1 November 2016

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

INTERIM RESULTS AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2015

Falanx Group (AIM:FLX), the global intelligence, security and cyber defence provider, is pleased to announce its interim results for the six months ended 30 September 2016.

Highlights

- Significantly increased *Cyber* revenue to c.£0.3m, growth of 1130% and now contributing materially to the business after its start-up investment period.
- Increased *Intelligence* revenue to c.£0.9m, growth of 17%.
- Successful acquisition of ASC Ltd, a fast growing and respected Cyber Security consultancy.
- Integration of ASC and Falanx businesses has yielded meaningful cost reductions, yielding annualized savings of c£350k.
- Raised £1.5m in May 2016 by way of a £1m equity placing and £0.5m in convertible loan notes.
- Cash balance of £830k at 30 September 2016.
- Strong new Cyber orders and pipeline.

Post-period highlights

- Appointment of Stuart Bladen as CEO. Stuart was previously Executive Chairman of Vistorm Ltd, a specialist cyber company and Head of UK Public Sector and Middle East for Hewlett-Packard.
- Unsolicited subscription for £0.75m of equity at market price and without attached warrants allowed for repayment in full of convertible loan notes dated May 2016.
- The company now goes forward on a debt free basis.

Outlook

The Cyber market is still growing strongly, driven by significant cyber threats, growing regulation, and frequent publicity on security breaches. In light of this growth, the ASC acquisition has broadened our *Cyber* portfolio, and is delivering new sales often with multiple services. This is promoting broader client engagement and annuity revenue. To meet the scale of growth, Falanx *Cyber* is moving to a new Security Operations Centre (SOC) in Birmingham City Centre. This will refresh and expand our capacity, whilst lowering unit cost for real estate and staff.

Cyber Defence orders and pipeline are extremely strong in the Financial Services sector, bringing on board clients as prestigious as Vanquis Bank, part of the Provident Group, and working with partners such as Nasstar Plc to take our services to an ever growing market. Our *Intelligence* division is also expected to continue to expand, providing steady organic growth above 15% with the greatest contribution of revenue being generated by long-established and highly respected 'Blue Chip' clients. In order to meet client demand in all areas we are planning a significant recruitment push, this will in turn underpin our continued drive to positive cash flow from operations next year. As such, we plan to meet H2 needs for expanded working capital from the recent equity subscription.

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Stuart Bladen, CEO of Falanx Group, commented:

"I am delighted to join Falanx Ltd as CEO. I did so because I believe Falanx is well positioned within a rapidly growing market. My primary focus is to accelerate our strategy and deliver on the extremely promising foundations I have found in Falanx and the exciting opportunity that exists. I will focus in particular on expanding our client relationships and on building high quality efficient delivery teams to help Falanx to grow profitably".

Kyle Augustin, IT and Change Director, Vanquis Bank, commented;

"We have been pleased to engage with Falanx this year, they have provided us with valuable strategic cyber services helping us to improve our security and systems"

Nigel Redwood, CEO of Nasstar Plc, commented:

"We are in early stage planning to establish a long term partnership with Falanx Group in order to access and develop the excellent growth opportunities in the UK Cyber Security market"

Enquiries:

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About Falanx
Falanx Group Limited, is a global intelligence and cyber defence provider working with blue chip and government clients. The Group listed on AIM in June 2013 under ticker FLX For more information: http://www.falanxgroup.com/

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This announcement contains inside information for purposes of Article 7 of Regulation (EU) No 596/2014

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CHAIRMAN'S STATEMENT

I am pleased to report that we continue to strengthen the company and the Board to grasp the growth opportunities within the Cyber and Intelligence markets.

Trading for the six months to 30 September 2016 was in line with management expectations with revenue for the period of c.£1.2m, which is an increase of 54% compared to revenues achieved for the same period last year. During the period, the Company continued to focus on developing core cyber security skills to address the significant market opportunities. Furthermore, the Company has now successfully integrated the recent acquisition of ASC.

The Company benefited from increased revenue, with a significant increase in Cyber Security services and a very solid half year in Intelligence services.

Segmentally, revenue for the six months to 30 September 2016 was as follows:

- *Intelligence* revenue for the period of c.£0.9m, an increase of 17% compared to revenues achieved for the same period last year
- *Cyber* revenue for the period of c.£0.3m, an increase of 1130% compared to revenues achieved for the same period last year and reflects that this unit is now contributing to the overall business after its start-up investment period.

On 3 October 2016, the Company announced it had successfully strengthened its balance sheet through an equity subscription to raise £0.75m (gross) and the early redemption of outstanding Loan Notes held by Darwin Capital Ltd. A final repayment of £577,500 has been made to Darwin Capital Ltd.

