

19 November 2013

FALANX GROUP LIMITED

("Fal anx" or the 'Company')

Interim Results for Period Ended 30 September 2013

Falanx Group Limited (AIM: FLX), the security and risk management consultancy working with blue chip and government clients worldwide, is pleased to announce its first results covering a period since the Company's formation and listing on AIM in June 2013.

Since listing, Falanx has been organised into four divisions: Falanx Intelligence, Falanx Resilience, Falanx Technology and Falanx Cyber.

Highlights

- **Company profitable throughout the period**
- **Focus remains on the Middle East and Asia**
- **All four divisions now fully operational**
- **Revenues of £2.184 million this period in line with expectations**
- **QinetiQ contract on track with excellent prospects for contract renewal in 2014 based on a significantly expanded programme**
- **New £2 million contract close to completion; further £18.5 million contract pending**
- **Acquisition targets identified**

Karl Barcl ay, Chairman of Falanx, commented:

"Everything I said at the time of the Preliminary Results in September, which didn't reflect the new business, is now beginning to come to fruition. The QinetiQ contract is going well and we expect it to increase in size and scale, and we are pushing ahead with our pipeline of work.

"The restructuring of the business has gone well and I am pleased with the people we have appointed. The acquisitions selected are cash generative and complementary to the existing operations and it is our intention to grow each business by introducing them to new territories and markets.

"As a profitable, high-end security and intelligence provider, led by a strong team of former military, government and corporate security specialists, Falanx is well placed to capitalise on the projected growth in the target markets."

19th November 2013

Falanx Group Limited

WH Ireland Limited

John Blamire, Chief Executive Tel: 020 7856 9457 Chris Fielding / Nick Field Tel: 020 72201650

www.falanxgroup.com

Peterhouse Corporate Finance

Lothbury Financial Services

Joint Broker

Michael Padley/Gary Middleton Tel: 020 3440 7620

Jon Levinson/ Lucy Williams Tel: 020 7469 0930

Chairman's Statement

I am pleased to present Falanx Group's half-year Financial Report. It is now almost six months since admission to AIM in June 2013. As expected our focus has remained on the Middle East and Asia, where spending on security is expected to grow significantly over the next five years. This has proven a sensible approach and new pipeline opportunities have already arisen in those regions.

The Company has remained profitable throughout the period and senior management continues to believe that Falanx is well placed to capitalise on the projected growth in these markets.

In addition to seeking new contracts we are also now concentrating on ensuring our internal governance processes are strengthened and that we are fully compliant with relevant legislation and 'best practice' with a view to meeting all requirements in territories where we may wish to operate. This is being led by our Non-Executive Directors who bring to bear significant practical commercial experience in this area.

As part of this process Stirling Assynt has recently successfully achieved TRACE certification: this is based on an independent due diligence review of the company and signifies its commitment to transparency in international commercial transactions and adherence to the highest level of compliance with the US Foreign Corrupt Practices Act, UK Bribery Act and other anti-bribery laws.

Strategic Goals

Progress has been made on our three key strategic goals as described in the September Chairman's Statement:

1. To acquire top-quality, profitable, niche security providers so as to expand our capability, raise our profile and increase cash-flow.

We have investigated and continue to investigate various acquisition opportunities but will only proceed where our objectives can properly be achieved. We will comment further when appropriate.

2. To exploit Stirling Assynt's extensive global client base for Falanx's broader proposition.

We are bringing in additional sales and marketing staff who will benefit from a new comprehensive CRM system to enable rapid cross-marketing of products and services across our divisions; and

3. To build on our existing high-level contacts in the Middle East.

We expect shortly to be able to announce a significant expansion of our Middle East restructuring project following excellent work by our team on the ground.

Detailed Progress

Following Admission we restructured 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).

I am pleased to inform shareholders that each of the existing new divisions has begun to develop new opportunities to offer clients comprehensive solutions for their broader requirements.

Falanx Intelligence

Stirling Assynt, our first acquisition and now in the Falanx Intelligence division, has continued to provide excellent political and security risk intelligence for clients globally, especially on developments in the Middle East where our recent focus on Egypt has been highly valued. In addition, Stirling Assynt's business intelligence team has been busy helping clients with reputational risk issues in a number of areas, especially in Africa, the Former Soviet Union and China. We have also recently gained a number of new London-based clients for which work has already commenced in a range of countries.

