CROSSWORD
CYBERSECURITY

Interim Report and Accounts

for the 6 months ended 30 June 2022

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Highlights

Crossword continued its strong growth in the first half of 2022. In the period to 30 June 2022 both product and services revenue grew rapidly. Group revenue grew by 85% to £1.53m compared with H1 2021 (112% higher excluding discontinued operations). The Company made and successfully integrated another important acquisition during the period - Threat Status Limited ("Threat Status"), the provider of the Trillion and Arc software products. Post period, in September 2022, the Company completed an oversubscribed £3.6m fund raise. The outlook for 2022 remains at circa 75% revenue growth to £4m and the Company is confident of delivering further revenue growth of 50% in 2023, taking revenue to £6m.

Financial Highlights

- ARR (Annual Recurring Revenue) growth of 48% since 31 December 2021 to £1.97m
  - Successful acquisition and integration of companies with strong underlying SaaS and services recurring revenue
  - Growth in Consulting vCISO recurring revenue to £1m
- Following the period and as announced on 23 September 2022, the Company completed an oversubscribed £3.6m| fund raise
- Gross margin improvement in Consulting
- Cross-selling of products and services from acquisitions into client base continues to increase
- Expansion of engagement with FTSE 100 client company
- Successful completion of the Rizikon pilot with a global aerospace, defence and security company that has over 6,000 suppliers

Operational Highlights

- Successful integration of Threat Status Limited, following its acquisition in March 2022. Size of Trillion's sales deals being secured since the acquisition is noticeably larger than before acquisition.
- On track to achieve 1,000 users of Rizikon by the end of 2022, from 500 at the end of 2021, with the continued growth in the membership body programme
- Launched new integrated Supply Chain Cyber practice in response to client demand and the substantial increase in supply chain cyber threat levels
- Local Omani team engaging with government agencies to support driving cyber security maturity across the Sultanate of Oman
- Expansion into two new overseas jurisdictions, within one of which Crossword is working with a government institution

Outlook

- Projected revenue growth of circa 75% to £4m in 2022, driven by organic growth and already completed acquisitions, in line with market expectations
- Focus on optimisation of cross-sell opportunities is yielding improved results
- Continued focus on acquisition strategy
- Crossword's full range of cyber security products and services will be used to help companies in the Gulf region improve their cyber security preparedness
- Growing a team in Singapore as part of the continued investment in Nightingale, part of our threat detection and response services, to enable conversion of the pipeline of larger clients, which has been driven by cross-selling
- Taking Identiproof to market together with continuing product development on verifiable credentials technology
- Investment in Sales with the introduction of the MEDDICC (sales qualification methodology) framework

Crossword Cybersecurity keeps organisations secure in the digital world through a combination of software products and expert-led cybersecurity services.

Crossword's services

Crossword's services have gained a strong reputation in the market thanks to a deep expertise in cyber security and a hands-on approach. Crossword's full-service consulting team provides strategy, assessment and risk management services. The constantly evolving nature and increasing number of cyberattacks means that demand for our consulting services keeps growing strongly. Our May 2022 report *"Strategy and collaboration: a better way forward for effective cybersecurity"* showed that over 40% of respondents believed their existing cyber strategy will be outdated in two years, and a further 37% in three years. This dynamic creates growing demand for the expert consulting that Crossword provides.

Crossword's products

Crossword's products are driven by research from some of the UK's leading universities and other research-driven insights. Crossword has developed strong and extensive research and development relationships with many of the 19 UK university academic centres of excellence in cyber security. Crossword offers a portfolio of cyber security software products, having successfully integrated three acquisitions since its admission to AIM. Crossword's products serve some of the fastest growing sectors in cyber security, including supply chain risks, threat intelligence and credentials breaches.

Cyber security industry drivers

Several inter-connected factors are driving the growth in cyber security software and services. The accelerating pace of digitalisation due to the COVID-19 pandemic and the shift in our working habits are the main motivator for improving cyber resilience, with 84% of C-level executives agreeing that cyber resilience is a business priority for their organisations in 2022, according to the WEF Global Cybersecurity Outlook Report 2022.

In addition, the constantly increasing number and growing sophistication of cyberattacks means that spending on cyber security defence is a key priority for business and governments. In 2021, the average number of cyberattacks and data breaches increased by 15.1% from the previous year. Over the next two years, security executives from over 1,200 companies polled by

Since admission to AIM in 2018, Crossword has grown revenues 4-fold from £0.39 million (excluding discontinued operations) in H1 2019 to £1.53 million, through a combination of organic growth and acquisitions.

ThoughtLab see a rise in attacks from social engineering and ransomware as nation-states and cybercriminals grow more sophisticated. As a result, Gartner predicts end-user spending for the information security and risk management market will grow to $172.5 billion (current U.S. dollars) in 2022, with a constant currency growth of 12.2%. The market will reach $267.3 billion in 2026, with a constant currency CAGR of 11.0% (2022 to 2026).

The UK is home to the largest, most concentrated and accessible cyber security market in Europe, worth over £10bn, growing 14% in 2021 representing twice the growth on the previous year. The UK's reputation as a centre of cyber security excellence means it is the third largest exporter of cyber security services globally, worth £4.2bn in 2020. As one of the UK's leading cyber security commercialisation specialists, Crossword is well positioned to benefit from sector growth, both in the UK and internationally.

The above cyber security industry drivers combined with a strong set of products and services mean that Crossword is well positioned to keep growing strongly.

Chief Executive Officer's review

Crossword's services and products are experiencing strong revenue growth, in a sector where spend is not discretionary, driven by the quality of its offering and the rising number and constantly evolving nature of cyberattacks. Crossword's three acquisitions completed in the last 18 months have been successfully integrated and are already delivering strong results, thanks to higher cross-selling opportunities to our growing client base and improved operational efficiencies. We are very encouraged by the outlook for both our services and products and look forward to updating shareholders on progress."

Tom Ilube
CEO, Crossword Cybersecurity

Crossword continued its strong growth in the first half of 2022. In the period to 30 June 2022 both product and services revenue grew rapidly. Group revenue grew by 85% compared with H1 2021 to £1,525,234 (112% higher excluding discontinued operations). Consulting revenue in particular grew 72% compared with the same period last year. The Company completed another important acquisition during the period - Threat Status Limited, the provider of the Trillion and Arc software products.

Trillion and Arc are already making strong revenue progress in their new Crossword home and showing good promise. This is the third acquisition Crossword has made and successfully integrated in the past 18 months, strengthening Crossword's reputation in the market as a business in which high quality products and their teams can grow. During the period, Crossword was also delighted to formally launch its joint venture in Oman with its partner, Al-Rawahy Holdings LLC and progress towards securing its first cyber security projects in the region.

