FALANX GROUP LIMITED

(“Falanx” or “the Company”)

Final Results for the Period Ended 31 March 2014

A seminal period in the Group’s development

Falanx Group Limited, a security and risk management consultancy working with blue chip and government clients worldwide, is pleased to announce its maiden results, for the Year ended 31 March 2014, since listing on the AIM Stock Exchange in June 2013.

The year was a seminal period in terms of the Group’s progress towards future growth and profitability following our successful listing. The listing has enabled the Group to begin to realise its strategic goals, particularly in pursuing acquisitions of niche companies, and has given the Group credibility in dealing with major potential clients in the Middle East and Asia.

Events in the Middle East have continued to raise awareness of the risks posed by political turmoil and the terrorist threat. This has led to an increase in interest amongst both commercial and government clients for support in understanding the threat and in constructing a response where their interests may be affected.

Interest in the cyber service, which offers a unique set of capabilities, has been significant and Falanx already has a number of major projects in the pipeline.

Highlights:

- Profitable performances from both Falanx Intelligence and Falanx Resilience; £87,000 and £699,000 before tax respectively
- Divisional structure streamlined to match identified client needs
- Falanx Intelligence - markedly improved marketing and sales performance
- Falanx Resilience - significant success in the first year of its operations
- Falanx Cyber - new cyber defence service, to be launched in October 2014
    - Unique set of capabilities that can be offered as a single proposition for the UK and overseas market
    - Number of major projects in the pipeline
- Revenue: £4.4 million; Gross Margin: 31.7%
- Profit before tax was £9,488, as the year involved a significant amount of costs related to the recruitment of new staff, establishment of the cyber defence capability, due diligence on acquisition targets and partnership costs.

Post Period

- Subscription to raise £2 million
- Strategic Alliance with MDS to deliver assured cloud and cyber defence
- Cyber defence capability expanded by agreements with Assuria and Digital Shadows
- State-of-the-art Cyber-Security Operations Centre ready for operation.

The Report and Accounts will be posted to Shareholders today and will be available for download on the Company's website: http://www.falanxgroup.com

John Blamire, CEO of Falanx Group, commented:

"In our maiden year on AIM we have enjoyed significant progress, while also delivering on our promise to double revenues and expand our services. All divisions have made great strides forward and our new cyber defence service will be a central plank of our growth strategy over the next few years. There is already significant engagement with government and commercial entities in the UK and internationally for the delivery of our unique cyber defence services."

"We are also in discussion with potential customers on new projects within the Intelligence and Resilience Divisions and we expect to see improved profitability from both alongside that of the Cyber Defence Division. I am confident the Group is on track for significant growth over the next five years."

25th September 2014

Enquiries:

Falanx Group Limited + 44 (0) 20 7856 9457
John Blamire, Chief Executive
www.falanxgroup.com

Charles Stanley Securities +44 (0) 207 149 6000
Nominated Adviser & Broker
Mark Taylor

Lothbury Financial Services +44 (0) 20 3440 7620
Michael Padley / Gary Middleton

Chairman's Statement

The year was a seminal period in terms of the Group's progress towards future growth and profitability following our successful listing on the AIM Stock Exchange in June 2013. The listing has enabled the Group to begin to realise its strategic goals, particularly in pursuing acquisitions of niche companies, and has given the Group credibility in dealing with major potential clients in the Middle East and Asia.

Events in the Middle East have continued to raise awareness of the risks posed by political turmoil and the terrorist threat. This has led to an increase in interest amongst both commercial and government clients for support in understanding the threat and in constructing a response where their interests may be affected.

This has resulted in profitable performances from both Falanx Intelligence and Falanx Resilience during the reporting year. Falanx Cyber began to become a reality in the reporting period, and since the end of the year very significant progress has been made towards the launch of our new cyber defence service in October 2014. Interest in the cyber service has been significant and we already have a number of major projects in the pipeline.

