Date: 15 July 2015
On behalf of: Falanx Group Limited ("Falanx", "the Group" or "the Company")
Embargoed until: 0700hrs

FALANX GROUP LIMITED

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("Falanx" or "the Company")

Preliminary Results

Falanx Group Limited, an intelligence, security and cyber defence provider working with blue chip and government clients worldwide, is pleased to announce its Preliminary results for the year ended 31 March 2015.

Highlights

- Investment in sales teams across the Group
- Significant investment in Cyber offering and launch of Security Operations Centre
- Contract signed with Cert-UK, the UK Government's Cyber Watchdog to protect its data and information systems
- Awarded framework agreement with the UK Government G-Cloud
- Joint Venture with Principia Underwriting to develop a range of new insurance products in the cyber insurance market
- Value Added Reseller agreement with ZeroDayLab, a leading provider of cyber security solutions, to add Falanx's Cyber capabilities to the ZeroDayLab Cyber SOC offering and sell to end users as an integrated product
- Partnership with Digital Shadows, the cyber intelligence company, to enhance the Falanx Group's Cyber protective monitoring technology

Post period highlights

- 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 £1.7m at 30 June 2015
- Strong Cyber pipeline

John Blamire, CEO of Falanx Group, commented:

"It has been an encouraging year of progress for the Group, in which we have invested carefully into both our Cyber offering and our wider Group sales functions. Whilst Cyber represents our strategic focus and future, we remain committed to running a diversified Group across our Intelligence, Cyber and Resilience divisions. All are strategically complementary and allow the Group to benefit from both regular income and project work.

"Our platform for growth, particularly with regard to Cyber, is now well established and we see considerable opportunities for cross sell across our divisions and strong customer base. We have a very strong pipeline for the year ahead and look forward to driving long term growth for our shareholders."

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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

In this year we have achieved significant progress towards our aim of establishing a strong foundation for future growth.

Whilst the Group strategy remains the acquisition of niche security providers, exploitation of the Falanx Intelligence client base, and building on contacts in the Middle East, our firm focus now is to exploit the long-term growth potential of our Cyber Defence business. To achieve this we have invested significant resources in the Falanx Cyber Division enabling us to create an impressive operational capability and deploy a strong, experienced sales force.

Falanx Cyber

Falanx Cyber, operating under the Falanx Assuria brand, formally launched its new Cyber Defence managed service in March 2015 with the establishment of a well-appointed Security Operations Centre using advanced software provided under licence by our partner Assuria Limited. A £2.49m net fund-raise was concluded in May 2015 to enable the extension of Assuria software licences to April 2018 as well as to support joint development with Assuria of some new specialist software for monitoring multiple clients on the Cloud.

Having established an excellent operational capability and taken on its first prestigious client (the UK Government's CERT UK) the Division's focus is now firmly on building revenues. This is taking longer than expected, however with our newly established professional sales team, G Cloud listing and engagement with strategic channel partners we expect to make progress this year.

In addition to offering the only British developed, Government compliant Protective Monitoring capability on the market, Falanx Cyber has a number of differentiators which provide significant benefits to clients:

- Clients only pay for the service they receive based on a simple monthly fee.
- Our highly-automated service offers a comprehensive and cost-effective capability for all types of client, including to SMEs who currently lack an affordable solution.
- 'Insider' malicious activity is recorded in a format acceptable as evidence in court.
- The service is deployed through the Cloud: no intrusive hardware is installed in client networks.

Falanx Cyber's objective within the next year is to become a key provider of protective monitoring managed services to UK Government and financial services. To achieve this we have been actively engaged in discussions with a number of potential clients on their detailed requirements over the past three months. Our pipeline also includes a major European intergovernmental agency and two overseas financial services groups.

Falanx Intelligence

Falanx Intelligence, operating under the Stirling Assynt brand, has been trading successfully for over seven years and has established itself as a credible and reliable provider of political and security risk assessments and business intelligence reports.