Despite the Covid-19 Omicron wave, the demand for cyber security products and advice continues to grow. Crossword was well positioned to respond to its clients' needs. The Company released a major research report, "Strategy and Collaboration: A better way forward for effective cyber security", based on interviews with over 200 Chief Information Security Officers, which highlighted the continuing cyber security risks and challenges facing major organisations.

Services

Crossword's consulting services delivered outstanding results in the first half of 2022, achieving 72% growth versus the equivalent period in 2021. We secured our first FTSE100 client project and carried out international projects in new territories such as Bermuda, a major global reinsurance hub, as well as the Caribbean and West Africa.

Crossword's Nightingale monitoring and cyber incident response services, acquired in August 2021, supported the growth in revenues. Nightingale was deployed to a major insurance company in dual testing, new investment management clients were signed up and a major cyber security incident response undertaken for a top ten law firm. Crossword is investing in Nightingale's capacity to support larger firms on a global basis and therefore established a team in Singapore in August this year to provide around the clock monitoring capability.

Products

Rizikon Assurance, Crossword's flagship SaaS product, addresses supply chain risks. These are a rapidly growing challenge for organisations across all sectors. Rizikon's user base more than doubled compared to the end of the previous period, growing 116% and on track to achieve a target of 1,000 user organisations by the end of 2022. Rizikon completed a successful trial for a global aerospace, defence and security company and is in the process of concluding a contract to roll out Rizikon to the same company's 6,000 suppliers. Crossword's partnerships with membership bodies are

yielding positive results, with new partners signed including the Chartered Insurance Institute, British Computer Society, International Federation of Consulting Engineers, techUK and the British Educational Suppliers Association.

In March 2022, Crossword completed the acquisition of Threat Status Limited, a threat intelligence company with an excellent team and an impressive set of clients both in the UK and overseas in North America and Spain. This acquisition added two new products (Trillion and Arc) to Crossword's portfolio of products. Cross-selling Trillion into existing Crossword clients commenced immediately post acquisition. Trillion's outstanding product features and Crossword's targeted sales approach means that the size of deals being secured since the acquisition is noticeably larger than pre-acquisition. Trillion is also being sold into managed service providers (MSPs) through the continued development of a channels partner programme.

Identiproof is the credentials verification wallet technology product acquired in 2021 as part of the acquisition of Verifiable Credentials Ltd. Good progress has been made with developing Identiproof, preparing to pilot Identifproof with a UK chartered institute for their digital professional qualifications and submitting a proposal to a large UK skills and qualifications body for digital credentials.

Crossword has now acquired and successfully integrated three first class cyber security product and services companies over the past 18 months and continues to be on the lookout for an acquisition that can accelerate its growth.

On the corporate front, following the period and as announced on 23 September 2022, Crossword completed an oversubscribed fundraising of £3.6 million at a price of 21.7 pence per share. This funding round ensures the Group's path to deliver on its aggressive organic growth plans.

Outlook

Strong demand for our cyber security services and products, an able leadership team and a strengthened balance sheet, will drive Crossword's growth and we expect to meet market expectations of 75% revenue growth in 2022, taking revenue to £4 million for the year as a whole. Additionally, the Board is confident of delivering 50% revenue growth in FY 2023 taking revenues to £6 million, in line with market expectations.

Operational review

Services

Demand for our expert consulting services keeps growing strongly as a result of the constantly evolving and increasing number and types of cyber-attacks. During the period Crossword won its first FTSE 100 client project and carried out international work in new territories: Bermuda, the Caribbean and West Africa.

Services experienced very strong growth of 125% compared to the previous period in 2021.

The Consulting division now numbers 16 specialists. With higher staffing levels we have been able to improve our consulting methodologies and develop a more scalable model to provide our services. This is leading to work with larger clients with multi-faceted and more complex needs.

To increase the scalability of our consulting services, we have developed services that integrate recurring revenues from several other Crossword's products, namely from Nightingale and Rizikon. As part of this drive, we were successful in cross-selling Nightingale, Crossword's comprehensive security monitoring service, into consulting clients. This is increasing the level of recurring revenues that the Consulting division generates.

During the period we also launched the Supply Chain Cyber practice, which offers consulting services wrapped around a new set of strategic Rizikon modules with a recurring revenue proposition. This proposition targets the needs of large organisations regarding their third party supplier cyber risk and has been well received by major clients.

Nightingale

The integration of Nightingale is delivering on expectations and saw significant successes in the period. These include new investment management clients, deployment to a major insurance company in a dual running assessment and carrying out a cyber incident response at a top ten law firm.

To service the needs of global clients, Nightingale's capabilities were increased and we opened an office in Singapore employing a Singapore regional manager and our first SOC (security operations centre) analyst.

Products

Crossword made strong progress across all products in the first half of 2022, both in terms of product development and improvement as well as sales and business development.

Rizikon

Rizikon is Crossword's flagship product and is strongly positioned in the market as a leading product for supply chain risk management.

Preventing cyber risk attacks in supply chains is a fast growing market. The European Union Agency for Cybersecurity (ENISA) reported in 2021 that it expected supply chain attacks to quadruple over the following 12 months. Simultaneously, supply chains are going through a period of digital transformation, with automation increasing efficiencies, whilst at the same time introducing possible vulnerabilities to businesses. As a result, industries including but not limited to banking, retail and manufacturing are under mounting financial, reputational and regulatory pressure to take control of supply chain cybersecurity risks.

To ensure Rizikon remains strongly positioned we made substantial progress in re-engineering Rizikon, by moving our coding from Java to ReactJS + Java. This will speed up future development and enable Rizikon to keep quickly addressing emerging supply chain cyber security needs. Other notable product developments for Rizikon included the completion of analysis & designs for new higher value modules, a number of improved features for Rizikon as well as a new ESG assurance question set.

For organisations of any size, the greatest threats to cybersecurity are suppliers, third parties and connected technologies because they are so hard to control. Recent research independently conducted for Crossword of over 200 Chief Information Security Officers (CISOs) found that 83 per cent. of CISOs viewed "ensuring that the entire supply chain is water-tight in its ability to defend and recover against threat actors" as a challenge.

To address this increased demand for consulting and product in supply chain cyber risk, during the period we launched the Supply Chain Cyber practice, which offers consulting services wrapped around a new set of strategic Rizikon modules with a recurring revenue proposition. The proposition targets the needs of large organisations regarding their third party supplier cyber risk and has been well received by major clients.

Trillion

Following the acquisition of Threat Status Limited in March this year, Crossword is continuing to successfully integrate its Trillion and Arc software products. This is leading to higher sales volumes of Trillion in particular, compared to prior to the acquisition. We continued with our sales strategy of seeking to include Trillion into third-party MSPs (managed service providers) and are currently exploring a Trillion opportunity with a large network operator. On the development side, we improved product functionality to support much larger multi-

organisational clients as well as multi-tiered SAAS providers. This has dramatically increased the revenue universe which Trillion can target.

