

9 November 2015

FALANX GROUP LIMITED
("FALANX" or the "Company")

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

Falanx Group Limited, an intelligence, security and cyber defence provider working with blue chip and government clients worldwide, is pleased to announce its interim results for the six months ended 30 September 2015.

Highlights

- Continued investment in cyber security capability, positioning the Group to capitalise on growing corporate requirement for protection from cyber-attacks.
- Placing in May 2015 of £2.49m
 - £500,000 to extend the global licence agreement with Assuria to 16 April 2018 and development of the Falanx and Assuria Cloud partnership; and
 - £2.14 million for the continued sales and marketing development of Falanx's cloud-based cyber security managed services
- Cash balance of £1.2m at 30 September 2015
- Agreements in place to become preferred cyber security provider to three regulated financial services companies
 - Achieved ISO/IEC 20000-1, ISO/IEC 27001 and ISO 9001 accreditation
 - Five new corporate intelligence contracts signed
- Strong Cyber pipeline

Post-period highlights

- New contract wins with several UK Government departments and corporate customers

John Blamire, CEO of Falanx Group, commented:

"During the period we have invested significantly in our cyber security capabilities, as we position ourselves to be first-movers in an industry that is increasingly in the public eye and the response of our customers is coming under increasing scrutiny. We are confident that we are reaching an inflection point, demonstrated by our recent contract wins, as businesses begin to prioritise the need for investment in protection from the well documented threat that cyber presents."

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Notes to Editors:

About Falanx Group

- Falanx Group Limited is a global intelligence, security and cyber defence provider working with blue chip and government clients.
- The Group has three business divisions:
 - Falanx Intelligence: Political & Security Risk and Business Intelligence services
 - Falanx Resilience: Security Consultancy, Crisis Management and asset and facility security
 - Falanx Cyber: Comprehensive cloud-based cyber security services
- The Group listed on AIM in June 2013 under ticker FLX.
- For more information: <http://www.falanxgroup.com/>

CHAIRMAN'S STATEMENT

These results reflect the continuing investment in the development of our cyber security capability against a backdrop of increasing awareness of the threat posed to large corporate customers and government organisations from cyber-attack.

Widely publicised attacks in recent weeks against large consumer focused companies have highlighted the risks not only of financial loss resulting from data theft, but also the reputational damage suffered when customers' private information is lost. However, as with any industry which is evolving rapidly it will take time for large corporate customers and Government departments to properly assess the precise nature of the threat and identify their vulnerabilities. The cyber security industry is also likely to experience a period of rapid change with a number of small specialists being consolidated into a small number of large players. Falanx intends to be a leading niche player in this consolidation.

Results

Turnover for the six months ended 30 September 2015 was £792,430 (2014: £971,306) with Falanx Intelligence's revenue slightly lower at £766,037 (2014: £815,190). The loss before taxation increased to £1,309,437 (2014: £708,997) largely reflecting the increased investment of £1,340,253 in the development of our capability in Falanx Assuria.

The Group's cash balance at 30 September 2015 was £1.2 million (2014: £1.3 million).

Falanx Cyber

Falanx Cyber, operating under the Falanx Assuria brand, formally launched its Cyber Defence managed service nine months ago and its C-SOC is now fully operational. We are developing a unique capability to help clients combat a wide range of threats, and we are now well placed to support major organisations having secured the UK Government CERT programme last year. Contract negotiations with a number of prospects including those in the financial services industry continue. The lead time for securing large corporate and Government sales can be significant. Nonetheless, we are confident that the work undertaken during this period will result in concrete sales in the second half of the company's financial year.

Falanx Intelligence

Our Intelligence Division, trading as Stirling Assynt, continues to successfully serve its global customer base on a range of political and security risk issues in an environment where these are of increasing concern for large corporates. Sales were marginally lower during the period but management of costs resulted in an increase in operating profits in this division to £93,432 (2014: £86,368).

Falanx Resilience

We continue to investigate opportunities with partners and to seek to benefit from our contacts in the Gulf region.