The Group's strategy remains:

1. **To acquire top-quality, niche security providers so as to expand our capability, raise our profile and increase cash-flow.** *We acquired Stirling Assynt in late March 2013;*

2. **To exploit Stirling Assynt's extensive global client base for Falanx's broader proposition.** *We have successfully deployed a comprehensive, new-generation CRM system to enable increased effectiveness of our existing client base in our marketing and sales operations;* and

3. **To build on our high-level contacts especially in the Middle East.** *We won a contract to provide a major capacity building project in the Middle East and expect further such contracts in late 2014; we are also currently conducting scoping operations for a major cyber project in a Middle Eastern country.*

Financial Review

Falanx Group's turnover for the year ended 31 March 2014 was £4.44 million, with Falanx Intelligence and Falanx Resilience's turnover being £1.56 million and £2.88 million respectively. Falanx Group's profit before taxation for the year 2013-2014, the Group's first full year of trading, was £9,488. The year involved a significant amount of other costs related to the recruitment of new staff, establishment of our cyber defence capability, conducting commercial, legal and technical due diligence on two acquisition targets, creating a new cyber defence website, and legal costs related to partnerships with Assuria and MDS. Without these costs the profit before taxation would have been approximately £171,000.

Of our three Divisions, both Falanx Intelligence and Falanx Resilience made a profit in the reporting year – £87,000 and £699,000 before tax respectively. Falanx Cyber was not in a position to trade within the reporting year. Following the launch of our cyber defence services in Q4 2014 we expect Falanx Cyber to become profitable in mid 2015.

Divisional approach

In order to streamline our propositions in line with our strategic growth plans we have reduced our original four business divisions to three by bringing our physical security consultancy and relevant product licences into Falanx Resilience thus removing the Falanx Technology division. Falanx's business divisions are now as follows: Falanx Intelligence, based on Stirling Assynt's forward-looking political and security risk assessments and business intelligence services, Falanx Resilience providing capacity building and physical security consultancy, and Falanx Cyber based on Falanx Assuria's growing cyber defence capability. These neatly respond to the client needs we have identified in our market research. Our approach remains as a broadly-based 'solution engineer' for clients.

Falanx Intelligence

Stirling Assynt as the centre-piece of Falanx Intelligence operations, providing high-quality political and security risk and business intelligence services, was acquired by Falanx Group in late March 2013. Managing Director Tim Williams has achieved greater profitability through cost cutting and improved marketing, bringing in a profit of £87,122 in the reporting year. Trimming of overheads relating to our Hong Kong operation and the application of a new sophisticated CRM system are expected to bring further increases in profitability in the next reporting year. We now have six analysts embedded in client companies in UAE, Italy and the UK conducting a range of risk management tasks for their clients.

Falanx Intelligence's Assynt Report – our highly respected and profitable political and security risk assessment service - covers 33 countries. Our bespoke risk management services have been more in demand than ever and that trend has continued after the end of the reporting year. Our business intelligence operations continue to do well, offering due diligence and other services to a wide range of clients globally. Despite a significant down-turn in the IPO support business in Asia we have performed well building niches in which to grow in what is an increasingly competitive market.

We have significantly improved our marketing and sales performance: Falanx Intelligence has now operated in around 100 countries worldwide serving clients including airlines, legal firms, oil and gas companies, utilities, hotel groups, financial services and governments.

Falanx Resilience

Falanx Resilience has achieved significant success in the first year of its operations having sub-contracted to a leading UK defence company to provide advisory, training and consulting services to a large Middle Eastern government client that required significant capacity building services. This involved deploying up to 10 consultants on the ground from May 2013. The contract was successfully completed in early May 2014. We are in discussion with a number of such clients in the Middle East and elsewhere and expect to obtain further contracts for similar services later in 2014.

The bid for upgrade of ministerial buildings using our protective security blinds product in the Middle East which I mentioned previously has not yet moved forward. However, the requirement remains in place and we are optimistic that progress will be made over the coming months.

Falanx Cyber

Since listing, 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 UK and overseas market. Significant progress has now been made.

In January 2014 Falanx signed a strategic partnership agreement with Assuria Limited ("Assuria"), a Reading-based company providing high-quality Security Information and Event Management ("SIEM") and other cyber security tools. Following the signing of this agreement we began work with Assuria on the detailed planning to establish a managed-services Cyber Security Operations Centre (C-SOC).