Arc/Nixer CyberML

Arc validates customer credential pairs (username and password) against databases of known leaked usernames/passwords. It does so quickly and efficiently without harming the user experience.

Nixer CyberML operates in the same sector as Arc, using machine learning to match application credentials against a list of 555M leaked username/password combos, making recommendations if matches are made. As with Arc, it does so with zero friction to user experience.

ARC and Nixer CyberML operate in similar focus areas and we have started work on merging the two products in order to provide a best in class proposition to clients.

Identiproof

The advantages of being able to easily access and share qualifications through digital wallets is driving strong demand worldwide for verifiable credentials software. During the period we made good progress on both product development and go-to-market plans for Identiproof, which is our credentials verification wallet technology.

A new demo portal was made available enabling demos of Identiproof to potential customers. It covers both flows in which the verifier requests credentials to the mobile wallet, and in which users want to share their credentials as badges. Experimental R&D proof of concept work continued with grant funded development in the areas of interoperability and trustability.

The JFF Plugfest 1 project (up to $30,000) attested that Identiproof can issue credentials in the Open Badge v3 standard. The DOOR project (€25,000) allows issuers and verifiers to verify the wallet's device was not tampered by using TPM hardware. Crossword was awarded an EU NGI Atlantic research project, which commenced in September 2022 (€45,250), to lead a project to test the OpenID Foundation's protocols for transferring verifiable credentials.

Progress was made on the second major version of the Identiproof suite of products. The new versions will have a new architecture and use later versions of the development stack for better scalability, reliability and resilience.

In parallel to product development, we made good progress on Identiproof's go-to-market strategy. We submitted proposals to two large UK skills and qualifications bodies for their digital credentials, and prepared a pilot programme with a UK chartered Institute for professional qualifications.

Sales & Business Development

The customer success team is ensuring high retention rates and increased contract value by demonstrating the value of products to clients. We saw this markedly in the case of Rizikon, leading to high levels of contract renewals as supply chain risks increase and become more widely recognised.

During the period, Crossword's sales team was restructured into direct and indirect/channel sales with the objective of sharpening our focus on driving results. As part of this restructure, for direct sales we are placing more focus on sector focused sales campaigns, e.g. targeting sectors such as large clients facing supply chain risks with Rizikon. For indirect/channel sales we are expanding channel sales via resellers and distributors. To generate a better sales pipeline and results overall we also implemented the MEDDICC sales methodology, whilst continuing to further develop CRM and sales reporting/automation.

We were pleased to establish several new sales partnerships during the period. Sales partnerships are part of Crossword's indirect/channel sales and enable Crossword to reach large audiences quickly and effectively. The new partnerships included BESA (British Educational Suppliers Association), the SWCRC (South West Cyber Resilience Centre), techUK, (the UK digital technology trade association), the Chartered Insurance Institute and the International Federation of Consulting Engineers. We were also delighted that the IASME Consortium Limited, a UK Government Cyber Essentials Partner, selected Rizikon Assurance as the core platform to support a new Maritime Security certification, taking the number of certifications it delivers via Rizikon to three.

Crossword Cybersecurity services - Overview

Crossword's Services help organisations become more resilient to cyber-attacks & align to best practice standards.

Crossword's team of expert consultants provides bespoke cyber security consulting advice tailored to clients' business needs. The team leverages years of experience in national security, defence and commercial cyber intelligence and operations. Crossword's full-service cyber security consulting team provides strategy, assessment and risk management services.

Crossword's consultants work with over 100 clients across multiple sectors, including insurance, professional services, financial services, nuclear energy and technology. Consulting clients include one of the world's largest, global S&P500 insurance brokers, several FTSE 250 companies and a FTSE 100 company.

Crossword's consulting services play a strategic role in its growth, in addition to currently being its main source of revenue. By consulting on clients' needs and challenges, Crossword gains valuable market insights that help inform its product development. In turn, the products business provides consulting opportunities, such as the many third party, risk consulting opportunities that have arisen out of Rizikon Assurance product sales.

In August 2021, Crossword acquired Stega UK Limited ("Stega"), the threat intelligence and monitoring company, and its sophisticated in-house platform, Nightingale. In doing so, circa 30 new clients were added, primarily financial sector organisations. This took the total number of fee-paying consulting clients to over 100.

Nightingale, Crossword's world class platform, is a comprehensive security monitoring service. It brings together multiple facets to identify organisational assets, users, traffic, networks and endpoints in order to mitigate the threats and vulnerabilities an organisation faces.

Crossword's consulting services continue to grow from strength to strength. This growth is driven by a holistic approach to delivering our consulting services and meeting clients' needs in ways that work best for them. We do this by providing clients with specialist offerings e.g. the Virtual Chief Information Security Officer (vCISO) service, as well as by capitalising on other Crossword assets, e.g. the launch of the Supply Chain Cyber practice in May 2022, which leverages the Rizikon Platform.

- Over 100 Consultancy clients
- vCISO services (virtual Chief Information Security Officer) driving recurring revenue increases
- Margin growth following achievement of critical mass

Crossword Services timeline

2016

First consulting services revenues

2020

£1m+ in annual consulting revenues reached

2021

Two FTSE 250 clients acquired

August 2021

Completion of acquisition of Stega UK Limited (threat intelligence and monitoring company) and its in-house monitoring platform, Nightingale

2022

First engagement with a FTSE 100 company, delivering high end cyber consulting services