Board Changes

As previously notified on 17th October: Stuart Bladen has been appointed as CEO of Falanx Group. John Blamire continues to serve on the Board as an executive director, working alongside Stuart in developing new markets, strategic opportunities and development of the Company's core offering. Stuart joins Falanx with a view to further driving cyber security and intelligence opportunities, as the Company builds on the momentum achieved following the streamlining of operations earlier this year. A key focus for Stuart will be to ensure that the Company continues to take advantage of the growing opportunities across the cybersecurity and intelligence markets and further develop its enlarged product suite, which was enhanced by the acquisition of Advanced Security Consulting Limited ("ASC") in May 2016. Stuart has a deep understanding of the Cyber Security industry, in particular the arena of consulting and managed security services. As Executive Chairman of Vistorm Limited, Stuart doubled the company's size to 400 staff and annual turnover of £120m. Vistorm was a provider of consulting, managed security services and network solutions to companies needing a specialist security partner and is now HP Information Security UK Ltd, part of the Hewlett Packard group. Stuart's past track record also includes leadership roles at Hewlett Packard as Vice President of UK Public Sector and for the Middle East, Mediterranean and Africa, where he managed a US$2Bn+ turnover operation. In addition he has held senior roles at EDS, Hitachi, Unisys and PwC where he led teams of up to 18,000 people with business units delivering revenue of more than US$3Bn.

As notified on the 1st November: Iain Manley retired as Non-Executive Director from the Board of Falanx Group with immediate effect.

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M Read
Chairman

RESULTS

Turnover for the six months ended 30 September 2016 was £1.2m (2015: £0.79m) with Falanx Intelligence's revenue improved at £0.9m (2015: £0.77m) and Falanx Cyber's revenue very significantly improved at £0.3m (2015: £0.03m). The loss before taxation decreased to c.£730k (2015: £1.3m).

The Group's cash balance at 30 September 2016 was £0.83m (2015: £1.2m), prior to the post period repayment of loan notes of £0.58m and equity subscription of £0.75m.

FALANX GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	6 Months to 30 Sep 2016 (Unaudited)	6 Months to 30 Sep 2015 (Unaudited)	Year to 31 Mar 2016 (Audited)
	£	£	£
Continuing operations			
Revenue	**1,212,784**	792,430	1,815,394
Cost of sales	**(1,224,181)**	(858,032)	(1,875,689)
	(11,397)	(65,602)	(60,295)
Administrative expenses	**(636,026)**	(1,236,118)	(2,582,988)
Exceptional item	**-**	-	
Operating Loss	**(647,423)**	(1,301,720)	(2,643,283)
Finance income	**163**	283	373
Finance expense	**(82,500)**	(8,000)	(8,149)
Net finance expense	**(82,337)**	(7,717)	(7,776)
Loss before income tax	**(729,760)**	(1,309,437)	(2,651,059)
Income tax expense	**-**	-	16,880
Loss for the period from continuing operations	**(729,760)**	(1,309,437)	(2,634,179)
Total comprehensive loss for the period	**(729,760)**	(1,309,437)	(2,634,179)
Earnings per share			
Basic earnings per share - continuing and total operations	**(0.74)p**	(1.95)p	(3.79)p
Diluted earnings per share - continuing and total operations	**(0.74)p**	(1.95)p	(3.79)p

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	6 Months to 30 Sep 2016 (Unaudited)	6 Months to 30 Sep 2015 (Unaudited)	Year to 31 Mar 2016 (Audited)
	£	£	£
Assets			
Non-current assets			
Property, plant & equipment	**110,717**	69,821	59,441
Intangible assets	**773,508**	227,874	495,771
Deferred tax	**2,887**	-	2,887
	887,112	297,695	558,099
Current assets			
Inventory	**43,718**	56,044	41,175
Trade and other receivables	**791,387**	907,215	529,686
Cash and cash equivalents	**834,742**	1,211,914	430,132
	1,669,847	2,175,173	1,000,993
Total assets	**2,556,959**	2,472,868	1,559,092
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account	**6,647,257**	5,289,771	5,309,031
Translation reserve	**(85,538)**	(18,139)	(42,162)
Shares to be issued reserve	**174,851**	91,875	174,851
Retained earnings	**(5,732,553)**	(3,678,051)	(5,002,793)
Total equity	**1,004,017**	1,685,456	438,927
Liabilities			
Current liabilities			
Trade and other payables	**1,532,793**	773,419	1,120,165
Current tax liability	**20,149**	-	-
Deferred tax liability	**-**	13,993	-
	1,552,942	787,412	1,120,165
Total liabilities	**1,552,942**	787,412	1,120,165
Total equity and liabilities	**2,556,959**	2,472,868	1,559,092

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium	Retained earnings	Translation reserve	Shares to be issued reserve	Total
	£	£	£		£
Balance at 1 April 2015	2,841,787	(2,368,614)	(29,224)	91,875	535,834
Loss for year	-	(2,634,179)	-	-	(2,634,179)
Transactions with owners:					
Issue of share capital	2,662,259	-	-	-	2,662,259
Cost of share capital issue	(195,025)	-	-	-	(195,025)
Translation of foreign subsidiary	-	-	(12,938)	-	(12,938)
Share options issued	-	-	-	82,976	82,976
Balance as at 31 March 2016	**5,309,031**	**(5,002,793)**	**(42,162)**	**174,851**	**438,927**
Loss for the period	-	(729,760)	-	-	(729,760)
Transactions with owners:					
Issue of share capital	1,374,271	-	-	-	1,374,271
Costs of issue of share capital	(36,045)	-	-	-	(36,045)
Translation of foreign subsidiary	-	-	(43,376)	-	(43,376)
Balance as at 30 September 2016	**6,647,257**	**(5,732,553)**	**(85,538)**	**174,851**	**1,004,017**

