

*This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*



**Falanx Group Limited**

**("Fal anx", "Group" or "the Company")**

**Interim results**

Falanx Group Limited (AIM: FLX), the AIM listed provider of cyber security services, is pleased to announce its interim results for the six months ended 30 September 2022 (the "Period").

#### **Financial Highlights for six months to 30 September 2022**

- Orders for our core services were £1.89m (2021: £1.62m) representing growth of 17%.
- Core Service Revenues held at £1.8m (2021: £1.8m), despite the exit from an onerous non-core contract worth £250k per annum
- Group adjusted EBITDA\* loss £1.12m (2021: £0.39m) following investment in sales expansion
- Cash balances at 30 September 2022 £1.96m (2021: £0.51m), normal working capital position
- Loss per share 0.28p (2021: 0.14p) from continuing operations
- Shareholders' funds £2.87m (2021: £2.0m)

#### **Operational highlights**

- Strong growth in pipeline combined with an increased proportion of MDR opportunities
- Growth in both order volume and customer count in the period
- Two new Tier 1 channel partners signed up and the revitalisation of existing partners
- Launch of two new entry-level defensive MRR services in R-IR and CVS already delivering revenue.
- Expansion of the EDR portfolio to include additional market-leading software vendors
- Ongoing development of f:CEL 2.0

#### **Post Period Events**

- Final £345,000 of cash consideration from the sale of Assynt in October 2021 was received early October 2022
- Order growth of +44% for core orders in October and November 2022 compared to the same period in 2021
- Gross margin improved to 42% (H1 FY23 36% and FY22 40%)
- William Kilmer and Rick Flood joined the board as NED and Executive directors respectively

*\* Adjusted EBITDA is a non-IFRS headline measure used by management to measure the Group's performance and is based on operating profit before the impact of financing costs, IFRS16, share based payment charges, depreciation, amortisation, impairment charges and highlighted items*

**Alex Hambro, (Non-executive Chairman) of Falanx, commented:**

*"In the nine weeks since I last wrote to you, I am pleased to announce further progress in sales with good order growth compared to last year. The drivers to spending on cyber security are ever increasing, and we look forward to growth in this year and next year. Our focus is to get to sustainable profitability within our existing resources and we are planning on achieving this by both recurring revenue growth and cost management. I am delighted to have welcomed William Kilmer to the Group who joined us as a NED in October and his wealth of experience in cyber security is already making an impact."*

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**About Falanx**

Falanx Group Limited is a cyber security services provider, offering enterprise-class offensive and defensive security solutions to Small and Medium-sized Enterprises (SMEs). For further information visit: [www.falanxcyber.com](http://www.falanxcyber.com)

Our strapline is **Attack. Defend. Protect.**

**Attack**

These are our Offensive Services and are primarily centred around Penetration Testing / ethical hacking ("PT"). Our comprehensive portfolio of PT services covers a wide range of skills and techniques which we use to emulate potential attackers looking for vulnerabilities in our client's infrastructure.

**Defend**

Our Defensive (managed) services are provided by our Security Operations Centre ("SOC") based in Reading. The SOC operates a 24/7/365 service, continually watching our customers' IT estates, looking for unusual activity which may be a sign of a cyber-attack or data theft.

**Protect**

Through both our Offensive and Defensive services, we help our customers to protect themselves against cyber-attacks.

## **Business Review**

In the Period to September 2022, orders for our core services were £1.89m (2021: £1.62m), representing growth of 17%. The majority of this growth came from increased sales of our defensive services, all of which generate Monthly Recurring Revenues (“MRR”). As outlined previously, the growth of our MRR revenues is key to our strategy. Total orders for these MRR services grew by over 100% in the Period.

During the Period, we exited a legacy consulting contract (which had the potential to become onerous) at an agreed break point and the growth in MRR sales has more than offset this revenue reduction with higher quality revenues and better long-term margins. Overall, across our core services, we have transacted with a greater number of customers than in the previous year.

Our target market is primarily SMEs and we focus our MRR service offerings on organisations which employ between 50 and 1,000 staff. Cyber security threats are ever growing, and against an increasingly difficult social and economic backdrop, criminal activity is increasing. Cyber security insurance providers are now significantly increasing premiums as well as applying increased conditionality, which can include mandating use of cyber security services, as a condition of cover. The need to protect a business’ assets against cyber-attacks is even more imperative now than ever before.