Stirling Assynt has also made excellent progress on the contract with QinetiQ to restructure and retrain a major Middle East government department. Turnover for this year is on track, and proposals for year two of the contract starting in 2014 are already complete: costs have

been agreed with the client, and detailed proposals for early implementation have now been presented. We expect work to kick off in early 2014 with a number of projects that will grow as the year progresses. The value of work in year two of the project is expected to be at least twice that of the current year's expected revenues of £2.5 million and is likely to involve a significant increase in the number of consultants we deploy.

Falanx Resilience

Falanx Resilience has bid successfully for a £2 million project as sub-contractor to a major US software firm, to provide capacity building consultancy and training for a major government department in a North African country. This involves strategic policy consultancy and training for specialist security operations. We expect the head contract to be signed in the coming weeks and are expecting to deploy consultants on the ground by the end of the year.

Falanx Technology

Falanx Technology's £18.5 million bid for the upgrade of ministry buildings in the Middle East as mentioned in our Admission Document is expected to progress to a formal signed contract within the next few months with initial revenue expected in the first quarter of 2014. This project will benefit from the exclusive licences Falanx holds for advanced blast mitigation products, including blast protective window blinds for which Falanx is the sole licensee in the Middle East.

Falanx Cyber

Falanx Cyber, the newest of the divisions, has achieved agreement in principle with two cyber security firms involving investment by Falanx in their companies with a view to subsequent acquisition. Falanx Cyber has also reached agreement in principle for a channel partnership with a major secure storage provider which, together with the other two companies, enables Falanx to offer a broad range of cyber security services which we plan to consolidate into a single proposition that will be unique in the Middle East and Asia markets. Contracts are currently under discussion and we will update shareholders in due course.

Market research supports our plan to put significant effort into this area of work, especially in those markets where a number of major opportunities are opening up as clients begin to realise the extent of the risks they face.

We have already identified three major pipeline opportunities in Asia and Africa, which we will be following up over the coming weeks.

Financial review

The figures in this report reflect around three months of trading prior to, and three months following, admission to AIM. On turnover of £2,184,000, the Group delivered a maiden pre-tax profit of £35,000 resulting in basic and diluted earnings per share of £0.12.

On 20 June 2013 the Group 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 @18p attached per 2 shares in September 2013. Cash at 30 September amounted to £493,000.

The Board has approved an employee Group share option scheme which is wholly compliant with the ABI Guidelines as mentioned in our Admission Document.

Outlook

Given the expected expansion of work in the Middle East and North Africa, and the new opportunities offered through consolidation of cyber security services, I am confident that the Group has a sound base on which to grow the business over the coming months and beyond. I look forward to taking forward the new projects and completing the acquisitions we have identified. As these come to fruition we will be able to present an even better proposition to clients which will allow us to achieve the benefits for our shareholders and staff of an expanded Group operating in growing markets.

FALANX GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months to 30 September 2013 (Unaudited) Note£	Period to 31 March 2013 (Audited) £
CONTINUING OPERATIONS		
Revenue	5 2,184,803	-
Cost of sales	(1,085,591)	-
	1,099,212	-
Administration expenses	(1,064,129)	(73,774)
OPERATING PROFIT/(LOSS)	35,083	(73,774)
Finance income	68	-
Finance expense	(1)	-
Net finance (expense)/income	67	-
PROFIT/(LOSS) BEFORE INCOME TAX	35,150	(73,774)
Income tax	-	-
PROFIT/(LOSS) AFTER INCOME TAX	35,150	(73,774)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets	-	210,699
PROFIT FOR THE PERIOD	35,150	136,925
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,150	136,925
Profit attributable to:		
Owners of the parent.	35,150	136,925
Total comprehensive income attributable to:		
Owners of the parent	35,150	136,925

Earnings per share expressed in pence per share			
Basic and diluted	6	0.12	4.46

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2013	31 March 2013
	(Unaudited)	(Audited)
	Note£	£
Assets		
Goodwill	75,000	75,000
Property, plant & equipment	10,766	9,266
Investments	-	-
Deferred Tax	258,261	258,261
Non - current assets	344,027	342,527
Trade and other receivables	937,083	688,623
Cash and cash equivalents	493,215	116,653
Current assets	1,430,298	805,276
Total assets	1,774,325	1,147,803
Equity		
Shareholders equity		
Share premium	396,087	3,150
Retained earnings	172,075	136,925
Total equity	568,162	140,075
Liabilities		
Current liabilities		
Trade and other payables	1,206,163	1,007,728
Total liabilities	1,206,163	1,007,728
Total equity and liabilities	1,774,325	1,147,803

