



Report of the Directors and  
Consolidated Financial Statements  
for the Period 23 August 2012 to 31 March 2013  
for Falanx Group Limited

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## Contents

of the Consolidated Financial Statements  
for the period 23 August 2012 to 31 March 2013

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	Page
Company Information	2
Chairman's Report	3
Corporate Governance	6
Report of the Directors	8
Report of the Independent Auditors	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Company Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Company Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Company Statement of Cash Flows	20
Notes to the Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22

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## **Company Information**

for the period 23 August 2012 to 31 March 2013

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### **DIRECTORS:**

J R Blamire  
K P A Barclay  
I Manley  
Ms E Shaw  
D P Carr

### **REGISTERED OFFICE: Kingston Chambers**

PO Box 173  
Road Town  
Tortola  
British Virgin Islands

### **REGISTERED NUMBER: 1730012 (British Virgin Islands)**

### **AUDITORS: Bennett Brooks & Co Ltd**

Chartered Accountants  
& Statutory Auditors  
1 Charterhouse Mews  
London  
EC1M 6BB

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## Chairman's Report

for the period 23 August 2012 to 31 March 2013

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### Chairman's Statement



I am pleased to present Falanx Group's first Annual Financial Report following our successful listing on the AIM Stock Exchange in June this year. The rationale for doing so is greater now than when we commenced the process.

The events of the Arab Spring and its continuing fall-out; the ever-present threat of international terrorism; and increased ethnic tensions in many areas of the world have resulted in significantly increased demand from both corporate and government clients for comprehensive services to respond to their security concerns. Our focus is on the Middle East and Asia, where spending on security over the next five years is expected to be in the region of \$30 trillion and where competition in the security market is less well developed.

As a profitable, high-end security and intelligence provider led by a strong team of former military, government and corporate security specialists with broad geographic and sector experience, Falanx is well placed to capitalise on this projected growth in the market. Our high-level contacts in the Middle East and existing work there and in Asia already offer Falanx a platform on which to develop our business in those areas. This is reflected in the pipeline of new projects we have generated including bids for large capacity building contracts as well as a security implementation programme for a major infrastructure project in the Middle East.

The bid for the upgrade of ministerial buildings in the Middle East mentioned in our Admission document is expected to progress to a formal signed contract later this calendar year with initial revenue expected in the first quarter of 2014.

In addition, I am confident that listing on Alternative Investment Market ("AIM") will increase Falanx's standing with our existing and prospective clients and will enable us more effectively to respond to their requirements through the Group's three strategic goals:

1. To acquire top-quality, profitable, niche security providers so as to expand our capability, raise our profile and increase cash flow. We are in advanced discussions with five companies as potential acquisitions and expect the first to be acquired in early 2014;
2. To exploit Stirling Assynt's extensive global client base for Falanx's broader proposition. To achieve this we are bringing in a new comprehensive CRM system to enable rapid cross-marketing; and
3. To build on our high-level contacts especially in the Middle East.

### Divisional approach

To achieve these goals we have structured the business into four divisions: Falanx Intelligence (providing forward-looking political and security risk assessments and business intelligence services), Falanx Resilience (providing consultancy in physical security and capacity building), Falanx Technology (holding licences for certain physical security technologies and providing a channel for the acquisition of others) and Falanx Cyber (under development to provide a range of cyber capabilities). These neatly respond to the needs we have identified in our market research and experience of dealing with clients on security issues over many years. Our approach is to be a broadly-based 'solution engineer' for clients.

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## **Chairman's Report continued**

for the period 23 August 2012 to 31 March 2013

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### **Divisional approach** - continued

I am delighted that we have been able to assemble such a strong Main Board and senior management team with experience in each of these areas of business. Together the senior team brings extensive corporate management expertise, professional security and intelligence skill-sets, high-level contacts, new clients and an impressive pipeline. All of these underpin a strategy for rapid growth and provide us with the confidence and resources to respond to future challenges.

### **Falanx Intelligence**

Earlier this year we made our first acquisition bringing in Stirling Assynt as the centre-piece of Falanx Intelligence. Stirling Assynt is a top quality provider of Political & Security Risk and Business Intelligence services to a world-wide network of blue-chip clients. Its renowned Assynt service offers fortnightly risk assessments on 33 countries, as well as bespoke analytical reporting on an extensive range of topics globally. Stirling Assynt has an extensive client base including both governments and major international companies and potentially provides other Falanx divisions with a rapid route to new markets.

Since acquisition Stirling Assynt has won a contract with FTSE 250 defence company QinetiQ to restructure and retrain a major Middle East government department. The contract is expected to last up to three years turning over a minimum of £2.5m annually. The project is now well underway with turnover on track, having received the expected £216k advance payment.

### **Falanx Resilience**

Falanx Resilience has established itself as a security consultant of choice in the Middle East. Discussions are at an advanced stage with government and corporate clients for a large security project in a Middle Eastern country and two significant capacity building projects in a North African country. The bid for upgrade of ministerial buildings in the Middle East mentioned in our Admission document is expected to progress to a formal signed contract later this calendar year with initial revenue expected in the first quarter 2014.

### **Falanx Technology**

Falanx Technology has obtained exclusive licences for some advanced blast mitigation products, including blast protective window blinds for which Falanx is the sole licensee in the Middle East and parts of Asia. It is also in discussion with two potential acquisitions: one a highly successful technical security firm and the other a mature supplier of anti-blast material.

### **Falanx Cyber**

Since IPO, Falanx Cyber, headed by a highly experienced Cyber Security professional who was appointed in early 2013, has been in discussions with several high-quality, niche cyber security companies with a view to the early establishment of a unique set of capabilities that can be offered as a single proposition for the overseas market. Falanx Cyber has also reached agreement for a channel partnership with four companies, which we hope to be able to announce shortly. The partnership agreement will enable Falanx to purchase a controlling stake in three of these companies after a period of six months, enabling Falanx to monitor progress in each before acquisition

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## **Chairman's Report continued**

for the period 23 August 2012 to 31 March 2013

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### **Financial review**

Falanx Group is a newly established company and so has no trading history in the Financial Year 2012-2013. The figures in this report therefore reflect only those of Stirling Assynt before its acquisition by Falanx at the end of March 2013, and before the award of the Qinetiq contract mentioned above. They should not therefore be regarded as representing the extent of Falanx's current business.

