(623,260)
Operating Loss	(39,159)	(35,986)	(64,212)
Finance income			
Finance expense	(241)	—	—
Net finance expense	(241)	—	—
Loss before income tax	(39,400)	(35,986)	(64,212)
Income tax credit	1050	—	—
Loss for the period	(38,350)	(35,986)	(64,212)

	As at 30 Sep 2021 (Unaudited)
	£
Assets of the disposal group	
Property, plant & equipment	453
Intangible assets	4,413
Trade and other receivables	185,348
Cash and cash equivalents	
Total assets	190,214
Liabilities of the disposal group	
Deferred tax liability	
Trade and other payables	180,736
Contract liabilities	442,927
Total liabilities	623,663
Net liabilities of the disposal group	(433,449)

On 13th October 2021 the Group drew down the final £1.5m of the Boost loan facility, under identical terms as the initial £1.0m drawdown in August 2021 outlined above.