Consequently, we have evolved our service offerings to best address our target market and protect those SMEs from cyber-attack, whatever their insured status may be. To best address this, we have progressively introduced additional defensive MRR services with lower entry price points in addition to our existing Managed Detection and Response (MDR) and Managed-Endpoint Detection and Response (M-EDR) services (both of which support multiple leading enterprise-grade security vendor solutions). Retained Incident Response (“R-IR”) and Continuous Vulnerability Scanning (“CVS”) were introduced in the summer of 2022, and we are seeing that customers are increasingly understanding the need for both services – a rapid response service in the case of a breach (R-IR) and continually scanning networks with CVS throughout the year as well as the Pen Tests run annually. Consequently, we have a growing pipeline of opportunities in these service lines since their launch and this has already translated into sales to six customers – most of which are existing Pen Test customers. As customers mature and evolve, full MDR will become more relevant to their organisation.

In addition, we have expanded our network of channel partners in the last few months. Some of these are starting to generate significant interest which has already translated into sales. We are focusing on a limited number of Tier 1 channel partners where we invest time and resources and are selecting them based on their experience, reputation, and their addressable market.

## **Post Period Update**

Following on from the increase in MRR orders in the six months to 30 September 2022, combined with our rapidly growing pipeline of MRR opportunities, we have restructured our sales team to maximise our ability to achieve our MRR sales targets in the coming months. The sales team is now a single organisation split into two focused sales groups – PenTest (Attack) and MRR (Defend). They target new customers as well as cross selling into our base which is now has over 400 clients. This allows increased dedicated and experienced resources to focus on the more complex (and arguably more valuable) sales of MRR services, whilst allowing the penetration testing services team to focus on their own strong pipeline of business which typically has a shorter lead time. Early results are promising, with aggregate orders for core services across October and November 2022 growing by 44% compared to the same period in 2021.

Outside of our pipeline, we have several large-scale opportunities advancing with major global technology providers (both new and existing relationships) to partner as part of their Cyber go-to-market plans. As ever these opportunities could be transformational for Falanx, and we look forward to updating on these as they progress.

## **Financial Performance**

Total revenues were £1.8m (2021: £1.8m). Within this, monthly recurring revenues from monitoring services increased by 29% to £0.49m (2021: £0.38m) offsetting a small reduction in professional services, the majority of which came from our exit from a non-core legacy contract referenced previously.

Gross margin decreased to 36% (2021: 40%) due to expansion costs and some price increases. Rectification actions were carried out, and in recent months gross margins have recovered back to ahead of FY22 levels. The Group expects to be able to manage these cost factors to protect gross margins going forward. Underlying operating costs were £1.76m (2021: £1.10m) with the increase arising from investment in sales and marketing expansion. Consequently, the adjusted EBITDA loss was £1.1m (2021: £0.39m).

Depreciation and amortisation charges were £0.22m (2021: £0.25m), with the vast majority being the routine amortisation (straight line basis over a 10 year period) of the customer base acquired in March 2018, as well as property lease costs related to IFRS16.

Interest payable was £0.17m (2021: £0.04m) and was mainly comprised of interest (including amortised costs) on the Boost loan of £2.5m drawn down in October 2021 as the IFRS 16 element lease payments for the Reading office.

The loss from continuing operations was to £1.48m (2021: £0.71m). The loss per share (both on a basic and fully diluted basis) from continuing operations was 0.28p (2021: 0.13p).

### **Consolidated Statements of Financial Position & Cash Flow**

Intangible assets were £3.1m (2021: £3.5m) and principally comprised of the acquired customers base and associated goodwill. The £0.13m goodwill arising from the acquisition of Securestorm Limited was fully impaired in the year ended 31 March 2022.

Trade and other debtors stood at £1.21m (2021: £0.93m) with the increase being due to the final £0.345m of the cash consideration from the disposal of Assynt in October 2021 (which was held in escrow for 12 months) until it was paid in early October 2022. Cash receipts were strong, with no incidence of bad debt being recorded, and debtor days stood at 40 (2021: 42). Trade and other payables reduced to £0.62m (2021: £1.29m) due to the repayment of HMRC COVID-19 backlog which took place in H2 FY22. Deferred incomes increased to £0.53m (2021: £0.39m) due to greater business volumes and overall, the Group had a normal working capital profile at 30 September 2022.