### **Events since the balance sheet date**

On 20 June 2013 the Group was admitted to the AIM of the London Stock Exchange and raised £595,000 (before expenses) at a Placing Price of £0.12 per Ordinary Share through a placing of 4,958,333 Ordinary Shares, representing approximately 13.24 per cent of the Group's enlarged share capital. The Company raised an additional £225,000 at £0.12p, with 1 warrant at 18p attached per 2 shares in September 2013.

Admission to AIM will raise the corporate profile of the Company, enhance its ability to secure new business and will enable it to accelerate its acquisition strategy by the use of quoted shares.

### **Outlook**

I am confident that the Group has a sound base on which to grow the business, and I look forward to working closely with our Board members, senior management and staff to support our clients and shareholders as we develop.

Approved by the Board on 25 September 2013. and signed on its behalf by

K P A Barclay – Executive Chairman

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## Corporate Governance Report

for the period 23 August 2012 to 31 March 2013

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### Statement of Compliance

Save for the Companies Act, there is no mandatory corporate governance regime in the British Virgin Islands with which the Company must comply. However, the Directors recognise the importance of sound corporate governance and intend to comply with appropriate recognised corporate governance standards, as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information. In practice this means that the Company will be complying with the QCA Guidelines for AIM Companies.

### Board of Directors

The board's principal responsibilities include assisting in the formulation of corporate strategy, reviewing and approving all significant corporate transactions, monitoring operational and financial performance, reviewing and approving annual budgets and generally assisting management to enhance the overall performance of the company in order to deliver maximum value to its shareholders.

The Company holds Board meetings at least eight times each financial year and at other times as and when required.

### Committees

On admission to AIM the company established an Audit Committee, a Remuneration Committee and a Nomination Committee.

#### Audit Committee

The Audit Committee, comprising Desmond Carr, Iain Manley and Emma Shaw is chaired by Desmond Carr and meets at least two times a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit, the work of the internal audit function and compliance by the Group with statutory and regulatory requirements.

The Audit Committee also advises the Board on the appointment of the external auditors, reviews their fees and the audit plan. It approves the external auditors' terms of engagement, their remuneration and any non-audit work.

The Audit Committee also meets the Company's auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets with the auditors as and when the Audit Committee requires.

#### Remuneration Committee

The Remuneration Committee, comprising Desmond Carr, Iain Manley and Emma Shaw is chaired by Desmond Carr and meets as and when necessary. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and the terms of the service contracts. The remuneration and the terms and conditions of the non-executive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

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## **Corporate Governance Report continued**

for the period 23 August 2012 to 31 March 2013

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### **Nomination Committee**

The Nomination Committee, comprising Desmond Carr, Iain Manley and Emma Shaw is chaired by Desmond Carr and meets as and when necessary. It keeps under review the skill requirements of the Board and the skill, knowledge, experience, length of service and performance of the Directors. It also reviews their external interests with a view to identifying any actual, perceived or potential conflicts of interests, including the time available to commit to their duties to the Company.

The Committee also monitors the independence of each non-executive Director and makes recommendations concerning such to the Board. The results of these reviews are important when the Board considers succession planning and the re-election and reappointment of directors. Members of the Committee take no part in any discussions concerning their own circumstances.

The Nomination Committee is also responsible for keeping under review the senior management team of the organisation to ensuring the continued ability of the organisation to compete effectively in the marketplace.

### **Internal Control**

The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate systems of internal controls to manage these risks. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. While they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the increased activity and further development of the group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

### **Shareholder Communication**

The Directors consider the clear and timely communication of information to shareholders as an important part of their duties. The board views the annual general meeting as an opportunity to communicate with both institutional and private investors alike and aims to make constructive use of the annual general meetings. The Directors intend to be present and available to answer questions at each year's annual general meeting.

### **Corporate Responsibility**

Falanx Group Limited operates responsibly with regards to its shareholders, employees, other stakeholders, the environment and the wider community. The Group is committed to the well-being of all employees and ensures that their health, safety and general welfare is paramount at all times. We also maintain open and fair relationships with all clients and suppliers while ensuring that all transactions are operated on an arm's length, commercial basis.

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. The Directors have elected to prepare these financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable by law.

Approved by the Board on 25 September 2013 and signed on its behalf by

J R Blamire - Director



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## Report of the Directors

for the period 23 August 2012 to 31 March 2013

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The Directors present their report with the financial statements of the Company and the Group for the period 23 August 2012 to 31 March 2013.

Falanx Group Limited was incorporated in the British Virgin Islands on 23 August 2012 and is domiciled in the British Virgin Islands. On 20 June 2013, the Company's shares were admitted to trading on the London Stock Exchange's AIM market ("AIM").

### PRINCIPAL ACTIVITY

Falanx Group Limited is the ultimate holding company of Falanx Protection Limited and Stirling Assynt (Acquisition) Limited. Both companies were incorporated and are domiciled in the British Virgin Islands.

Falanx Protection Limited was incorporated on 24 August 2012 as a wholly owned subsidiary of Falanx Group Limited and commenced trading on 9 November 2012.

Stirling Assynt (Acquisition) Limited was incorporated on 7 February 2013 as a wholly owned subsidiary of Falanx Group Limited for the purpose of making the acquisition of the entire business, assets and undertakings of Stirling Assynt International Group Limited, a BVI company that was incorporated on 7 April 2008.

On 29 March 2013 Stirling Assynt (Acquisition) Limited acquired two trading subsidiaries, Stirling Assynt (Europe) Limited and Stirling Risk (Asia) Limited. Further information about the business combinations can be found in note 21 of these financial statements.

Both Stirling Assynt (Europe) Limited and Stirling Risk (Asia) Limited, have traded for a number of years prior to acquisition.

Falanx Protection Limited's principal activities are the international supply and installation of blast protection devices as well as the provision of security consultancy.

The principal activities of both Stirling Assynt (Europe) Limited and Stirling Risk (Asia) Limited are that of international business intelligence consultancy.

### REVIEW OF BUSINESS

The Group's results for the period are set out in the consolidated statement of comprehensive income on page 13 of these financial statements.