In this year the division achieved profits of £225k with a profit margin of 12.7% and growth in turnover of 13.5%. Its international client base includes governments, oil and gas companies, financial services, insurance, utilities, airlines, legal firms and technology companies. Many of these are long-term clients who have remained loyal to the business over five years or more. We have further invested in the division's sales team and expect revenues to remain solid in all areas. Services include:

Assynt Services

The Assynt Report is a highly-regarded, fortnightly predictive political and security risk service covering 33 countries that goes out to an extensive client base of major companies, international organisations and governments around the world. Most clients pay an annual subscription and the business achieves a high percentage of renewals. The service also provides bespoke political and security risk assessments according to client requirements for an agreed fee and seconds analysts who work alongside client companies on annually renewed contracts.

Business Intelligence Service

Business intelligence reports provide due diligence for clients on suppliers, acquisition targets and partners internationally. This is a project based business in which tasks often arise at short notice requiring rapid response. The business offers a highly competitive and well-regarded service and has a number of long-term clients.

Falanx Resilience

Falanx Resilience is a project-based consultancy operating largely in the Middle East, primarily offering training and advisory services and blast and ballistic mitigation products. Resilience has no permanent staff and consultants are brought in for specific roles when a contract is signed. As a project-based business the revenue stream is unpredictable, but contracts can be highly profitable.

The business conducted a successful one-year training and advisory project in the Middle East that ended in May 2014. Although the contract was due to be renewed, as is the custom in the region, the death of the leader led to a change of ministers and a moratorium on all commercial activity for a period while the new top team is established. We remain hopeful that in due course Falanx will be invited back to finish the job and we continue actively to seek other opportunities in the region.

Financial summary

Falanx Group's turnover for the year ended 31 March 2015 was £1.92 million (2014: £4.4 million), with Falanx Intelligence and Falanx Resilience's turnover being £1.76 million (2014: £1.56 million) and £156k (2014: £2.88 million) respectively. Falanx Group's loss before taxation for the year was £2.20 million. The Group incurred £297,000 set up costs associated with conducting commercial, legal and technical due diligence on an acquisition target, and legal costs related to Falanx resilience.

Of our three Divisions, Falanx Intelligence made a pre-tax profit of £225k in the reporting year. Falanx Cyber in its build-up phase made a loss of £1.14 million in the reporting year. Falanx Resilience made a loss of £231k.

Following the placing in May 2015 the Company had cash balances of £1.7 million at 30 June 2015.

Summary and Outlook

This has been a year of significant investment in the Group's capabilities. In addition to its Intelligence and Resilience propositions it now has an outstanding Cyber Defence capability supported by a strong, professional sales team as a solid platform for growth.

Approved by the Board on 14 July 2015 and signed on its behalf by

K P A Barclay
Executive Chairman

Consolidated income statement

for the year ended 31 March 2015

	Note	2015 £	2014 £
Continuing operations			
Revenue	4	**1,922,049**	4,436,639
Cost of sales		**(1,811,324)**	(3,030,192)
Gross profit		**110,725**	1,406,447
Administrative expenses		**(2,223,897)**	(1,397,080)
Exceptional item		**(92,626)**	—
Operating (loss) / profit		**(2,205,798)**	9,367
Finance income		**525**	122
Finance costs		**—**	(1)
Finance income – net		**525**	121
(Loss)/Profit before income tax		**(2,205,273)**	9,488
Income tax expense		**(217,855)**	(54,399)
Loss for the year from continuing operations		**(2,423,128)**	(44,911)
Loss for the year		**(2,423,128)**	(44,911)
Earnings per share			
Basic earnings per share – continuing and total operations	6	**(4.75)p**	(0.12)p
Diluted earnings per share – continuing and total operations	6	**(4.75)p**	(0.12)p