Current Trading

Post the interims period, a number of contracts have been signed with UK Government departments and corporate customers. We are confident that this improved momentum will continue in the second half of the financial year.

Board Changes

As previously announced, I have decided to retire at the end of March 2016 after over two years as Chairman of Falanx as a public company on AIM and forty eight years since I joined the British Army. I will assist with the identification of a successor, and will remain as a consultant to the Company remaining involved with a number of specific projects which are currently under development.

The Board believes that Falanx has a significant opportunity to establish itself as a niche player in a consolidated cyber security industry, and during the period we have investigated a number of potential acquisitions. The business has a growing pipeline of business opportunities and we continue to pursue a number of UK and overseas opportunities which are at various stages of development.

K P A Barclay
Chairman

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	6 Months to 30 Sep 2015 (Unaudited)	6 Months to 30 Sep 2014 (Unaudited)	Year to 31 Mar 2015 (Audited)
	£	£	£
Continuing operations			
Revenue	792,430	971,306	1,922,049
Cost of sales	(858,032)	(777,015)	(1,811,324)
	(65,602)	194,291	110,725
Administrative expenses	(1,236,118)	(903,560)	(2,223,897)
Exceptional item	-	-	(92,626)
Operating Profit/(Loss)	(1,301,720)	(709,269)	(2,205,798)
Finance income	283	272	525
Finance expense	(8,000)	-	-
Net finance expense	(7,717)	272	525
Profit/(Loss) before income tax	(1,309,437)	(708,997)	(2,205,273)
Income tax expense	-	-	(217,855)
Profit/(Loss) for the period from continuing	(1,309,437)	(708,997)	(2,423,128)
Gains on foreign subsidiary translation	-	3,337	-
Total comprehensive loss for the period	(1,309,437)	(705,660)	(2,423,128)
Earnings per share			
Basic earnings per share - continuing and total	(1.95)p	(1.41)p	(4.75)p
Diluted earnings per share - continuing and total	(1.95)p	(1.41)p	(4.75)p

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	6 Months to 30 Sep 2015 (Unaudited)	6 Months to 30 Sep 2014 (Unaudited)	Year to 31 Mar 2015 (Audited)
	£	£	£
Assets			
Non-current assets			
Property, plant & equipment	69,821	14,524	69,964
Intangible assets	227,874	401,880	300,167
Deferred tax	-	203,862	-
	297,695	620,266	370,131
Current assets			
Inventory	56,044	33,075	56,977
Trade and other receivables	907,215	612,564	660,159
Cash and cash equivalents	1,211,914	1,320,850	428,084
	2,175,173	1,966,489	1,145,220
Total assets	2,472,868	2,586,755	1,515,351
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account	5,289,771	2,537,631	2,841,797
Translation reserve	(18,139)	3,338	(29,224)
Shares to be issued reserve	91,875	-	91,875
Retained earnings	(3,678,051)	(654,483)	(2,368,614)
Total equity	1,685,456	1,886,485	535,834
Liabilities			
Current liabilities			
Trade and other payables	773,419	700,270	965,524
Deferred tax liability	13,993	-	13,993
	787,412	700,270	979,517
Total liabilities	787,412	700,270	979,517
Total equity and liabilities	2,472,868	2,586,755	1,515,351

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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 2014	540,964	54,514	-	-	595,478
Loss for year	-	(2,423,128)	-	-	(2,423,128)
Transactions with owners:					
Issue of share capital	2,368,333	-	-	-	2,368,333
Cost of share capital issue	(67,500)	-	-	-	(67,500)
Translation of foreign subsidiary	-	-	(29,224)	-	(29,224)
Share options issued	-	-	-	91,875	91,875
Balance as at 31 March 2015	2,841,797	(2,368,614)	(29,224)	91,875	535,834
Loss for the period	-	(1,309,437)	-	-	
Transactions with owners:					
Issue of share capital	2,642,999	-	-	-	2,649,874
Costs of issue of share capital	(195,025)	-	-	-	(201,990)
Translation of foreign subsidiary	-	-	11,085	-	11,085
Balance as at 30 September 2015	5,289,771	(3,678,051)	(18,139)	91,875	1,685,456