No turnover and profit have been generated in the period under review as the Group has only acquired two trading subsidiaries, Stirling Assynt (Europe) Limited and Stirling Risk (Asia) Limited, on 29 March 2013. Further information can be found in the note 21 Business Combinations.

A review of the business, significant contracts, progress and the group's future prospects can be found in the Chairman's statement.

### DIVIDENDS

No dividends will be distributed for the period ended 31 March 2013.

### EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

## Report of the Directors continued

for the period 23 August 2012 to 31 March 2013

### DIRECTORS

The Directors who served the Company during the year and up to the date of this report were as follows:

#### Executive Directors

J R Blamire - Appointed 23 August 2012  
K P A Barclay - Appointed 22 February 2013

#### Non-Executive Directors

I Manley - Appointed 18 March 2013  
D P Carr - Appointed 11 January 2013  
E Shaw - Appointed 11 January 2013

Directors' interests in the stated issued share capital of the Company, including family and pension scheme interests, were as follows:

	NUMBER OF SHARES AT 31 MARCH 2013	% HELD AT 31 MARCH 2013
J R Blamire	7,000,000	21.54%
K P A Barclay*	5,745,500	17.68%
I Manley	200,000	0.62%
D P Carr	200,000	0.62%

\* Of which 2,182,500 (5.83%) are held by Dounreay Management and a further 666,666 (1.78%) by Andrea Barclay.

#### Directors' interests in transactions

No director had, during or at the end of the period, a material interest in any contract which was significant in relation to the group's business, except in respect of service agreements.

#### Significant shareholdings

As at 20 June 2013, the Company has been notified of the following interests in the Company's Ordinary Shares by its major shareholders:

	NUMBER OF SHARES AT 20 JUNE 2013	% HELD AT 20 JUNE 2013
J R Blamire	7,900,000	21.09%
K P A Barclay*	5,765,500	15.39%
K Renyard	3,500,000	9.34%
K Catchpole and family	2,496,333	6.66%
J Campbell-James	2,083,333	5.56%
G Long	1,750,000	4.67%
H & J McLeod	1,420,000	3.79%
Walker Cripps	1,125,000	3.00%

All the directors, being eligible, will offer themselves for election at the first Annual General Meeting of the Company.

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## **Report of the Directors continued**

for the period 23 August 2012 to 31 March 2013

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### **GROUP'S POLICY ON PAYMENT OF CREDITORS**

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed between the Group and its suppliers, provided that the goods and services have been supplied in accordance with the agreed terms and conditions.

### **FINANCIAL INSTRUMENTS**

The Group's financial risk management objectives are to minimise debt and to ensure sufficient working capital for the Group's overheads and capital expenditure commitments.

Financial instruments are disclosed and discussed in note 22 to the financial statements.

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

There were no political or charitable donations made by the Group during the year.

### **EMPLOYEES**

The Group recognises the benefit of keeping its employees informed of all relevant matters on a regular basis. The Group is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

### **KEY RISKS AND UNCERTAINTIES**

The following are the risk factors associated with the Company's business and industry:

#### **The Company is a new company with no operating history**

The Company was incorporated on 23 August 2012 and has no track record or operating history beyond that of its subsidiary Stirling Assynt (Acquisition) Limited. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise including the risk that the Company will not achieve its objectives and that the value of an investment in the Company could decline and may result in the total loss of all capital invested. The expected performance of the Company is not necessarily a guide to the future performance of the Company.

#### **Reliance on Key Contracts and Business Relationships**

Several of the Company's major customer contracts are in the form of single purchase order arrangements and the majority of the engagements that are more formally documented are terminable on one month's notice. In addition, the Company has or anticipates having several large contracts that represent a significant proportion of its total revenue. There can be no guarantee that the Company's major customers will continue to engage its services.

#### **Pipeline opportunities**

The Company has a major contract in contemplation in the form of a pipeline of opportunity. However there is no certainty that this opportunity will be entered into or converted into a concluded contract or that the expected level of work will in fact if converted to a contract be awarded to the Company. In addition there can be no certainty that any contracts resulting from conversion of the opportunity will be profitable or even not loss-making.

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## Report of the Directors continued

for the period 23 August 2012 to 31 March 2013

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### KEY RISKS AND UNCERTAINTIES - CONTINUED

The Company may need additional access to capital in the future

The Company's capital requirements depend on numerous factors, including its ability to expand its business and its strategy of making complementary acquisitions. If its capital requirements vary materially from its current plans, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities and adversely affect the Company's dividend policy. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable or acceptable to the Company. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of the Company's operations or anticipated expansion or to cease trading.

### Management of future growth

The Company's plans for growth will challenge the Company's new management team, customer support, marketing, administrative and technological resources. If the Company is unable to manage its growth effectively its business, operations or financial condition may deteriorate. The Company will consider future acquisition opportunities. If the Company is unable successfully to integrate an acquired company or business, the acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Company's expectations, the Company may have to decrease the value afforded to the acquired business or realign the Company's structure.

### GOING CONCERN

The Directors regularly review cash flow forecasts of the Group to determine whether the Group has sufficient cash reserves to meet the future working capital requirements. The forecasting of the business and cash flow numbers do require a set of assumptions and carries certain risks in that projects are included in the forecasting in anticipation of their being awarded. Clearly, should these not occur then the forecast numbers for a given year will be different.

The Board of Directors are of the opinion that the Group, using actual secured projects, will have the necessary cash resources to meet the current working capital requirements. The consolidated financial statements are prepared on the assumption that the Group is a going concern on the basis that the directors are satisfied that sufficient financial resources will be available to meet the Group's current and foreseeable working capital.

### INFORMATION TO SHAREHOLDERS - WEB SITE

The Company has its own web site ([www.falanxgroup.com](http://www.falanxgroup.com)) for the purposes of improving information flow to its shareholders and potential investors.

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## Report of the Directors continued

for the period 23 August 2012 to 31 March 2013

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards, as adopted by the European Union ("IFRS").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### AUDITORS

Bennett Brooks & Co Ltd, were appointed auditors to the Company and a resolution proposing that they be reappointed as auditors of the Company will be put to the Annual General Meeting.