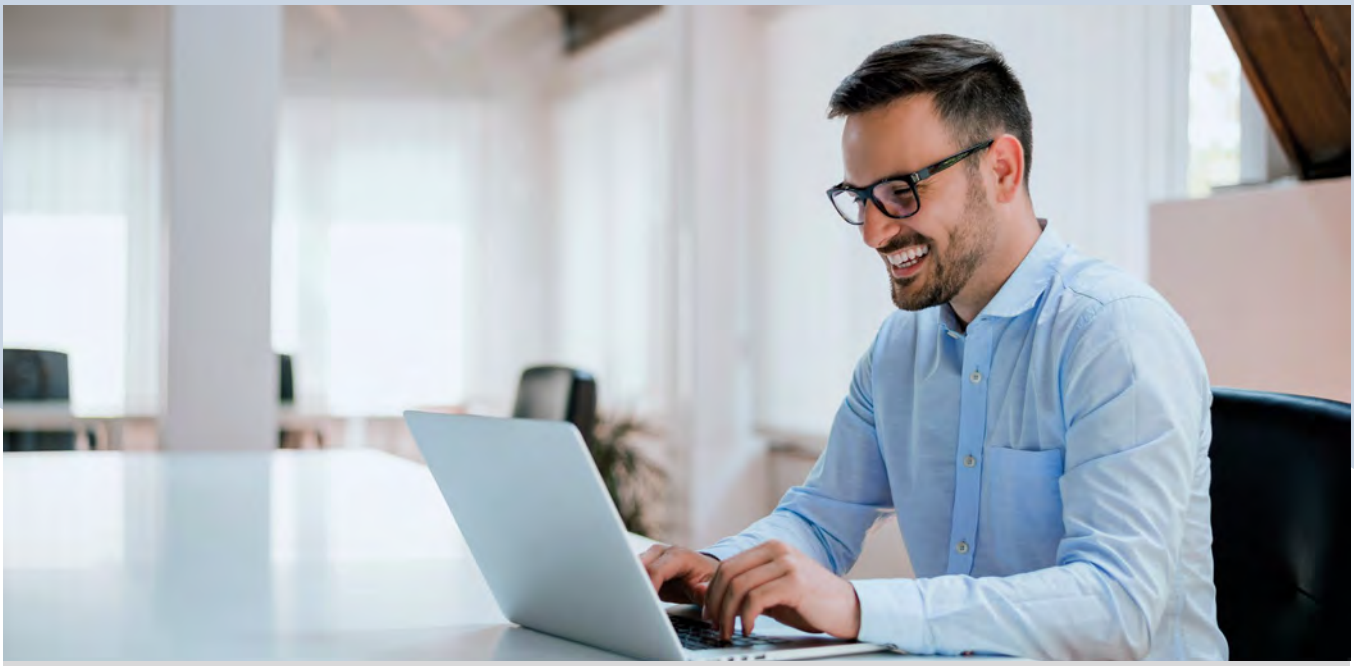
May 2022

Strategy and collaboration: a better way forward for effective cybersecurity" Crossword launches research report based on interviews with over 200 CISOs (Chief Information Security Officer) and senior UK cyber security professionals

June 2022

Launch of specialist Supply Chain Consultancy practice

Case Study



Adding recurring revenue to Services via Nightingale monitoring platform

(Acquisition of Stega UK Limited)

In August 2021, Crossword completed the acquisition of Stega UK Limited, the threat intelligence and monitoring company.

The acquisition has provided Crossword with additional threat intelligence and monitoring services, thanks to Nightingale, Stega's sophisticated managed services platform. The acquisition brought circa 30 new clients to Crossword, primarily financial sector organisations, taking the total number of fee-paying services clients to over 100.

At the time of the acquisition, Stega was breaking even on an annualised basis, with £605,000 revenue in the full financial year ended 30 November 2020, 75% of which was recurring revenue.

The Nightingale offering has been successfully integrated into Crossword, leading to several combined consulting and Nightingale projects with investment management clients and cross selling of Nightingale services into several Consulting clients. Further cross-sell opportunities are being explored, alongside operating synergies.

"

The integration into Crossword has enabled Nightingale to rapidly globalise and grow to support larger clients and expand its client base; this could only have been done with the investment from Crossword.

The synergies between the consulting and Nightingale services are already bearing fruit, having been afforded the opportunity to demonstrate the advantages of Nightingale over a traditional security operation centre (SOC) to existing consulting clients. This is an exciting period for Nightingale as we evaluate new services to protect clients whilst also gaining operational efficiencies."

Global Security Operations Director.

Crossword Cybersecurity products - Overview

Crossword's product portfolio addresses some of the most pressing needs in the cyber security sector, including supply chain security, credential attacks, account breaches and account protection.

Crossword's product portfolio currently numbers five products and is the result of both internal development and acquisitions. For products developed internally, Crossword's specialist product development and software engineering teams develop the initial concept into a fully-fledged commercial product that Crossword then takes to market.

Crossword has an established tradition in commercialising cyber security research from leading UK universities. Rizikon, Crossword's flagship product focused on supply chain risk management, was based on research by the Centre for Cyber Security Sciences at City University, London, under the leadership of Professor David Stupples, whilst Nixer CyberML was developed in collaboration with Imperial College, University of London. Nixer CyberML applies machine-learning to user behaviour analysis to detect and prevent credential stuffing and other account takeover attacks.

The acquisitions undertaken to date are Trillion and Arc (acquisition of Threat Status Ltd completed in March 2022) and Identiproof (acquisition of Verifiable Credentials Limited completed in May 2021).capitalising on other Crossword assets, e.g. the launch of the Supply Chain Cyber practice in May 2022, which leverages the Rizikon Platform.

Rizikon

Supply chain risk management

Rizikon Assurance helps organisations of all sizes to assess and manage their supply chain risk at scale, in a cost-effective way. Rizikon is Crossword's leading product and is provided as a SaaS platform.

Nixer CyberML

Credential attacks detection and mitigation

Nixer CyberML is a machine-learning based product aimed at protecting against application-layer DDoS attacks, which are notoriously difficult to detect if using conventional threshold and signature based methods.

Identiproof

Wallet verification technology

Identiproof is a credentials verification wallet technology that is compatible with the World Wide Web Consortium (W3C)..

Trillion

Breached Account Mining platform.

Trillion continuously tracks, correlates and analyses billions of stolen usernames and passwords, searching for digital identities that could belong to client's customers.