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CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	6 Months to 30 Sep 2015 (Unaudited) £	6 Months to 30 Sep 2014 (Unaudited) £	Year to 31 Mar 2015 (Audited) £
Cash flows from operating activities			
Profit/(Loss) before tax	(1,309,437)	(708,997)	(2,205,273)
Adjustments for:			
Depreciation	10,984	3,159	8,862
Amortisation of intangibles	72,293	70,410	141,134
Share based payment	-	-	91,875
Loss on disposal of equipment/fixtures & fittings	-	-	183
Foreign exchange loss	-	3,345	-
Net finance expense/(income) recognised in profit or	7,717	(272)	(525)
	(1,218,443)	(632,355)	(1,963,744)
Changes in working capital:			
Decrease in inventories	933	-	(23,902)
(Increase)/Decrease in trade and other receivables	(247,056)	647,742	600,148
Decrease in trade and other payables	(192,105)	(450,942)	(185,692)
Cash used in operations	(1,656,671)	(435,555)	(1,573,190)
Interest paid	(8,000)	-	-
Net cash used in operating activities	(1,664,671)	(435,555)	(1,573,190)
Cash flows from investing activities			
Interest received	283	272	525
Acquisition of equipment/fixtures and fittings	(10,841)	(8,658)	(69,923)
Acquisition of intangibles	-	(442,290)	(411,301)
Net cash from investing activities	(10,558)	(450,676)	(480,699)
Cash flows from financing activities			
Net Proceeds from issue of shares	2,447,974	1,996,667	2,300,833
Net cash used in financing activities	2,447,974	1,996,667	2,300,833
Increase/(decrease) in cash equivalents	772,745	1,110,436	246,944
Cash and cash equivalents at beginning of the period	428,084	210,414	210,414
Foreign exchange losses on cash and cash equivalents	11,085	-	(29,274)
Cash and cash equivalents at end of the period	1,211,914	1,320,850	428,084

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 2015. 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 9 November 2015. The information for the year ended 31 March 2015 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 2015. 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 2015.

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 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 costs - net	15	—	—	(7,732)	(7,717)
Depreciation and amortisation	(5,918)	—	(77,359)	—	(83,277)
Segment profit/(loss) for the year	93,432	(25)	(927,962)	(474,882)	(1,309,437)

The reportable segment results for the year ended 30 September 2014 are as follows:

	Intelligence	Resilience	Cyber	Other segments	Total
	£	£	£	£	£
Revenues from external customers	815,190	156,116	—	—	971,306
Total revenue	815,190	156,116	—	—	971,306
Operating expenses	(722,560)	(186,673)	(301,619)	(492,817)	(1,603,669)
Finance cost - net	177	—	—	95	272
Depreciation and amortisation	(6,439)	—	(67,130)	—	(73,569)
Segment profit/(loss) for the year	86,368	(30,557)	(268,749)	(492,722)	(705,660)

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

Segment assets and liabilities as at 30 September 2014 and capital expenditure for the year then ended are as follows:

	Intelligence	Resilience	Cyber	Other segments	Total
	£	£	£	£	£
Total assets	1,377,298	107,741	423,521	678,195	2,586,755

Liabilities	408,079	151,002	22,721	128,468	700,270
Capital expenditure	1,146	—	449,803	—	450,949

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 2015 (Unaudited)	6 Months to 30 Sep 2014 (Unaudited)	Year to 31 Mar 2015 (Audited)
Loss attributable to equity holders of the company (£)	(1,309,437)	(705,660)	(2,423,128)
Weighted average number of ordinary shares in issue	67,238,391	50,152,595	50,992,482
Basic (loss)/profit per share (pence per share)	(1.95)	(1.40)	(4.75)

As at 30 September 2015, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making.

6. Related party transactions

Payment for services

From 1 April 2014 to 30 September 2015 Andrea Barclay, the partner of K P A Barclay, Executive Chairman was paid £7,150 (2013: £2,750) in respect of research and report writing for the 100% owned subsidiary Stirling Assynt (Europe) Limited.