ON BEHALF OF THE BOARD:

J R Blamire - Director

Date: 25 September 2013

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## Report of the Independent Auditors to the Members of Falanx Group Limited

for the period 23 August 2012 to 31 March 2013

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We have audited the financial statements of Falanx Group Limited for the period ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### Respective responsibilities of directors and auditors

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent company's affairs as at 31 March 2013 and of the group's profit for the period then ended;
- The Group and Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the note 1 of the financial statements concerning the Group and Company's ability to continue as a going concern.

In view of significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Neil White (Senior Statutory Auditor)  
for and on behalf of Bennett Brooks & Co Ltd  
Chartered Accountants & Statutory Auditors  
1 Charterhouse Mews London EC1M 6BB

Date: 25 September 2013

## Consolidated Statement of Comprehensive Income

for the period 23 August 2012 to 31 March 2013

	Notes	£
<b>CONTINUING OPERATIONS</b>		
Revenue	2	-
Administrative expenses		<u>(73,774)</u>
<b>OPERATING PROFIT</b>		<u>(73,774)</u>
<b>LOSS BEFORE INCOME TAX</b>	4	(73,774)
Income tax	6	-
<b>LOSS AFTER INCOME TAX</b>		<u>(73,774)</u>
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets	21	<u>210,699</u>
<b>PROFIT FOR THE PERIOD</b>		<u>136,925</u>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>136,925</u>
Profit attributable to: Owners of the parent		<u>136,925</u>
Total comprehensive income attributable to: Owners of the parent		<u>136,925</u>
Earnings per share expressed in pence per share:		
Basic	8	4.46
Diluted		<u>4.46</u>

## Consolidated Statement of Financial Position

31 March 2013

	Notes	£
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	9	75,000
Property, plant and equipment	10	9,266
Investments	11	-
Deferred tax	17	<u>258,261</u>
		<u>342,527</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	12	688,623
Cash and cash equivalents	13	<u>116,653</u>
		<u>805,276</u>
<b>TOTAL ASSETS</b>		<u>1,147,803</u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share premium	15	3,150
Retained earnings	15	<u>136,925</u>
<b>TOTAL EQUITY</b>		<u>140,075</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	16	<u>1,007,728</u>
<b>TOTAL LIABILITIES</b>		<u>1,007,728</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,147,803</u>

The financial statements were approved by the Board of Directors on 25 September 2013 and were signed on its behalf by:

J R Blamire - Director



## Company Statement of Financial Position

31 March 2013

	Notes	£
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	9	-
Property, plant and equipment	10	-
Investments	11	<u>1</u>
		<u>1</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	12	<u>307,096</u>
<b>TOTAL ASSETS</b>		<u>307,097</u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share premium	15	3,150
Retained earnings	15	<u>(33,424)</u>
<b>TOTAL EQUITY</b>		<u>(30,274)</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	16	<u>337,371</u>
<b>TOTAL LIABILITIES</b>		<u>337,371</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>307,097</u>

The financial statements were approved by the Board of Directors on 25 September 2013 and were signed on its behalf by:

J R Blamire - Director

## Consolidated Statement of Changes in Equity

for the period 23 August 2012 to 31 March 2013

	Retained earnings £	Share premium £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	-	3,150	3,150
Total comprehensive income	<u>136,925</u>	<u>-</u>	<u>136,925</u>
<b>Balance at 31 March 2013</b>	<u>136,925</u>	<u>3,150</u>	<u>140,075</u>

## Company Statement of Changes in Equity

for the period 23 August 2012 to 31 March 2013

	Retained earnings £	Share premium £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	-	3,150	3,150
Total comprehensive income	<u>(33,424)</u>	<u>-</u>	<u>(33,424)</u>
<b>Balance at 31 March 2013</b>	<u>(33,424)</u>	<u>3,150</u>	<u>(30,274)</u>

## Consolidated Statement of Cash Flows

for the period 23 August 2012 to 31 March 2013

	Notes	£
<b>Cash flows from operating activities</b>		
Cash generated from operations	1	<u>121,851</u>
Net cash from operating activities		<u>121,851</u>
<b>Cash flows from investing activities</b>		
Net cash paid to acquired subsidiaries	2	<u>(8,348)</u>
Net cash from investing activities		<u>(8,348)</u>
<b>Cash flows from financing activities</b>		
Share issue		<u>3,150</u>
Net cash from financing activities		<u>3,150</u>
<b>Increase in cash and cash equivalents</b>		<u>116,653</u>
<b>Cash and cash equivalents at beginning of period</b>	3	<u>-</u>
<b>Cash and cash equivalents at end of period</b>	3	<u>116,653</u>

## Consolidated Statement of Cash Flows

for the period 23 August 2012 to 31 March 2013

	Notes	£
<b>Cash flows from operating activities</b>		
Cash generated from operations	1	<u>(3,148)</u>
Net cash from operating activities		<u>(3,148)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed asset investments		<u>(2)</u>
Net cash from investing activities		<u>(2)</u>
<b>Cash flows from financing activities</b>		
Share issue		<u>3,150</u>
Net cash from financing activities		<u>3,150</u>
<b>Increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of period	3	<u>-</u>
Cash and cash equivalents at end of period	3	<u>-</u>

## Notes to the Consolidated Statement of Cash Flows

for the period 23 August 2012 to 31 March 2013

### 1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

<b>Group</b>	<b>£</b>
Loss before income tax	(73,774)
Net foreign exchange	(12,787)
	(86,561)
Increase in trade and other receivables	(284,647)
Increase in trade and other payables	<u>493,059</u>
<b>Cash generated from operations</b>	<u>121,851</u>
<b>Company</b>	<b>£</b>
Loss before income tax	(33,424)
Increase in amount owed by group	(22,449)
	(55,873)
Increase in trade and other receivables	(284,647)
Increase in trade and other payables	<u>337,372</u>
<b>Cash generated from operations</b>	<u>(3,148)</u>

### 2. NET CASH OUTFLOW ON ACQUISITION OF BUSINESS AND SUBSIDIARIES

Consideration transferred in cash by Stirling Assynt (Acquisition) Limited	(125,000)
Less:	
Cash and cash equivalent balances acquired	<u>116,652</u>
Net cash paid to acquired subsidiaries	<u>(8,348)</u>

### 3. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

	<b>Group</b>		<b>Company</b>	
<b>Period ended 31 March 2013</b>	31.3.13	23.8.12	31.3.13	23.8.12
	£	£	£	£
Cash and cash equivalents	<u>116,653</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 1. ACCOUNTING POLICIES

#### Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention.