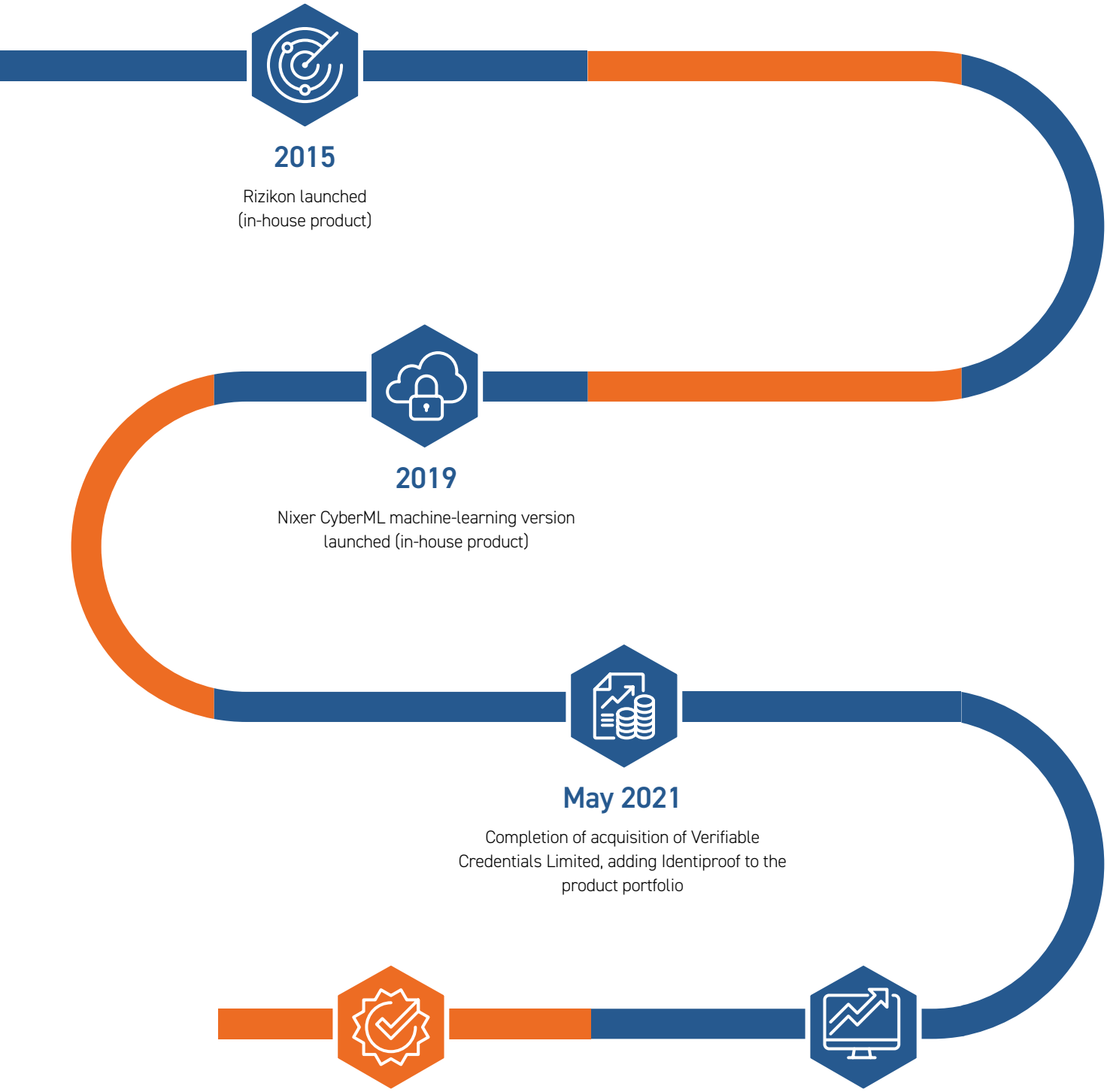
Arc

Account protection for eCommerce platform owners.

Arc queries for access attempts in real time, using username and password pairs already known to criminals. This enables clients to instantly step in and avoid losses.

*** Trillion and Arc are the latest additions to Crossword's product suite, offering some of the strongest and most advanced credential leak monitoring services in the market.**

Crossword Products timeline



2015

Rizikon launched (in-house product)

2019

Nixer CyberML machine-learning version launched (in-house product)

May 2021

Completion of acquisition of Verifiable Credentials Limited, adding Identiproof to the product portfolio

November 2021

Integrated DarkBeam's cyber risk audits into Rizikon, significantly enhancing Rizikon's functionality

March 2022

Acquired Threat Status Limited, the cyber intelligence company, in March 2022, adding Trillion™ and Arc to Crosssword's product portfolio

Case Study

RACING POST

> We considered a range of solutions, from simple cloud-based forms, through to well-known third-party risk management platforms, which were expensive and over-complicated. Rizikon Pro, which is aimed at SMEs, offers us by far the best fit for our supplier management needs with its balance between functionality, collaboration features and flexibility."
>
> Victor Mihăilescu,
> Head of Security at Spotlight Sports Group.

RIZIKON PRO & RACING POST

The problem:

Spotlight Sports Group is the owner of Racing Post, the home of horse racing in the UK and internationally since launching as a newspaper in 1986.

As part of a heavily regulated industry, Spotlight Sports Group invests huge amounts of time and effort to ensure it, and its 40+ suppliers, meet the governance, regulatory and compliance requirements of its industry.

In 2021, Spotlight Sports Group wanted to automate its supplier management and onboarding processes, so that it could improve the experience for both staff and suppliers. A typical onboarding process requires a supplier to complete a host of forms about every aspect of its business operations. They are time consuming to manage for all parties, leading to delays, complications, and poor visibility of risks. One critical area that Spotlight Sports Group assesses suppliers for is the ISO 27001 Information Security Management certification, and the team could see a clear opportunity for this to be more efficiently managed.

A rapid implementation with 50% time saving

Implemented in a matter of weeks, using 'out-of-the-box' questionnaires and very little customisation, Spotlight Sports Group was able to move quickly from a trial to a live solution, with immediate efficiency gains for day-to-day process.

A new supplier can be added to the Rizikon Pro platform in under five minutes, by sending out questionnaires for supplier completion via a Spotlight Sports Group branded, encrypted secure portal.

Supplier onboarding has been greatly improved in part by Rizikon Pro's integration with CreditSafe, which combines questionnaire responses with data on over 320 million companies worldwide, including their credit risk scores, saving staff a huge amount of time.

All the information and discussions about questionnaires is kept in one place and we can clearly see when and by whom forms were completed, removing any non-repudiation risk.

Recurring savings and increased efficiency

Spotlight Sports Group can now easily and transparently demonstrate to auditors its compliance processes, which are reinforced by Rizikon Pro. For example, the team can identify suppliers that need encouragement or support to complete questionnaires, which is an important step to ensuring compliance.

Spotlight Sports Group predicts even greater time savings in the future, because the anniversaries on which suppliers must review and update their compliance data will be automated by Rizikon Pro. This will further reduce the risk of non-compliance and remove administrative overheads.

Crossword's acquisition strategy - Overview

Crossword's growth strategy is based on growing its organic revenues, successfully integrating its acquisitions and acquiring further outstanding cyber security companies that complement and diversify its revenue base to build a portfolio of subscription-based, enterprise-class products and services.

Crossword enters into acquisitions with the objective of achieving win-win outcomes for both Crossword and the acquired companies, resulting in improved cross-selling, client customer experience and increased operational efficiency as a company.

Crossword places a special emphasis in leveraging its reputation in the market as an excellent home for the best in cyber security technology and expert teams, and ensuring that acquired companies are successfully integrated into Crossword.

Since May 2021, Crossword has successfully integrated three acquisitions. In May 2021, we acquired Verifiable Credentials Limited, adding IdentiProof (credentials verification wallet technology) to our product portfolio. In August 2021, we acquired Stega and integrated Nightingale, its sophisticated, in-house monitoring platform. In March 2022 we acquired Threat Status Limited, the threat intelligence company and provider of Trillion, the cloud based SaaS platform for enterprise-level credential breach intelligence. Threat Status's more recently released product, Arc, protects the users of customer-facing applications from the threat of account takeovers. Trillion and Arc form part of Crossword's portfolio of cyber security products, alongside its consulting and managed services offerings: vCISO Virtual Chief Information Security Officer and Nightingale monitoring.

Following the successful integration of the three companies above, Crossword is continuing its acquisition strategy to acquire companies that will help drive its growth ambitions, focusing on making revenue enhancing acquisitions of quality companies that increase Crossword's access to larger addressable markets and leverage Crossword's reputation in the market.

Crossword's acquisition ambition is to provide clients with a portfolio of subscription-based, enterprise-class products and services."

Tom Ilube,
CEO, Crossword Cybersecurity.