Subsequently after the end of the reporting period Falanx established a new subsidiary, Falanx Assuria Limited as the centre-piece our cyber defence strategy. This entity is now at an advanced stage of building our new 'state-of-the-art' managed services C-SOC for a range of clients using Assuria's software. Falanx's C-SOC, to be launched in Q4 2014, will provide protective monitoring of networks at the boundary and across data sources. This will involve management and analysis of data and provision of helpdesk services to continuously protect networks and systems from hostile attack, malicious intent, espionage, failure of process or technology and human error.

In order to enhance the proposition, in July this year Falanx also entered into a strategic alliance with MDS Technologies Limited ("MDS"), a member of the Skyscape Alliance which delivers a significant amount of the UK Government's Assured Cloud data storage. This will enable the delivery of comprehensive cyber security solutions, based on MDS's assured cloud coupled with Falanx's C-SOC services using Assuria's SIEM tools, as a single proposition to clients internationally. Falanx's C-SOC will be collocated with MDS's service management facility.

In September, we signed a partnership agreement with Digital Shadows, a niche company supplying intelligence on cyber threats to enable Falanx Cyber to bundle in cyber intelligence to further strengthen our overall assured cloud/cyber defence proposition.

Events after reporting date

Falanx has established an approved (EMI) share option scheme to enable the Group to motivate and retain key staff across all of its business lines.

We established a new subsidiary in a UAE free zone to facilitate contracts in the Middle East.

Our new CRM system established in mid-2014 has already begun to provide coordination across business lines and will enable monthly marketing and sales reporting to underpin improved financial forecasting.

Outlook

A central plank of our growth strategy over the next few years will be our unique cyber defence proposition in which there is already significant interest from government and commercial entities in the UK and internationally. There are few high-quality, cost-effective cyber security solutions currently in the market and the launch of our service is timely. In addition we plan to pursue further capacity building projects and are already in discussion with potential customers on new projects. I am confident that the Group is on track for significant growth over the next five years.

Approved by the Board on September 16, 2014 and signed on its behalf by

K P A Barclay
Executive Chairman

Consolidated Income Statement

for the year ended 31 March 2014

	Note	2014 £	Restated 2013 £
Continuing operations			
Revenue	3	**4,436,639**	—
Cost of sales		**(3,030,192)**	—
Gross profit		**1,406,447**	—
Administrative expenses		**(1,397,080)**	(81,274)
Operating profit / (loss)		**9,367**	(81,274)
Finance income		**122**	—
Finance costs		**(1)**	—
Finance costs – net		**121**	—
Profit/(Loss) before income tax		**9,488**	(81,274)
Income tax expense		**(54,399)**	—
Loss for the year from continuing operations		**(44,911)**	(81,274)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets		—	180,699
Profit for the year		**(44,911)**	99,425
Earnings per share			
Basic earnings per share – continuing and total operations	5	**(0.12)p**	4.46p
Diluted earnings per share – continuing and total operations	5	**(0.12)p**	4.46p

Consolidated Statement of Financial Position

for the year ended 31 March 2014

	Note	2014 £	Restated 2013 £
Assets			
Non-current assets			
Property, plant and equipment		**9,033**	9,266
Intangible assets		**30,000**	37,500
Investments		—	—
Deferred tax		**203,862**	258,261
		242,895	305,027
Current assets			
Inventories		**33,075**	—
Trade and other receivables		**1,260,306**	688,623
Cash and cash equivalents		**210,414**	116,653
		1,503,795	805,276
Total assets		**1,746,690**	1,110,303
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account		**540,964**	128,150
Retained earnings		**54,514**	99,425
Total equity		**595,478**	227,575
Liabilities			
Current liabilities			

Trade and other payables	**1,151,212**	882,728
Total liabilities	**1,151,212**	882,728
Total equity and liabilities	**1,746,690**	1,110,303