Net cash outflow from operations was £1.30m (2021: £0.88m) and included the final £0.07m payment of the HMRC COVID-19 backlog. Cash balances as at 30 September 2022 were £1.96m (2021: £0.51m) and overall shareholders' funds were £2.87m (2021: £2.0m).

### **Events after the reporting Period**

On 7 October 2022 the final £0.35 million of the Assynt disposal cash consideration held escrow account against was released to the Group.

**FALANX GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

	<b>6 Months to 30 Sep 2022 (Unaudited)</b>	6 Months to 30 Sep 2021 (Unaudited)	Year to 31 Mar 2022 (Audited)
	£	£	£
<b>Revenue</b>	<b>1,788,239</b>	1,794,861	3,542,308
Cost of sales	<b>(1,140,719)</b>	(1,075,941)	(2,099,732)
<b>Gross profit</b>	<b>647,520</b>	718,920	1,442,576
Administrative expenses	<b>(1,960,068)</b>	(1,390,355)	(3,220,878)
<b>Operating loss</b>	<b>(1,321,048)</b>	(671,435)	(1,778,302)
<b>Analysis of operating loss</b>			
Operating loss	<b>(1,321,048)</b>	(671,435)	(1,778,302)
Share option expense	<b>8,500</b>	20,000	17,839
Depreciation and amortisation	<b>218,057</b>	241,618	465,417
Impairment of goodwill	<b>—</b>	—	130,347
Highlighted costs / (income)	<b>(23,652)</b>	24,083	(107,285)
Adjusted EBITDA loss	<b>(1,118,143)</b>	(385,734)	(1,271,984)
Finance income	<b>741</b>	—	104
Finance expense	<b>(167,581)</b>	(36,071)	(201,568)
Net finance expense	<b>(166,840)</b>	(36,071)	(201,464)
<b>Loss before income tax</b>	<b>(1,487,888)</b>	(707,506)	(1,979,766)
Income tax credit	<b>—</b>	—	8,479
<b>Loss for the period from continuing operations</b>	<b>(1,487,888)</b>	(707,506)	(1,971,287)
Gain / (Loss) from discontinued operations, net of tax	<b>—</b>	(38,350)	3,455,869
<b>Loss for the period</b>	<b>(1,487,888)</b>	(745,856)	1,484,582
<b>Other comprehensive income:</b>			
Re-translation of foreign subsidiaries	<b>—</b>	(1,432)	—
Exchange differences recycled to the income statement on disposal of business	<b>—</b>	—	109,030
	<b>—</b>	(1,432)	109,030
<b>Total comprehensive loss for the period</b>	<b>(1,487,888)</b>	(747,288)	1,593,612
<b>Loss per share from continuing operations</b>			
Basic loss per share	<b>(0.28) p</b>	(0.13) p	(0.37) p
Diluted loss per share	<b>(0.28) p</b>	(0.13) p	(0.37) p
<b>Loss per share from continuing and discontinued operations</b>			
Basic loss per share	<b>(0.28) p</b>	(0.14) p	0.28 p
Diluted loss per share	<b>(0.28) p</b>	(0.14) p	0.28 p

All items are continuing save where stated otherwise.

**FALANX GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2022**

	<b>6 Months to 30 Sep 2022 (Unaudited)</b>	6 Months to 30 Sep 2021 (Unaudited)	Year to 31 Mar 2022 (Audited)
	£	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant & equipment	105,505	125,679	104,352
Intangible assets	3,124,010	3,531,661	3,262,662
Right of use asset	141,768	308,781	254,290
	<b>3,371,283</b>	<b>3,966,121</b>	<b>3,621,304</b>
<b>Current assets</b>			
Trade and other receivables	1,215,741	930,628	1,192,220
Cash and cash equivalents	1,955,488	512,972	3,483,063
	<b>3,171,229</b>	<b>1,443,600</b>	<b>4,675,283</b>
Assets in a disposal group classified as held for sale	—	190,214	—
<b>Total assets</b>	<b>6,542,512</b>	<b>5,599,935</b>	<b>8,296,587</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share premium account	4,043,194	4,039,125	4,043,194
Translation reserve	—	(109,209)	—
Share based payment reserve	711,651	767,243	703,151
2022 liabilities reserve	1,000,000	1,000,000	1,000,000
Retained earnings	(2,885,364)	(3,689,845)	(1,397,476)
<b>Total equity</b>	<b>2,869,481</b>	<b>2,007,314</b>	<b>4,348,869</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	—	8,479	—
Lease liability	93,641	203,081	149,691
Borrowings	1,840,369	968,830	2,094,739
Other payables	—	5,532	—
	<b>1,934,010</b>	<b>1,185,922</b>	<b>2,244,430</b>
<b>Current liabilities</b>			
Trade and other payables	618,771	1,286,839	804,908
Contract liabilities	529,209	386,677	529,496
Lease liability	54,833	99,926	103,182
Borrowings	536,208	9,594	265,702
	<b>1,739,021</b>	<b>1,783,036</b>	<b>1,703,288</b>
Liabilities directly associated with assets in the disposal group classified as held for sale	—	623,663	—
<b>Total liabilities</b>	<b>3,673,031</b>	<b>3,592,620</b>	<b>3,947,718</b>
<b>Total equity and liabilities</b>	<b>6,542,512</b>	<b>5,599,935</b>	<b>8,296,587</b>