Case Study

PRODUCT ACQUISITION OF ARC AND TRILLON

(THREAT STATUS LIMITED)

Cutting edge cyber security products

Threat Status's platform enables businesses and managed service providers to monitor data that has been stolen and shared on the dark web and criminal forums which could harm the security of their business or that of their customers.

Threat Status developed its subscription-based, enterprise-class services to be turnkey, highly scalable, very secure and ready to go. The platform is quick for onboarding new clients, with no complex integrations needed and rapidly delivers customer value. Threat Status was founded in 2017 by Jon Inns, who became the CEO of the business, and was joined by Ian Nice, CTO, receiving investment from a third-party fund.

Its two products are Trillion and Arc. Trillion is a breached account mining platform that continuously tracks, correlates and analyses billions of stolen usernames and passwords, searching for digital identities that could belong to client's customers.

Arc provides account protection for eCommerce platform owners, querying for access attempts in real time, using username and password pairs already known to criminals. This enables clients to instantly step in and avoid losses.

A new supplier can be added to the Rizikon Pro platform in under five minutes, by sending out questionnaires for supplier completion via a Spotlight Sports Group branded, encrypted secure portal.

Finding a home in which to grow

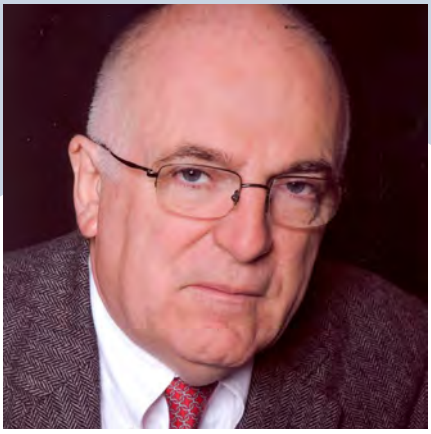
Threat Status wanted to expand its reach and was looking for an established home that would be able to leverage its sales outreach and found in Crossword its perfect home.

Upon completion of the acquisition in March 2022, Jon, Ian and their team of developers and apprentices joined Crossword to drive the continued commercialisation and development of Threat Status products. At the time of acquisition, Threat Status was reaching breakeven, with 90% recurring revenue.

> Threat Status has developed one of the strongest and most advanced credential leak monitoring services in the market and we are working intensively on leveraging the opportunities and synergies the acquisition by Crossword represents. The combination of Crossword's experienced sales team and growing client base with our proven and trusted technology is a powerful one. We have already begun to see the benefits of technical and business development collaborations arising from successful integration. We expect market penetration to accelerate, increasing revenue and client protection."
>
> Jon Inns,
> Product Director at Crossword.

The Board

The Directors in office at the date of this report are as shown below:



Sir Richard Dearlove KCMG OBE

Non-Executive Chairman

Appointment Date: 1 September 2016

Skills and Experience:
Sir Richard brings to the Board extensive experience across government, education and global business.

Sir Richard joined MI6 in 1966, undertaking various overseas and head office roles before being promoted to Chief of the Secret Intelligence Service in 1999. He retired from the Service in 2004.

External Appointments:
Sir Richard is presently Chair of Trustees of University of London, Chairman of Ascot Underwriting Limited at Lloyd's of London and a Director of Kosmos Energy, the New York Stock Exchange listed oil and gas exploration company. Sir Richard is a Director of The Cambridge Security Initiative 2017 and the Cambridge Arts Theatre Trust Limited. He also holds several advisory roles.

Committee Memberships:
None

Thomas Ilube CBE

Chief Executive Officer

Appointment Date:
6 March 2014

Skills and Experience:
Tom is founder and CEO of Crossword. Tom served as Chief Information Officer of Egg Banking PLC, which at the time was a pioneering main market listed UK internet bank. Tom chaired the UK Government Technology Strategy Board's Network Security Innovation panel. He was a member of the High Level Expert Group on cyber security at the International Telecommunication Union (ITU), a Geneva-based UN agency. He was awarded a Doctor of Science (Honoris Causa) by City, University of London, an Honorary Doctor of Technology by the University of Wolverhampton and was appointed a CBE in the 2018 Birthday Honours for services to Technology and Philanthropy.

External Appointments:
Non-Executive Director of WPP PLC and Chair of the RFU. Director of Iternal Limited, Advisory Fellow of St Anne's College, Oxford and member of African Gifted Foundation.

Committee Memberships: None

Mary Dowd

Chief Financial Officer

Appointment Date: 14 June 2018

Skills and Experience:
Mary was most recently Chief Operating Officer for Europe, the Middle East and Africa, and previously Chief Financial Officer at Cordium Consulting Group Limited, a leading provider of governance, risk and compliance services, with operations in London, Hong Kong, Malta, New York, Boston and San Francisco.

Mary brings over 20 years' experience of working alongside business leaders.

She has demonstrated a track record of managing finance teams to ensure timely delivery of relevant financial information to all stakeholders, providing clear leadership, continuous process improvement, and excellent communication.

She also brings to Crossword extensive experience of working in acquisitive businesses and providing transactional support.

Mary graduated from University College Galway, Ireland and has a postgraduate Diploma in Business Studies from the same university. She is a Fellow of the Chartered Institute of Management Accountants.'.

External Appointments:
The Groundwork South Trust Limited.

Committee Memberships: None

Dr Robert Coles

Independent Non-Executive Director

Appointment Date: 25 May 2021

Skills and Experience:
Robert is a highly experienced IT Risk and Cyber Security leader. He is the former Chief Information Security Officer of GlaxoSmithKline (GSK) and of the NHS, with over 30 years' commercial experience.

Prior to his time at the NHS, Robert worked for GSK from 2013 and was the company's Chief Information Security Officer (CISO). Before GSK, Robert served as CISO for the National Grid and Merrill Lynch. Robert has extensive links with major industry information security networking groups and government security agencies. Robert is Chair of the Group's subsidiary, Crossword Consulting Limited.

External Appointments:
Honorary Professor at UCL, Governor of University of Brighton.

Committee Memberships:
Nomination (Member)

Dr David Secher

Independent Non-Executive Director

Appointment Date:
16 June 2014

Skills and Experience:
David is an international expert in intellectual property, technology transfer and research management. His experience includes Japan, Jordan, South Africa, Brazil, Chile, Australia, Argentina, India, Saudi Arabia and Lebanon as well as Europe and the USA. David is a Life Fellow and until 2018 was Senior Bursar at Gonville & Caius College, Cambridge where he was responsible for the investment of a £210m endowment.

David was co-founder and chairman of Praxis (now PraxisAuril), the leading UK technology transfer training programme, of which he is now Patron. He served as Director of Research Services, University of Cambridge, where he was responsible for creating and directing a new division of 80 staff, for designing and implementing an intellectual policy for the university and for technology transfer throughout the university resulting in £2m licensing revenue, 40 new licences and six spin outs per year.