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

#### Application of new and revised International Financial Reporting Standards (IFRS)

##### a) Standards, amendments and interpretations effective in 2013 but not relevant:

The following new standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2012 but they are not relevant to the Group's operations:

- Amendments to IFRS 7 Disclosures - Transfer of Financial Assets
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendment to IAS 1 (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

##### b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group and are not relevant to the Group's operations:

The following new standards, amendments and interpretation to existing standards were in issue at the date of authorisation of these consolidated financial statements, but are not yet effective for the financial year ended 31 March 2013, and in some cases have not been adopted by the EU:

- IAS 19 'Employee Benefits' (as revised in 2011)
- IAS 27 'Separate Financial Statements' (as revised in 2011)
- IAS 28 'Investment in Associates and Joint Ventures' (as revised in 2011)
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to IFRSs 'Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1'
- IFRS 9 'Financial Instruments' (Issued in 2009 and subsequent amendments in 2010)
- IFRS 10 'Consolidated financial statements' (2011)
- IFRS 11 'Joint Arrangement' (2011)
- IFRS 12 'Disclosure of Interests in Other Entities' (2011)
- IFRS 13 'Fair Value Measurement' (2011)
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 1. ACCOUNTING POLICIES CONTINUED

#### Use of estimates and judgements

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Goodwill

The Group follows the requirements of IAS36- Impairment of Assets, and test goodwill to determine when goodwill is impaired. The determination requires significant judgement. In making this judgement, the Group estimates the recoverable amount of the cash generating units to which goodwill has been allocated based on value-in use calculations. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. For the purpose of impairment testing, goodwill has been allocated to the Company's cash generating unit- Stirling Assynt (Europe) Limited.

The carrying amount of goodwill at 31 March 2013 was £75,000 and the Directors are of the opinion that no impairment is currently considered necessary.

#### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Falanx Group Limited and its subsidiaries made up to 31 March 2013. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recognised in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate



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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

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### 1. ACCOUNTING POLICIES CONTINUED

#### GOING CONCERN

As at 31 March 2013, the Group's current assets exceed current liabilities by £202,452.

On 20 June 2013 Falanx Group Limited successfully listed on the London Stock Exchange's Alternative Investment Market ("AIM"). Subsequent to the listing, the Company has raised in total £820,000 capital through the issue of Ordinary Shares. Further information about the event after the reporting period can be found in note 19 - Events After the Reporting Period. The Directors are confident that even without the additional funds the Group will have sufficient funds to continue its operations for the foreseeable future.

The Directors regularly review cash flow forecasts of the Group to determine whether the Group has sufficient cash reserves to meet the future working capital requirements. The Board of Directors are of the opinion that the Group, using actual secured projects, will have the necessary cash resources to meet the current working capital requirements.

The Directors have therefore concluded that it is appropriated to prepare the consolidated financial statements on a going concern basis.

#### REVENUE RECOGNITION

Revenue is recognised, when it is probable that the economic benefits will flow to the Falanx Group Limited and when the revenue can be measured reliably, on the following bases:

- (i) Consulting fees income on rendering of services to customers.
- (ii) Subscription fee income is recognised on a straight line basis over the life of the contract.

The unrecognised portion is treated as deferred income and is included within trade and other payables as deferred income.

- (iii) Supply of products

Revenue in respect of the supply of products is recognised when title effectively passes to the customer.

- (iv) Supply and installation contracts and supply of services

Where the outcome can be estimated reliably in respect of long-term contracts and contracts for on-going services, revenue represents the value of work done in the period, including estimates of amounts not invoiced. Revenue in respect of long term contracts and contracts for on-going services is recognised by reference to the stage of completion, where the stage of completion can be assessed with reasonable accuracy. This is assessed by reference to the estimated project costs incurred to date compared to the total estimated project costs. Revenue is calculated to reflect the substance of the contract, and is reviewed on a contract-by-contract basis, with revenues and costs at each divisible stage reflecting known inequalities of profitability.

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 1. ACCOUNTING POLICIES CONTINUED

#### GOING CONCERN

(v) Maintenance income

Revenues in respect of the supply of maintenance contracts are recognised on a straight line basis over the life of the contract.

The unrecognised portion of maintenance income is included within trade and other payables as deferred income.

(vi) Training courses

Revenues in respect of training courses are recognised when the trainees attend the courses.

(vii) Interest income, in proportion to time, taking into account the principal outstanding and the effective interest rates applicable.

#### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

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### 1. ACCOUNTING POLICIES CONTINUED

#### BUSINESS COMBINATIONS AND GOODWILL - CONTINUED

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Falanx Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### PROPERTY, PLANT AND EQUIPMENT

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life;

- Fixtures and fittings - 33.33%
- Computer equipment - 33.33%

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any identified impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates of 33.33 per cent.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 1. ACCOUNTING POLICIES CONTINUED

#### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments into loans and receivables and other financial liabilities.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle basis, or to realise the assets and settle the liabilities simultaneously.

#### Financial assets - Initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Falanx Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that Falanx Group commits to purchase or sell the asset.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include "trade and other receivables" and "cash and cash equivalents".

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs.

#### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, trade and receivables are measured at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

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### 1. ACCOUNTING POLICIES CONTINUED

#### FINANCIAL INSTRUMENTS - CONTINUED

##### Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, demanded deposits with banks and other financial institutions that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

##### Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities - Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group classifies its financial liabilities as other financial liabilities:

(i) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group's other financial liabilities comprises "borrowings and trade and other payables".

##### Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated in amortised cost, except where the payables are interest-free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

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### 1. ACCOUNTING POLICIES CONTINUED

#### FINANCIAL INSTRUMENTS - CONTINUED

##### Financial liabilities - Derecognition

The Group derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### (i) Current tax

Current taxes are based on the results shown in the consolidated financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

##### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carrying forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

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### 1. ACCOUNTING POLICIES CONTINUED

#### FOREIGN CURRENCIES

##### (i) Functional and presentation currency

Items included in the financial statements of the Falanx Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in £ sterling, which is the Falanx Group's functional and presentation currency.