**FALANX GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Accumulated losses	Translation Reserve	Share based payment reserve	2022 Liabilities reserve	Total
	£	£	£	£		£
Balance at 1 April 2021	4,033,161	(2,943,989)	(107,777)	747,243	1,000,000	2,728,638
Profit for the year	—	1,484,582	—	—	—	1,484,582
Re-translation of foreign subsidiaries	—	—	(1,253)	—	—	(1,253)
Exchange differences recycled to the income statement on disposal of business	—	—	109,030	—	—	109,030
<b>Transactions with owners:</b>						
Issue of share capital	10,033	—	—	—	—	10,033
Share based payment charge	—	—	—	17,839	—	17,839
Forfeited share options reversed through reserves	—	61,931	—	(61,931)	—	—
<b>Balance at 31 March 2022</b>	<b>4,043,194</b>	<b>(1,397,476)</b>	<b>—</b>	<b>703,151</b>	<b>1,000,000</b>	<b>4,348,869</b>
Loss for the year	—	(1,487,888)	—	—	—	(1,487,888)
<b>Transactions with owners:</b>						
Share based payment charge	—	—	—	8,500	—	8,500
<b>Balance as at 30 September 2022</b>	<b>4,043,194</b>	<b>(2,885,364)</b>	<b>—</b>	<b>711,651</b>	<b>1,000,000</b>	<b>2,869,481</b>

**FALANX GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

	<b>6 Months to 30 Sep 2022 (Unaudited) £</b>	6 Months to 30 Sep 2021 (Unaudited) £	Year to 31 Mar 2022 (Audited) £
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax	<b>(1,487,888)</b>	(746,906)	1,475,052
Adjustments for:			
Depreciation	<b>30,190</b>	33,608	64,275
Amortisation of intangibles	<b>138,652</b>	166,766	305,538
Amortisation of right of use assets	<b>49,215</b>	54,491	108,982
Impairment of goodwill	—	—	130,347
Share based payment	<b>8,500</b>	20,000	17,839
Loss on disposal of equipment / fixtures and fittings	—	77	—
Gain on disposal of subsidiaries	—	—	(3,498,102)
Amortisation of borrowing cost	<b>20,964</b>	2,361	23,659
Net finance expense recognised in profit or loss	<b>145,876</b>	36,312	178,081
	<b>(1,094,491)</b>	(433,291)	(1,194,329)
Changes in working capital:			
Increase/(decrease) in trade and other receivables	<b>(23,520)</b>	(39,760)	(290,025)
Decrease in trade and other payables	<b>(186,425)</b>	(403,510)	(749,745)
Cash generated from / used in operations	<b>(1,304,436)</b>	(876,561)	(2,234,099)
Interest paid	<b>(497)</b>	(11,003)	(9,745)
Tax paid	—	1,050	—
Net cash used in operating activities	<b>(1,304,933)</b>	(886,514)	(2,243,844)
<b>Cash flows from investing activities</b>			
Interest received	<b>741</b>	—	104
Acquisition of property, plant, and equipment	<b>(31,344)</b>	(3,987)	(13,315)
Proceeds on disposal of subsidiaries, net of cash disposed	—	—	3,163,674
Net cash used in investing activities	<b>(30,603)</b>	(3,987)	3,150,463
<b>Cash flows from financing activities</b>			
Repayment under finance lease	<b>(41,093)</b>	(47,133)	(95,998)
Interest paid on lease liabilities	<b>(8,619)</b>	(11,923)	(22,114)
Proceeds from borrowings	—	1,000,000	2,500,000
Repayment of borrowings	<b>(4,827)</b>	(3,104)	(7,906)
Loan transaction costs	—	(70,834)	(205,347)
Interest paid on borrowing	<b>(137,500)</b>	(13,386)	(146,291)
Proceeds from issue of shares	—	5,964	10,033
Net cash used in / generated from financing activities	<b>(192,039)</b>	859,584	2,023,377
<b>Decrease/(increase) in cash equivalents</b>	<b>(1,527,575)</b>	(30,917)	2,938,996
Cash and cash equivalents at beginning of the period	<b>3,483,063</b>	545,321	545,321
Foreign exchange gains on cash and cash equivalents	—	(1,432)	(1,254)
<b>Cash and cash equivalents at end of the period</b>	<b>1,955,488</b>	512,972	3,483,063