David was Chief Executive of N8 Limited, a consortium of eight research-intensive universities in the North of England, securing initial funding of £6m from Regional Development Agencies. His earlier career was in molecular biology research with MRC Laboratory of Molecular Biology, Celltech Limited and Cancer Research Campaign (now Cancer Research UK).

David held or was named on three patents and is the holder of a Lifetime Queen's Award for Enterprise Promotion for creating 'environments that favour enterprise, specialising in the practical aspects of commercialising the results of academic research'.

External Appointments:
David is a Director of Cambridge KT Limited, Trustee of Cambridge United Charities, Chairman of Fitzwilliam Museum (Enterprises) Limited and Hon.

Treasurer of the César and Celia Milstein Foundation. David is Interim Bursar of Trinity College, Cambridge.

Committee Memberships:

Audit (Chair), and Remuneration (Member).

The Board

Continued

Ruth Anderson

Independent Non-Executive Director

Appointment Date: 1 February 2018

Skills and Experience:
Ruth has over 15 years' experience in the fields of security, intelligence, cyber crime and risk management.

She brings to the Board extensive experience across defence and law enforcement sectors and within financial services, developing and implementing cyber risk governance frameworks.

Ruth is currently Chief Operating Officer for Technology, Security and Data divisions at Lloyds Banking Group. She was previously a Director of Cyber in the Financial Services Department of KPMG. She served as the Head of Specialist Operational Support and also as the Head of Intelligence at the Child Exploitation and Online Protection Centre, where she delivered the first-ever strategic threat assessment on child abuse in the online environment.

Prior to this, Ruth served in intelligence and security in the British Army.

External Appointments:
None

Committee Memberships:
Audit (member), Remuneration (Member) and Nomination (Member).

Tara Cemlyn-Jones

Independent Non-Executive Director

Appointment Date:
25 May 2021

Skills and Experience:
Tara has 28 years' experience in financial services with specialist knowledge of capital markets, M&A, strategy and digital transformation across many sectors, including financial services (asset & wealth management, retail banking and fintech), energy & infrastructure and healthcare. Tara was head of M&A at Lastminute.com and has held senior positions at Schroders, Citigroup and Espirito Santo Investment Bank.

External Appointments:
25x25 Ltd.

Committee Memberships: None

Andy Gueritz

Independent Non-Executive Director

Appointment Date: 21 September 2015

Skills and Experience:
Andy is an experienced Senior Advisor with a successful track record in helping clients improve and transform their business by managing technology better and creating new technology-based ventures. In recent years, Andy has advised clients in a broad range of industries on topics such as business/technology strategy and investment planning; customer data analytics; transformation for innovation and agility; performance improvement and cost optimisation, and other ways using technology to get and deliver better value. As a Vice President at marchFIRST (formerly Mitchell Madison Group), Andy led the European B2B eCommerce Strategy and IT Strategy Practices. Before becoming a consultant, he attained Board-level responsibility in a successful career in software development and systems implementation.

At K2 Systems PLC (subsidiary of 4Front Technology Inc.), he was Customer Service and Development Director, responsible for all client service and delivery operations, amongst other roles. Notable systems implemented in his time at K2/4Front include, bespoke procurement, telesales

and billing systems; a call centre based on workflow and CTI technologies; and a client-server insurance claims handling system, incorporating document image processing. Prior to 4Front, Andy was a Development Executive at McDonnell Douglas Information Systems and also worked for Marconi Defence Systems on a number of electronic warfare and guided weapons projects.

Andy is a Chartered Fellow of the BCS (FBCS), Chartered IT Practitioner (CITP), Chartered Engineer (C.Eng), Fellow of the IET (FIET), and a European Engineer registered at FEANI.

He holds a First Class Honours degree in Electrical and Electronic Engineering with Computer Science from Queen Mary University of London.

External Appointments:
None.

Committee Memberships:
Audit (member), Remuneration (Chair) and Nomination (Chair).

The Executive board

Thomas Ilube CBE

Chief Executive Officer

Appointment Date:
6 March 2014

Skills and Experience:
Tom is founder and CEO of Crossword. Tom chaired the UK Government Technology Strategy Board's Network Security Innovation panel. He was a member of the High Level Expert Group on cyber security at the International Telecommunication Union (ITU), a Geneva-based UN agency. Tom was appointed a CBE in the 2018 Birthday Honours for services to Technology and Philanthropy.

External Appointments:
Non-Executive Director of WPP PLC, chair of RFU, Director of Iternal Limited, Advisory Fellow of St Anne's College, Oxford and member of African Gifted Foundation.

Committee Memberships:

None

Mary Dowd

Chief Financial Officer

Appointment Date:
14 June 2018

Skills and Experience:
Skills and Experience: Mary brings over 20 years' experience of working alongside business leaders.

She has demonstrated a track record of managing finance teams to ensure timely delivery of relevant financial information to all stakeholders, providing clear leadership, continuous process improvement, and excellent communication.

She also brings to Crossword extensive experience of working in acquisitive businesses and providing transactional support.

Mary graduated from University College Galway, Ireland and has a postgraduate Diploma in Business Studies from the same university. She is an associate member of the Chartered Institute of Management Accountants.

External Appointments:
The Groundwork South Trust Limited.

Committee Memberships:
None

The Board

Continued

Jake Holloway

Group Product Officer

Skills and Experience:
Jake has over 30 years of experience in technology across a wide range of industries and roles – including as CTO and Head of Product for two well-known software houses, and as CEO/Founder of an innovative Online Systems House. In his two most recent roles before joining Crossword, he was advising Worldpay on their separation from RBS, and founded Xendpay, a Fintech startup, where he was COO.

Jake authored books on project management in 2015 and 2016.

Stuart Jubb

Group Managing Director

Skills and Experience:
Stuart joined Crossword from KPMG where he was Associate Director, Defence & Security. Prior to that, he was Chief Operating Officer of a global consulting team of over 200 in KPMG Advisory. Stuart spent nine years as an officer in HM Forces, after Sandhurst, serving in Afghanistan, NATO and elsewhere.

Sean Arrowsmith

Group Sales Director

Skills and Experience:
Sean has over 20 years' sales experience in cyber/information security and technology.

He was previously Group Sales Director at IRM Limited, the World Class Centre in Cyber Security of Altran Technologies SA, the global innovation and engineering consulting firm.

Here, Sean was accountable for revenue target achievement across all of IRM's business streams including consulting, software and training.

Prior to that, Sean was responsible for leading consulting sales at Siemens Insight Consulting.

The Advisory board

Alison Dyer

Chair of the Advisory Board

Skills and Experience:
Alison Dyer joined ASOS.com in August 2022 as CISO (Chief Information Security Officer). Prior to this, since 2018 Alison was CISO at URENCO, a global supplier of enrichment services and fuel cycle products. At URENCO, Alisons was responsible for all aspects of its information and cyber security, covering both information and operational technology.