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained Earnings	Total equity
	£	£	£	£
Balance at 1 April 2013	-	3,150	136,925	140,075
Profit for the period	-	-	35,150	35,150
Transactions with owners:				
Issue of share capital	-	871,000		871,000
Cost of share capital issue		(478,063)		(478,063)
Balance at 30 September 2013		396,087	172,075	568,162

FALANX GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months to 30 September 2013	Year to 31 March 2013
	(Unaudited) £	(Audited) £
Cash flows from operating activities		
Profit /(loss) before tax	35,083	(73,774)
Adjustments for:		
Depreciation	2,315	-
Net finance expense recognised in profit or loss		
Change in value of available for sale financial assets	-	(12,787)
Loss on disposal of financial assets	-	
	37,398	(86,561)
Changes in working capital:		
Decrease/(increase) in trade and other receivables	(248,460)	(284,647)
Increase/(decrease) in trade and other payables	198,435	493,059
Cash (used in) / generated from operations	(12,627)	121,851
Interest paid	(1)	
Net cash (used in) / generated from operating activities	(12,628)	121,851
Cash flows from investing activities		
Interest received	68	
Acquisition of plant & machinery	(3,815)	
Acquisition of financial assets		
Acquisition of subsidiary net of cash		(8,348)
Acquisition of intangibles		
Net cash from investing activities	(3,747)	(8,348)
Cash flows from financing activities		
Proceeds from issue of shares	871,000	3,150
Share issue expenses	(478,063)	
Net cash used in financing activities	392,937	3,150
(Decrease)/increase in cash equivalents	376,562	116,653
Cash and cash equivalents at the beginning of the period	116,653	-
Cash and cash equivalents at the end of the period.	493,215	116,653

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

The principal activities of Falanx Group and its subsidiaries (the Group) include business intelligence consultancy, security consultancy and the supply and installation of blast protection devices.

2. General information and basis of preparation

Falanx Group Limited (Falanx Group) is the Group's ultimate parent company. It is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. Falanx Group's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 30 September 2013 and are presented in sterling (£), which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34). They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRSs), and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2013.

The condensed interim consolidated financial statements for the six months ended 30 September 2013 and the comparative figures for the six months ended 30 September 2012 are unaudited and have not been reviewed by the Auditors. The summary financial statements for the year ended 31 March 2013 represent an abbreviated version of the Group's full financial statements for that year on which the Auditors issued an unqualified audit report.

The interim financial statements have been approved for issue by the Board of Directors on 18 November, 2013.

3. Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the period ended 31 March 2013.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 March 2013. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Segment reporting

In accordance with IFRS 8, segmental information is presented based on the way in which financial information is reported internally to the chief operating decision maker. The group's internal financial reporting is organised along product and service lines and therefore segmental information has been presented about business segments. A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns which are different from those of other business segments.

During the six month period to 30 September 2013, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets and liabilities are summarised as follows at 30 September, 2013

	Falanx Protection	Stirling Assynt	Unallocated - Holding companies	Consolidated Total
	£	£	£	£
Segment revenue	-	2,184,803	-	2,184,803
Segment profits/(losses)	(76,197)	372,231	(260,884)	35,150
Segment assets	59,517	1,459,596	255,212	1,774,325
Segment liabilities	71,427	908,603	226,133	1,206,163

The business segment, Stirling Assynt was acquired on 29 March 2013 therefore no segment revenue was generated for the period 29 March 2013 to 31 March 2013.

The segment assets and liabilities at 31 March 2013 were 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

6. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Falanx Group) as the numerator, i.e. no adjustments to profits were necessary during the six months period to 30 September 2013 and the year ended 31 March 2013.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

6 Months to	Year to
30 September 2013	31 March
	2013

	(Unaudited)	(Audited)
Weighted average number of shares used in basic and diluted earnings per share calculation.	30,035,462	3,067,797

7. Related party transactions

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.

Other related party transactions are as below.

Amounts totalling £6,150 were paid to Mrs A Barclay in respect of work carried out for Stirling Assynt (Europe) Limited. Mrs A Barclay is the spouse of Mr.K Barclay who is a director.

An amount of £1,175 was outstanding at 30 September, 2013.

Interim Results for Period Ended 30 September 2013