**FALANX GROUP LIMITED**  
**NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**1. General information**

Falanx Group Limited (the “Company” or “Falanx”) and its subsidiaries (together the “Group”) operate in the cyber security services market. The Company is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated and domiciled in the British Virgin Islands. The address of its registered office is PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands. The UK registered office The Blade, Abbey Square, Reading, RG1 3BE.

**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 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 2022. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act.

The interim financial information has not been reviewed nor audited by the auditors. The interim financial information was approved by the Board of Directors on 7 December 2022. The information for the year ended 31 March 2022 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 2022. 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.

**Going Concern**

These interim results have been prepared on a going concern basis, which notwithstanding the loss incurred for the six-month period to 30 September 2022.

The Group made an adjusted EBITDA loss (which most closely correlates its cash performance over time) from continuing operations in six months to 30 September 2022 of £1.1 m (2021: £0.4m). This was due to the planned significant investment in sales and marketing expansion which has consequently built a strong pipeline of prospective business, and which is now beginning to convert into contract wins of monitoring contracts with their predictable recurring revenue and cash profiles. This provides the board with further confidence in its projections.

Cash balances on 30 September stood at £1.95m (2021: £0.51m) and these are estimated by the Board as sufficient to achieve break even and cash generation on its organic plans. The Group received the final £0.345m of cash consideration in early October 2022, which has been held in escrow since the disposal of Assynt in October 2021. The Group has a normal working capital position and furthermore HMRC are fully in terms and are being paid on the usual periodic basis.

£1.5m of the cash balance is reserved for use on acquisitions and investments, but under the loan agreement, this can be used for other reasonable business purposes, with BOOST&Co’s consent. The Group is focused on organic growth as opposed to acquisitive growth, and therefore believes that these funds can be better deployed to support this strategy. As part of its routine detailed forecasting processes (which includes stress testing), it is possible that the Group may need to use some of these funds to support continued investment in growth. All tests show that the Group can move into profitability within its existing resources, whilst maintaining a normal working capital profile and repayment schedule.

Should the Group significantly under achieve against its revenue and growth targets, the Board routinely prepares contingency plans to deal with lower performance and any ensuing shortfall in working capital. These typically entail cost reductions mainly around overheads and as well as in discretionary expansion expenditure. Other measures could involve the disposal of assets. Furthermore, the Group could seek, as in previous years, the support of investors to raise additional debt or equity. Based upon the above, the Directors have a reasonable expectation that the Group has adequate working capital for the twelve months following the date of signing these interim results. For this reason, they continue to adopt the going concern basis in preparing these interim results.

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Assynt Group Limited and subsidiaries ("Assynt") which was disposed of on 6 October 2021 are presented within discontinued operations in the consolidated statement of comprehensive income and the assets and liabilities of these operations are presented separately on the consolidated statement of financial position.