##### (ii) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Transactions in foreign currencies during the year are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities items in foreign currencies at the year end are translated at rates of exchange ruling on the statement of financial position date. All exchange differences are dealt with in the income statement in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Falanx Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in equity.

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 1. ACCOUNTING POLICIES CONTINUED

#### SEGMENTAL REPORTING

The activities of the group are divided into operating segments in accordance with the requirements of IFRS 8 'Operating Segments'. Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the group based on the various services of the reportable segments.

Internal management and reporting segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the group financial statements.

Operating segments are reported in a manner consistent with the internal reporting provided to the 'chief decision-maker', who is responsible for allocating resources and assessing performance of the operating segments and which has been identified as the Board of Directors that make strategic decisions.

#### EMPLOYEE BENEFITS COSTS

##### (i) Employee leave entitlements

Employee entitlements to annual leave, sick leave and maternity or paternity leave are not recognised until the time of leave.

##### (ii) Retirement benefit scheme

The Company contributes to a personal pension plan for one of its employees and the pension charge represents the amounts payable by the Company to the fund in respect of the period.

#### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.



## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 2. SEGMENTAL REPORTING

#### Segment information

As at 31 March 2013, the Group operates two business segments that includes Falanx Protection and Stirling Assynt.

Falanx Protection has identified a pipeline of potential opportunities in the Middle East for physical security, including blast protection.

Stirling Assynt provides the Assynt political and security risk briefing service and the business intelligence service.

#### Segment revenues and results

During the period, Falanx Protection incurred a segment loss of £30,687, which represents the licence fees and legal fees incurred to 31 March 2013, without allocation of central administration costs, directors' salaries and finance cost. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The business segment- Stirling Assynt was acquired on 29 March 2013 (see note 21 Business Combinations); therefore, no segment revenue has been generated for the period 29 March 2013 to 31 March 2013.

The segment assets and liabilities at 31 March 2013 are as follows:

	Falanx Protection £	Stirling Assynt £	Unallocated - Holding companies £	Consolidated total £
Segment assets	-	860,545	287,258	1,147,803
Segment liabilities	(30,687)	(514,669)	(462,372)	(1,007,728)

### 3. EMPLOYEES AND DIRECTORS

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

Directors	<u>5</u>
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Subsequent to the acquisition of business from Stirling Assynt International Group Limited on 29 March 2013, the Group has 17 full time staff members as at 31 March 2013.

Directors' remuneration	<u>£ 5,000</u>
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## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 4. LOSS BEFORE INCOME TAX

The profit before income tax is stated after charging:

	£
Depreciation - owned assets	3,321
Foreign exchange differences	663
	<u>          </u>

### 5. AUDITORS' REMUNERATION

	£
Fees payable to the Group's auditors for the audit of the company and its subsidiaries' financial statements	25,000
	<u>          </u>

### 6. INCOME TAX

#### British Virgin Islands

The Company and its subsidiaries, Falanx Protection Limited and Stirling Assynt (Acquisition) Limited were incorporated and domiciled in British Virgin Islands. The Companies are therefore not subject to profit tax charge under BVI legislations.

#### UK and Hong Kong

No liability to UK and Hong Kong corporation tax arose on ordinary activities for the period, as the companies were acquired by Stirling Assynt (Acquisition) Limited on 29 March 2013. The companies did not have any trading activity between 29 March 2013 to 31 March 2013.

### 7. LOSS OF PARENT COMPANY

The income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £ (33,424).

### 8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential Ordinary Shares.

Reconciliations are set out below.

	Earnings £	Weighted average number of shares	Per-share amount pence
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	136,925	3,067,797	4.46
Effect of dilutive securities	<u>          </u>	<u>          </u>	<u>          </u>

## Notes to the Consolidated Financial Statements

for the period 23 August 2012 to 31 March 2013

### 9. GOODWILL

Group	£
<b>COST</b>	
Acquisitions through business combinations (Note 21)	<u>75,000</u>
At 31 March 2013	<u>75,000</u>
<b>NET BOOK VALUE</b>	
At 31 March 2013	<u>75,000</u>

Goodwill was recognised by Stirling Assynt (Europe) Limited on 11 April 2008, subsequent to the purchase of the business from the director, Mr H McLeod.

As detailed in the accounting policies the Directors are required to undertake a review for impairment at least annually and for other assets where events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Directors are of the opinion that no impairment is currently considered necessary.

### 10. PROPERTY, PLANT AND EQUIPMENT

Group			
	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>			
Acquisitions through business combinations	<u>2,500</u>	<u>10,087</u>	<u>12,587</u>
At 31 March 2013	<u>2,500</u>	<u>10,087</u>	<u>12,587</u>
<b>DEPRECIATION</b>			
Charge for period	<u>292</u>	<u>3,029</u>	<u>3,321</u>
At 31 March 2013	<u>292</u>	<u>3,029</u>	<u>3,321</u>
<b>NET BOOK VALUE</b>			
At 31 March 2013	<u>2,208</u>	<u>7,058</u>	<u>9,266</u>

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 11. INVESTMENTS

Company

	Shares in group undertakings £
<b>COST</b>	
Additions	<u>1</u>
At 31 March 2013	<u>1</u>
<b>NET BOOK VALUE</b>	
At 31 March 2013	<u>1</u>

Details of the Company's subsidiaries at the end of the reporting period as follows.

Name of subsidiary	Principal Activity	Place of incorporation	Proportion of ownership interest and voting power held by Group
Stirling Assynt (Acquisition) Limited	Holding of investments	British Virgin Islands	100%
Falanx Protection Limited	Blast protection, security consultancy.	British Virgin Islands	100%

The following are the subsidiaries of Stirling Assynt (Acquisition) Limited:

Stirling Assynt (Europe) Limited	International business intelligence consultancy	United Kingdom	100%
Stirling Risk (Asia) Limited	Provision of risk assessments and investigation services	Hong Kong	100%

See note 21 Business Combinations for further information on the acquisition.