Consolidated statement of comprehensive income

for the year ended 31 March 2015

	2015 £	2014 £
Loss for the year	**(2,423,128)**	(44,911)
Other comprehensive income:	**—**	—
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year	**(2,423,128)**	(44,911)
Attributable to:		
Owners of the parent	**(2,423,128)**	(44,911)
Total comprehensive income for the year	**(2,423,128)**	(44,911)

Consolidated statement of financial position

as at 31 March 2015

	Note	**2015**	2014
		£	£
Assets			
Non-current assets			
Property, plant and equipment		**69,964**	9,033
Intangible assets		**300,167**	30,000
Deferred tax		—	203,862
		370,131	242,895
Current assets			
Inventories		**56,977**	33,075
Trade and other receivables		**660,159**	1,260,306
Cash and cash equivalents		**428,084**	210,414
		1,145,220	1,503,795
Total assets		**1,515,351**	1,746,690
Equity			
Capital and reserves attributable to equity holders of the Company			
Share premium account		**2,841,797**	540,964
Translation reserve		**(29,224)**	—
Shares to be issued reserve		**91,875**	—
Retained earnings		**(2,368,614)**	54,514
Total equity		**535,834**	595,478
Liabilities			
Current liabilities			
Trade and other payables		**965,524**	1,151,212
Deferred tax liability		**13,993**	—
Total liabilities		**979,517**	1,151,212
Total equity and liabilities		**1,515,351**	1,746,690

Consolidated statement of changes in equity

for the year ended 31 March 2015

	Note	Share premium	Retained earnings	Translation reserve	Shares to be Issued reserve	Total
		£	£	£	£	£
Balance at 1 April 2013		128,150	99,425	—	—	227,575
Loss for the period		—	(44,911)	—	—	(44,911)
Transactions with owners:						
Issue of share capital		900,956	—	—	—	900,956
Costs of issue of share capital		(488,142)	—	—	—	(488,142)
Balance at 31 March 2014		**540,964**	**54,514**	—	—	**595,478**
Balance as at 1 April 2014						
Loss for the year		—	(2,423,128)	—	—	(2,423,128)
Transactions with owners:						
Issue of share capital		2,368,333	—	—	—	2,368,333
Costs of issue of share capital		(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**

Consolidated cash flow statement

for the year ended 31 March 2015

	Note	2015 £	2014 £
Cash flows from operating activities			
(Loss)/Profit before tax		**(2,205,273)**	9,367
Adjustments for:			
Depreciation		**8,862**	4,972
Amortisation of intangibles		**141,134**	7,500
Share based payment		**91,875**	—
Loss on disposal of equipment/fixtures & fittings		**183**	—
Net finance income recognised in profit or loss		**(525)**	122
		(1,963,744)	21,961
Changes in working capital:			
Increase in inventories		**(23,902)**	(33,075)
Decrease /(Increase) in trade and other receivables		**600,148**	(571,683)
(Decrease)/Increase in trade and other payables		**(185,692)**	268,484
Cash used in operations		**(1,573,190)**	(314,313)
Interest paid		—	(1)
Net cash used in operating activities		**(1,573,190)**	(314,314)
Cash flows from investing activities			
Interest received		**525**	—
Acquisition of equipment/fixtures and fittings		**(69,923)**	(4,739)
Acquisition of intangibles		**(411,301)**	—
Net cash used in investing activities		**(480,699)**	(4,739)
Cash flows from financing activities			
Net proceeds from issue of shares		**2,300,833**	412,814
Net cash generated from financing activities		**2,300,833**	412,814
Net increase in cash equivalents		**246,944**	93,761
Cash and cash equivalents at beginning of year		**210,414**	116,653
Foreign exchange losses on cash and cash equivalents		**(29,274)**	—
Cash and cash equivalents at end of year		**428,084**	210,414

Notes to the consolidated financial statements

for the year ended 31 March 2015

1. General information

Falanx (the "Company") and its subsidiaries (together the "Group") operate in the security (including cyber) 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 Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, together with associated notes, have been extracted from the Group's 2015 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The functional and presentational currency for the financial statements is GBP 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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Directors' Report on pages 2-8. In addition, note 23 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors regularly review the funding position of the Group and its cash flow forecasts.