FALANX GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	6 Months to 30 Sep 2016 (Unaudited) £	6 Months to 30 Sep 2015 (Unaudited) £	Year to 31 Mar 2016 (Audited) £
Cash flows from operating activities			
Profit/(Loss) before tax	**(729,760)**	(1,309,437)	(2,651,059)
Adjustments for:			
Depreciation	**15,908**	10,984	22,746
Amortisation of intangibles	**156,452**	72,293	309,396
Share based payment	**35,000**	-	82,976
Loss/(Profit) on disposal of property, plant and equipment	**697**	-	(109)
Net finance expense/(income) recognised in profit or loss	**82,337**	7,717	7,776
	(439,366)	(1,218,443)	(2,228,274)
Changes in working capital:			
(Increase)/Decrease in inventories	**(2,543)**	933	15,802
(Increase)/Decrease in trade and other receivables	**(169,674)**	(247,056)	130,473
Decrease/(Increase) in trade and other payables	**324,675**	(192,105)	154,641
Cash used in operations	**(286,908)**	(1,656,671)	(1,927,358)
Interest paid	**(82,500)**	(8,000)	(8,149)
Net cash used in operating activities	**(369,408)**	(1,664,671)	(1,935,507)
Cash flows from investing activities			
Interest received	**163**	283	373
Acquisition of property, plant and equipment	**(60,659)**	(10,841)	(12,414)
Disposal of property, plant and equipment	**-**	-	300
Acquisition of subsidiary	**(140,315)**	-	-
Acquisition of intangibles	**-**	-	(505,000)
Net cash used in investing activities	**(200,811)**	(10,558)	(516,741)
Cash flows from financing activities			
Net Proceeds from issue of shares	**1,018,205**	2,447,974	2,467,234
Net cash generated from financing activities	**1,018,205**	2,447,974	2,300,833
Increase/(decrease) in cash equivalents	**447,986**	772,745	14,986
Cash and cash equivalents at beginning of the period	**430,132**	428,084	428,084
Foreign exchange profit/(losses) on cash and cash	**(43,376)**	11,085	(12,938)
Cash and cash equivalents at end of the period	**834,742**	1,211,914	430,132

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NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2016. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act.

The interim financial information have not been reviewed nor audited by the auditors. The interim financial information was approved by the Board of Directors on 31 October 2016. The information for the year ended 31 March 2016 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 2016. 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.

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 2016.

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 year ended 30 September 2016 are as follows:

	Intelligence	Cyber	Other segments	Total
	£	£	£	£

Revenues from external customers	882,465	325,291	5,028	1,212,784
Total revenue	**882,465**	**325,291**	**5,028**	**1,212,784**
Operating expenses	(733,739)	(627,414)	(326,695)	(1,687,848)
Finance costs - net	45	—	(82,382)	(82,337)
Depreciation and amortisation	(5,734)	(166,297)	(328)	(172,359)
Segment profit/(loss) for the period	**143,037**	**(468,420)**	**(404,377)**	**(729,760)**

The reportable segment results for the year ended 30 September 2015 are as follows:

	Intelligence	Resilience	Cyber	Other segments	Total
	£	£	£	£	£
Revenues from external customers	766,037	—	26,393	—	792,430
Total revenue	**766,037**	—	26,393	—	**792,430**
Operating expenses	(666,702)	(25)	(876,996)	(467,150)	(2,010,873)
Finance cost - net	15	—	—	(7,732)	(7,717)
Depreciation and amortisation	(5,918)	—	(77,359)	—	(83,277)
Segment profit/(loss) for the period	**93,432**	**(25)**	**(927,962)**	**(474,882)**	**(1,309,437)**

Segment assets and liabilities as at 30 September 2016 and capital expenditure for the year then ended are as follows:

	Intelligence	Cyber	Other segments	Total
	£	£	£	£
Total assets	994,098	817,758	745,103	2,556,959
Liabilities	611,700	171,618	769,624	1,552,942
Capital expenditure	1,129	58,111	1,419	60,659

Segment assets and liabilities as at 30 September 2015 and capital expenditure for the year then ended are as follows:

	Intelligence	Resilience	Cyber	Other segments	Total
	£	£	£	£	£
Total assets	806,209	40	880,006	786,612	2,472,867
Liabilities	462,175	151,007	112,819	61,411	787,412
Capital expenditure	3,947	—	6,894	—	10,841

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 2016 (Unaudited)	6 Months to 30 Sep 2015 (Unaudited)	Year to 31 Mar 2016 (Audited)
Loss attributable to equity holders of the company (£)	**(729,760)**	**(1,309,437)**	(2,634,179)
Weighted average number of ordinary shares in issue	**99,123,798**	**67,238,391**	69,441,528
Basic (loss)/profit per share (pence per share)	**(0.74)**	**(1.95)**	(3.79)

As at 30 September 2016, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making.

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