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 12. TRADE AND OTHER RECEIVABLES

	Group £	Company £
Current:		
Trade receivables	303,867	-
Amounts owed by group undertakings	-	22,449
Other receivables	300,093	284,647
Prepayments & accrued income	<u>84,663</u>	<u>-</u>
	<u>688,623</u>	<u>307,096</u>

### 13. CASH AND CASH EQUIVALENTS

	Group £
Bank accounts	<u>116,653</u>

### 14. CALLED UP SHARE CAPITAL

Allotted and issued:			
Number:	Class:	Nominal value:	£
32,500,000	Ordinary	Zero par value	<u>-</u>

#### Authorised share capital

On incorporation, the Company was authorised to issue 1,000,000 Ordinary Shares with no par value.

Pursuant to a resolution of the Company passed on 11 January 2013, the maximum number of Shares the Company is authorised to issue was increased from 1,000,000 to 200,000,000 shares.

Ordinary Shares, which has no par value, carry one vote per share and carry a right to dividends.

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 14. CALLED UP SHARE CAPITAL - CONTINUED

Issued share capital:	Number of shares issued		Share premium	
	Date		Share capital £	£
Unpaid Ordinary Shares on incorporation	23 August 2012	1,000,000	-	-
Unpaid Ordinary Shares at £0.00001 per share	15 March 2013	31,500,000	-	3,150
		<u>32,500,000</u>	<u>-</u>	<u>3,150</u>

### 15. RESERVES

#### Group

	Retained earnings £	Share premium £	Totals £
Profit for the period	136,925		136,925
Cash share issue	-	<u>3,150</u>	<u>3,150</u>
At 31 March 2013	136,925	3,150	140,075

#### Company

	Retained earnings £	Share premium £	Totals £
Deficit for the period	(33,424)		(33,424)
Cash share issue	-	<u>3,150</u>	<u>3,150</u>
At 31 March 2013	<u>(33,424)</u>	<u>3,150</u>	<u>(30,274)</u>

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 16. TRADE AND OTHER PAYABLES

	Group £	Company £
Current:		
Trade payables	376,939	259,871
Social security & other taxes	46,001	-
Other payables	187,709	52,500
Accruals & deferred income	373,240	25,000
VAT	<u>23,839</u>	<u>-</u>
	<u>1,007,728</u>	<u>337,371</u>

### 17. DEFERRED TAX

	2013 £
UK Subsidiary	-
At 23 August 2012	-
Deferred tax asset (net) recognised through acquisition	<u>258,261</u>
Balance at 31 March	<u>258,261</u>
<b>The deferred tax asset (net) represents:</b>	
Deferred tax asset	260,114
Deferred tax liabilities	<u>(1,853)</u>
Balance at 31 March	<u>258,261</u>

Under IFRS, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax law) that have been enacted or substantively enacted by the balance sheet date.

The changes to the main rate of corporate tax for UK companies announced by Chancellor in the March 2013 Budget were substantively enacted for financial reporting purposes on 2 July 2013. The main changes in corporation tax rates, that will have accounting implication for deferred tax, are as follows:

- The main rate of corporation tax will reduce from 23% to 21% from 1 April 2014
- The main rate of corporation tax will further reduce to 20% from 1 April 2015

The above deferred tax asset was calculated based on the expected UK main corporation tax rate of 23%, being the rate which we expect to apply in the future when the asset is realised or when the liability is settled.

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## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

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### 18. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are the related party of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below:

#### Transaction with Stirling Assynt International Group Limited

The Group's Director, Karl Barclay, was the founder and Director of Stirling Assynt International Group Limited prior to the business being acquired by Stirling Assynt (Acquisition) Limited.

Following the acquisition of the entire business, assets and undertaking of Stirling Assynt International Group Limited, Karl Barclay has been appointed as Executive Chairman of Falanx Group Limited.

Further information about the business combinations can be found in the note 21 of these financial statements.

No amount has been outstanding between the Group and Stirling Assynt International Group Limited as at 31 March 2013.

### 19. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2013 the following events took place:

On 1 May 2013, Stirling Assynt (Europe) Limited signed a twelve month contract with QinetiQ appointing the company to act as its principal sub-contractor for a second phase of a project to support the restructuring and training of a government agency in a Middle Eastern country. The project involves implementation of the company's recommendations from a scoping phase.

On 20 June 2013 the Group was admitted to the Alternative Investment Market (AIM) of the London Stock Exchange and raised £595,000 (before expenses) at a Placing Price of £0.12 per Ordinary Share through a placing of 4,958,333 Ordinary Shares, representing approximately 13.24 per cent of the Group's enlarged share capital.

On 19 September 2013 the Company announced that it had raised an additional £225,000 through a subscription of 1,875,000 Ordinary Shares with warrants.

### 20. ULTIMATE CONTROLLING PARTY

The Directors are not aware of any ultimate controlling party as at 31 March 2013.



## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 21. BUSINESS COMBINATIONS

Business and subsidiaries acquired

The Company's subsidiary undertaking, Stirling Assynt (Acquisition) Limited, was incorporated in the BVI on 7 February 2013 for the purpose of making the acquisition of the entire business, assets and undertaking of Stirling Assynt International Group Limited.

On 29 March 2013, the following are the subsidiaries acquired subsequent to the signing of Asset Purchase Agreement between Stirling Assynt (Acquisition) Limited ("SAAL") and Stirling Assynt International Group Limited ("SAIG"):

		Proportion of voting equity interest acquired
Stirling Assynt (Europe) Limited	("SAE")	100%
Stirling Risk (Asia) Limited	("SRA")	100%

The principal activities of the above subsidiaries can be found in note 11 of these financial statements.

SAIG provides business intelligence including enhanced due diligence, crisis resolution and advice on market entry from offices in London and Hong Kong, and also provides political and security risk consultancy to a blue chip client base of companies worldwide.

Through the acquisition of the entire business, assets and undertakings of SAIG by SAAL, the Group has an existing network of blue-chip clients worldwide, which take its Political & Security Risk and Business Intelligence services.

#### Consideration transferred

The original loan of £125,000 made to SAIG was converted to the purchase consideration.