On 8 May 2015 the Group announced that it had raised net proceeds of approximately £2.49 million after deducting commission and transaction related expenses through the issue of the Placing and Subscription Shares at the placing price of 14 pence per ordinary share.

The Directors have reviewed forecasts and budgets based on current expected levels of expenditure and have concluded that the Group has sufficient funds available to meet its commitments for at least the next twelve months from the date of the approval of financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Critical accounting estimates and judgements

The preparation of the Group Financial Statements in conformity with IFRSs as adopted by the European Union 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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group Financial Statements are disclosed below.

Deferred tax asset

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the group's future taxable income against which the deferred tax assets can be utilised. This is based on projected forecasts and budgets which are reviewed by the directors and a judgement is made as to the whether the tax asset can be recognised.

Impairment of intangible assets

Management have assessed indicators of impairment and conducted an impairment review of intangible assets. They have made judgements as to the likelihood of them generating future cash flows, the period over which those cash flows will be received and the costs which are attributable against them. The recoverable amount is determined using the value in use calculation. The use of this method requires the estimation of future cash flows and the selection of a suitable discount rate in order to calculate the present value of these cash flows.

In support of the assumptions, management use a variety of sources. In addition, management have undertaken scenario analyses, including a reduction in sales forecasts, which would not result in the value in use being less than the carrying value of the cash-generating unit. However, if the business model is not successful, the carrying value of the intangible assets may be impaired and may require writing down.

Management have exercised judgement in selecting the appropriate discount rate for application to intangible assets when carrying out impairment calculations and have applied a pre-tax discount rate of 24%.

The other intangible asset detailed in note 13 is being written down over a 10 year period with a remaining useful life of 5 years.

The directors feel that this is a realistic period given that the Stirling Assynt (Europe) Limited subscriber base formed from the original purchase of Assynt Associates continues to expand.

Impairment of trade receivables

Impairments against trade receivables are recognised where a loss is probable. As the business has a short trading history there is little historical evidence available to assess the likely level of bad debts and management have therefore based their assessment of the level of impairment on prior industry experience as well as the collection rates being experienced. The estimates and assumptions used to determine the level of provision will be regularly reviewed and such a review could lead to changes in the assumptions, which may impact the income statement in future periods.

4. Segmental reporting

As described in note 2, 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 2015 are as follows:

	Intelligence	Resilience	Cyber	Other segments	Total
	£	£	£	£	£
Revenues from external customers	1,765,933	156,116	—	—	1,922,049
Total revenue	**1,765,933**	156,116	—	—	**1,922,049**
Operating expenses	(1,528,834)	(386,970)	(1,002,585)	(1,059,332)	(3,977,721)
Finance income	394	—	—	131	525
Depreciation and amortisation	(12,654)	—	(137,472)	—	(150,126)
Segment profit/(loss) for the year	**224,839**	**(230,854)**	**(1,140,057)**	**(1,059,201)**	**(2,205,273)**

5. Operating profit

Operating profit for the year is stated after charging the following:

	2015	2014
	£	£
Depreciation of owned property, plant and equipment	**8,862**	4,972
Amortisation of intangibles	**141,134**	7,500
Operating lease rentals – other	**29,908**	27,061

6. Basic and diluted 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 at present as these would currently increase the loss per share.

	2015	2014
Earnings attributable to equity holders of the Company (£)	**(2,423,128)**	(44,911)
Weighted average number of ordinary shares in issue	**50,992,482**	37,343,121
Basic and diluted loss per share (pence per share)	**(4.75)**	(0.12)

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.

At the year ended 31 March 2015, 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.