Consolidated Cash Flow Statement

for the year ended 31 March 2014

	Note	**2014** £	Restated 2013 £
Cash flows from operating activities			
Profit/(Loss) before tax		**9,367**	(81,274)
Adjustments for:			
Depreciation		**4,972**	—
Amortisation of intangibles		**7,500**	7,500
Foreign exchange loss		—	(12,787)
Net finance income recognised in profit or loss		**122**	—
		21,961	(86,561)
Changes in working capital:			
Increase in inventories		**(33,075)**	—
Increase in trade and other receivables		**(446,683)**	(284,647)
Increase in trade and other payables		**143,484**	368,059
Cash used in operations		**(336,274)**	83,412
Interest paid		**(1)**	—
Net cash used in operating activities		**(336,275)**	83,412
Cash flows from investing activities			
Acquisition of equipment/fixtures and fittings		**(4,739)**	—
Acquisition of subsidiary net of cash		—	(8,348)
Net cash used in investing activities		**(4,739)**	(8,348)
Cash flows from financing activities			
Net proceeds from issue of shares		**412,544**	128,150
Net cash generated from financing activities		**412,544**	128,150
Decrease in cash equivalents			
Cash and cash equivalents at beginning of year		**116,653**	—
Cash and cash equivalents at end of year		**210,414**	116,653

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. Group Annual Report and statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts.

The Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, together with associated notes, have been extracted from the Group's 2014 statutory financial statements upon which the auditors opinion is unqualified.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

2.1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The functional and presentational currency for the financial statements is sterling. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Going concern

As at 31 March 2014 the Group's current assets exceeded current liabilities by £352,583 and showed a profit before tax of £9,488.

Furthermore, the Company completed a successful fundraising of £2m in April 2014 to support the Group's initial investment in its cyber security strategy as set out in its announcement of 17 April 2014.

The board have taken steps to invest in staff and infrastructure to commence the process of fulfilling this strategy and have also identified opportunities to further enhance their cyber security proposition. This has been incorporated into the Group's business planning and the Directors have reviewed the Group's associated trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to fully implement their strategy, the Group will require further capital within the next year. The Board is exploring funding options and is confident of securing investor support.

On this basis the financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date these financial statements are approved.

3. 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 categorisation of business activities into segments has changed from analysing per company to analysing per division to be in line with the views of the chief operating decision maker as highlighted in the Chairman's statement. 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 31 March 2014 are as follows:

	Intelligence	Resilience	Cyber	Unallocated	Total
	£	£	£	£	£

Revenues from external customers	1,555,826	2,880,813	—	—	4,436,639
Total revenue	**1,555,826**	**2,880,813**	**—**	**—**	**4,436,639**
Operating expenses	(1,456,353)	(2,181,753)	—	(776,694)	(4,414,800)
Finance income	121	—	—	—	121
Depreciation and amortisation	(12,472)	—	—	—	(12,472)
Segment loss for the year	**87,122**	**699,060**	—	**(776,694)**	**9,488**

4. Operating profit

Operating profit for the year is stated after charging/(crediting) the following:

	2014	2013
	£	£
Depreciation of owned property, plant and equipment	**4,972**	—
Amortisation of intangibles	**7,500**	37,500
Operating lease rentals – other	**27,061**	—

5. Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There are no dilutive share options as these would increase the profit/(loss) per share.

	2014	2013
Earnings attributable to equity holders of the Company (£)	**(44,911)**	136,925
Weighted average number of ordinary shares in issue	**37,343,121**	3,067,797
Basic (loss)/profit per share (pence per share)	**(0.12)**	4.46

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arise from warrants. In respect of the warrants, a calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to the outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

	2014	2013
Earnings used to determine diluted earnings per share (£)	**(44,911)**	136,925
Weighted average number of ordinary shares in issue	**37,343,121**	3,067,797
Weighted average number of share options	**365,466**	—
Weighted average number of ordinary shares used to determine diluted earnings per share	**37,708,587**	3,067,797
Diluted (loss)/profit per share (pence per share)	**(0.12)**	4.46

As can be seen from the above table, during the year ended 31 March 2014, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making. The basic and diluted earnings per share as presented on the face of the income statement are therefore identical. All earnings per share figures presented above arise from continuing and total operations and, therefore, no earnings per share for discontinued operations is presented.

6. A copy of this preliminary statement will be available to download on the Group's website falanxgroup.com. Copies of the Annual Report and Accounts will be posted to shareholders in due course at which time the Annual Report and Accounts will be made available to download on the Group's website www.falanxgroup.com in accordance with AIM Rule 26, and will be delivered to the Registrar of Companies in due course.

Falanx Group Limited
Unit 12 Europoint Centre
5 – 11 Lavington Street
London
SE1 0NZ
Telephone: 0207 856 9457
Email: info@falanxgroup.com