#### Assets acquired and liabilities recognised at the date of acquisition

	SAIG £	SAE £	SRA £	Total £
<b>Non-current assets</b>				
Goodwill	-	75,000	-	75,000
Property, plant and equipment	-	9,266	-	9,266
Deferred tax asset	-	258,261	-	258,261
<b>Current assets</b>				
Cash and cash equivalents	2,610	104,475	9,567	116,652
Trade and other receivables	1,435,540	330,595	73,381	1,839,516
<b>Current liabilities</b>				
Trade and other payables	-	(1,544,044)	(418,952)	(1,962,996)
	<u>1,438,150</u>	<u>(766,447)</u>	<u>(336,004)</u>	<u>335,699</u>

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 21. BUSINESS COMBINATIONS - CONTINUED

Goodwill arising on acquisition

	Total £
Consideration transferred	125,000
Less:	
Fair value of identifiable net assets acquired	<u>(335,699)</u>
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets	<u>(210,699)</u>

#### Excess of acquirer's interest in the net fair value of acquiree's identifiable assets

- (i) A bargain purchase gain of £210,699 was made on the purchase of the assets and liabilities of SAIG
- (ii) The gain arose as a result of the acquisition of the inter company debt of SAIG, which was acquired at nil value by Stirling Assynt (Acquisition) Limited but in the opinion of the directors will be repaid by the subsidiaries, Stirling Assynt (Europe) Limited and Stirling Risk (Asia) Limited.

#### Net cash outflow on acquisition of business and subsidiaries

	£
Consideration transferred in cash	(125,000)
Less:	
Cash and cash equivalent balances acquired	<u>116,652</u>
	<u>(8,348)</u>

#### Impact of acquisitions on the results of the Group

No profit has been generated in the period under review. The subsidiaries were acquired on 29 March 2013.

Had these business combinations been effected at 1 April 2012, the revenue of the Group from continuing operations would have been £1,806,747, and the profit from the continuing operations would have been £148,611.

The directors consider these 'pro - forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks.

#### Categories of financial instruments

The totals for each category of financial instruments and the carrying amounts, measured in accordance with IAS 39 as detailed in the policies, are as follows:

#### Financial Assets

	Loan and receivables at amortised costs £	Non- financial assets £	Total £
As at 31 March 2013			
Trade and other receivables	603,960	84,663	688,623
Cash and cash equivalents	<u>116,653</u>	<u>-</u>	<u>116,653</u>
Total	<u>720,613</u>	<u>84,663</u>	<u>805,276</u>

#### Financial liabilities

	Trade and other payables at amortised costs £	Non- financial liabilities £	Total £
As at 31 March 2013			
Trade and other payables	<u>564,648</u>	<u>443,080</u>	<u>1,007,728</u>
Total	<u>564,648</u>	<u>443,080</u>	<u>1,007,728</u>

#### Capital management

Total capital managed in the Group is the shareholders' funds as shown in the statements of financial position.

The Group aims to manage its overall capital so as to ensure that it continues to operate as a going concern, whilst providing an adequate return to its shareholders.

The Group set the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to any externally imposed capital requirements.

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

#### Risk management objectives

The Group manages financial risks through a Treasury function which monitors the risks and acts accordingly. The principal risks to which the Group is exposed are credit risk, liquidity risk and foreign exchange risk.

#### Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the Group.

The Group manages its exposure to this risk by applying Board approved limits to the amount of credit exposure to any one counter-party and employs strict minimum credit worthiness criteria as to the choice of counter-party thereby ensuring that there are no significant concentrations of credit risk.

The carrying amount of financial assets represents the maximum credit exposure; therefore, the maximum exposure to credit risk at the balance sheet date was £720,613. The amount represents the total of the carrying amount of current assets.

The maximum amount exposure to credit risk for trade receivables at the balance sheet date was £303,867. As at the date of signing these financial statements, the Group does not expect to incur material credit losses of its financial assets or other financial instruments; therefore credit exposure is considered minimal.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting these obligations associated with financial liabilities.

The responsibility for liquidity risks management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short term and long-term funding and liquidity risks management requirements.

The Group manages liquidity risks by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following are the areas of the Group's exposure to liquidity risk:

	Carrying amount	Due in less Than one month	six months and one year
	£	£	£
<b>As at 31 March 2013</b>			
Trade payables	376,939	376,939	-
Other payables	187,709	-	187,709
Total	564,648	376,939	187,709

## Notes to the Consolidated Financial Statements continued

for the period 23 August 2012 to 31 March 2013

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

#### Foreign exchange risk

The Group's exposure to foreign currency risk is follows. This is based on the carrying amount for monetary financial instruments:

Financial assets	Sterling £	US Dollar £	Euro £	Australian Dollar £	Canadian Dollar £	Hong Kong Dollar £	Total £
<b>As at 31 March 2013</b>							
Cash and cash equivalents	74,387	30,008	81	-	-	12,177	116,653
Trade receivables	132,510	48,994	51,435	3,150	827	66,951	303,867
Other receivables	300,093	-	-	-	-	-	300,093
	<u>506,990</u>	<u>79,002</u>	<u>51,516</u>	<u>3,150</u>	<u>827</u>	<u>79,128</u>	<u>720,613</u>

Financial assets	Sterling £	US Dollar £	Euro £	Australian Dollar £	Canadian Dollar £	Hong Kong Dollar £	Total £
Trade payables	375,928	-	-	-	-	1,011	376,939
Other payables	187,709	-	-	-	-	187,709	
	<u>563,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011</u>	<u>564,648</u>

#### Foreign exchange sensitivity analysis

A 10 percent weakening of the foreign currencies against sterling would have increased/(decreased) equity and profit/loss by £15,596 next year.

The Group currently does not utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

### 23. FINANCIAL COMMITMENTS

On 11 January 2013, Falanx Protection Limited and Environmental Recycling Technologies Plc ("ENRT") entered into a licence agreement, which Falanx Protection Limited agreed to pay ENRT a licence fee of \$100,000 in four instalments during 2013 and royalties equal to 5 percent of the net sales price of the product supplied by Falanx Protection Limited in the licensed territory bi-annually, subject to an annual minimum royalty of \$100,000, which is payable from 2014 onwards.

Subject to earlier termination, the ENRT Agreement is for a period of 20 years or, if later, until the expiration of the relevant patents on a country by country basis. Falanx Protection Limited may, however, terminate on three months' notice at any time during the first twelve months. Upon termination Falanx Protection is free, subject to payment of any applicable royalties, to sell or dispose of the licensed products how it chooses.



[www.falanxgroup.com](http://www.falanxgroup.com)