### 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 2022.

### 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 period ended 30 September 2022 are as follows:

	Continuing operations
	£
Professional services	1,302,749
Monitoring managed services	485,490
<b>Revenues from external customers</b>	<b>1,788,239</b>
Gross margin	647,520
Segment reported EBITDA	(1,094,491)
Highlighted income	(23,652)
<b>Segment adjusted EBITDA</b>	<b>(1,118,143)</b>
Finance costs - net	(166,840)
Depreciation and amortisation	(218,057)
Share option expense	<b>(8,500)</b>
<b>Segment profit/(loss) for the period</b>	<b>(1,487,888)</b>

The reportable segment results for the period ended 30 September 2021 were as follows:

	Continuing operations	Discontinued operations	Total
	£	£	£
Assynt report	—	972,633	972,633
Professional services	1,407,699	21,102	1,428,801
Monitoring managed services	387,193	-	387,193
<b>Revenues from external customers</b>	<b>1,794,862</b>	<b>993,735</b>	<b>2,788,597</b>
Gross margin	718,920	224,698	943,618
Segment Reported EBITDA	(409,817)	(25,912)	(435,729)
Highlighted Costs	24,083	2,181	26,264
<b>Segment adjusted EBITDA</b>	<b>(385,734)</b>	<b>(23,731)</b>	<b>(409,465)</b>
Finance costs - net	(36,071)	(241)	(36,312)
Depreciation and amortisation	(241,618)	(13,247)	(254,865)
Share option expense	(20,000)	—	(20,000)
<b>Segment profit/(loss) for the period</b>	<b>(707,506)</b>	<b>(39,400)</b>	<b>(749,906)</b>

The reportable segment results for the year ended 31 March 2022 are as follows:

	Continuing £	Discontinued £	Total £
Professional services	2,683,204	21,102	2,704,306
Monitoring managed services	859,104	—	859,104
Assynt report & embedded analysts	—	1,005,191	1,005,191
<b>Revenues from external customers</b>	<b>3,542,308</b>	<b>1,026,293</b>	<b>4,568,601</b>
Gross margin	1,442,576	224,270	1,666,846
Cyber operating expenses	(1,598,143)	—	(1,598,143)
Corporate operating expenses	(1,009,132)	—	(1,009,132)
<b>Segment reported EBITDA</b>	<b>(1,164,699)</b>	<b>(29,664)</b>	<b>(1,194,363)</b>
Highlighted income	(107,285)	—	(107,285)
<b>Segment adjusted EBITDA</b>	<b>(1,271,984)</b>	<b>(29,664)</b>	<b>(1,301,648)</b>
Finance expense-net	(201,464)	(241)	(201,705)
Depreciation and amortisation	(465,417)	(13,378)	(478,795)
Impairment of goodwill	<b>(130,347)</b>	—	<b>(130,347)</b>
Share option expense	(17,839)	—	(17,839)
Profit on sale of discontinued operations	—	<b>3,498,102</b>	3,498,102
<b>Segment loss before tax for the year</b>	<b>(1,979,766)</b>	<b>3,454,819</b>	<b>1,475,053</b>

Segment assets and liabilities as at 30 September 2022 and capital expenditure for the period then ended are as follows:

	Continuing operations £
<b>Contract assets</b>	47,448
<b>Other assets</b>	6,495,064
<b>Contract liabilities (deferred income)</b>	529,209
<b>Other liabilities</b>	3,143,822
<b>Capital expenditure - tangible</b>	31,344

Segment assets and liabilities as at 30 September 2021 and capital expenditure for the period then ended are as follows:

	Continuing operations £	Discontinued operations £	Total £
<b>Contract assets</b>	2,688	—	2,688
<b>Other assets</b>	5,346,712	250,535	5,597,247
<b>Contract liabilities (deferred income)</b>	386,677	442,927	829,604
<b>Other liabilities</b>	2,582,280	180,736	2,763,016
<b>Capital expenditure - tangible</b>	3,987	—	3,987

Segment assets and liabilities as at 31 March 2022 and capital expenditure for the year then ended are as follows:

	Continuing operations £
<b>Contract assets</b>	27,100
<b>Other assets</b>	8,296,487
<b>Contract liabilities (deferred income)</b>	529,496
<b>Other liabilities</b>	3,418,222
<b>Capital expenditure – Tangible</b>	13,315

## 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.

	<b>6 Months to 30 Sep 2022 (Unaudited)</b>	6 Months to 30 Sep 2021 (Unaudited)	Year to 31 Mar 2022 (Audited)
Loss attributable to equity holders of the company (£)	<b>(1,487,888)</b>	(745,846)	1,484,582
Weighted average number of ordinary shares in issue	<b>526,421,185</b>	526,001,185	526,181,678
<b>Basic loss per share (pence per share)</b>	<b>(0.28)</b>	(0.14)	0.28

As at 30 September 2022, the potentially dilutive ordinary shares were anti-dilutive because the Group was loss-making.