Prior to this, Alison was Director of GlaxoSmithKline's (GSK) global cyber security programme, where she led multiple strategic delivery workstreams including security technology, governance, culture, third party management and operational technology security. Alison holds a BEng in Mechanical Engineering from Imperial College, London and an MSc in Information Security from Royal Holloway University.

General Nick Houghton, Baron Houghton of Richmond, GCB CBE DL

Advisory Board Member

Skills and Experience:
General the Lord Nick Houghton (Baron Houghton of Richmond) brings unparalleled experience across both government and business. In July 2013, General Houghton assumed the appointed position of Chief of the Defence Staff of the British Armed Forces, retiring in 2016. Previously General Houghton was Vice Chief of the Defence Staff from May 2009.

Educated at Sandhurst and Oxford, General Houghton commanded 1st Battalion The Green Howards and an Infantry Brigade in Northern Ireland. Following his retirement from the army, General Houghton became the 160th Constable of the Tower of London and a Trustee of Historic Royal Palaces.

Professor David Stupples

Advisory Board Member

Skills and Experience:
David is currently Director of the Centre for Cyber and Security Sciences at City University London. In his early career, he was employed as an engineer in signals intelligence in the Royal Air Force followed by a period of intensive research into surveillance systems at the Royal Signal and Radar Establishment, Malvern. He spent three years developing highly secure communications for surveillance satellites for Hughes Aircraft Corporation in the United States of America. Later, he became a senior partner with PA Consulting Group where he undertook surveillance and intelligence systems research for Ministry of Defence (Navy) and was responsible for consultancy in secure communications and surveillance systems for world-wide clients.

Since 2003, David has been researching internet security at City University focused on cyber terrorism and organized cyber crime for both the UK government and commercial companies. However, he still maintains an active interest in radar surveillance research. Professor Stupples is a member of the Defence Scientific Advisory Council (DSAC), the Defence Procurement Agency's Independent Advisory Board on Systems Integration, and he consults worldwide in cyber intelligence.

The Board

Continued

Naina Bhattacharya

Advisory Board Member

Skills and Experience:
Naina Bhattacharya is Global Chief Information Security Officer at Danone S.A., the multinational food product corporation with over 100,000 staff in 120 countries. She is responsible for delivering the cyber security vision and roadmap for the company. Prior to Danone, she worked in consulting and had the privilege of working on complex cyber security and data privacy projects across multiple companies in several industries. She is passionate about diversity and inclusion with a specific interest in increasing the representation of women in technology. Naina holds a BEng in Computer Science from BITS, Pilani, India and a post-graduation in management from the Indian School of Business in Hyderabad.

Financial Statements

Consolidated Financial Statements

for Crossword Cybersecurity PLC company number 08927013

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 Months to 30 June 2022	Audited 12 Months to 31 December 2021	Unaudited 6 Months to 30 June 2021
	£	£	£
Revenue	1,525,234	2,171,137	824,923
Cost of Sales	(1,493,707)	(1,957,178)	(812,889)
Gross Profit	31,527	213,959	12,035
Administrative expenses	(2,148,026)	(3,260,139)	(1,478,595)
Other operating income	-	358,727	27,288
Finance income-bank interest income and foreign exchange	-	4,956	57
Finance costs-other interest expense	(156,487)	(220,545)	(94,858)
Gain on revaluation of financial assets	-	456,803	-
Loss for the year/period before taxation	(2,272,986)	(2,446,239)	(1,534,073)
Tax credit / (expense)	393,810	172,615	(2,427)
Loss for the Period / Year	(1,879,176)	(2,273,624)	(1,536,500)
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Foreign Exchange Translation Loss	(146)	(13,220)	(9,687)
Other Comprehensive Income	(146)	(13,220)	(9,687)
Total Comprehensive Loss	**(1,879,322)**	**(2,286,844)**	**(1,546,188)**
Loss for the period attributable to:			
Owners of the parent	(1,861,609)	(2,229,296)	(1,542,060)
Non-controlling interests	(17,567)	(44,328)	5,560
Total Loss for the Year / Period	**(1,879,177)**	**(2,273,624)**	**(1,536,500)**
Total comprehensive loss for the period attributable to:			
Owners of the parent	(1,861,755)	(2,242,516)	(1,551,748)
Non-controlling interests	(17,567)	(44,328)	5,560
Total Comprehensive Loss	**(1,879,322)**	**(2,286,844)**	**(1,546,188)**
Loss Per Share (basic)	(0.02)	(0.03)	(0.03)
Loss Per Share (diluted)	(0.02)	(0.03)	(0.03)

All results are derived from continuing operations

Condensed Consolidated Statement of Financial Position as at 30 June 2022

	Unaudited 6 Months to 30 June 2022	Audited 12 Months to 31 December 2021	Unaudited 6 Months to 30 June 2021
	£	£	£
Non-Current Assets			
Goodwill	875,277	875,277	-
Intangible assets	2,761,202	1,103,679	594,801
Tangible assets	21,146	5,460	7,145
Unlisted investment	456,834	456,834	31
Total non-current assets	**4,114,459**	**2,441,251**	**601,978**
Current Assets			
Trade and other receivables	1,570,310	1,066,076	653,808
Cash and cash equivalents	579,444	3,373,062	682,407
Total current assets	2,149,755	4,439,138	1,336,215
TOTAL ASSETS	**6,264,214**	**6,880,388**	**1,938,193**
EQUITY			
Attributable to the owners of the Company			
Share Capital	377,325	374,786	290,213
Share premium account	15,118,699	14,971,221	10,195,388
Other reserves	313,262	240,310	208,191
Retained earnings	(13,688,960)	(11,827,351)	(11,140,116)
Translation of foreign operations	(15,138)	(14,992)	(11,459)
Attributable to owners of the parent	2,105,188	3,743,974	(457,783)
Non-controlling interests	(156,695)	(139,127)	(89,239)
Total equity	**1,948,493**	**3,604,847**	**(547,021)**
LIABILITIES			
Current Liabilities			
Trade and other payables	2,282,919	1,413,658	1,014,462
Other current liabilities	1,381,594	1,368,638	-
Total current liabilities	**3,664,512**	**2,782,296**	**1,014,462**
Long Term Liabilities			
Other non-current liabilities	651,208	493,245	1,470,752
Total long term liabilities	**651,208**	**493,245**	**1,470,752**
Total Liabilities	**4,315,720**	**3,275,541**	**2,485,214**
Total Equity & Liabilities	**6,264,214**	**6,880,388**	**1,938,193**

Condensed Consolidated Statement of Changes in Equity

Group 2021 £	Share Capital	Share Premium	Equity Reserve	Retained Earnings	Translation Reserve	Non-controlling interests	Total
Unaudited - six months ended 30 June 2022							
At 1 January	374,786	14,971,221	240,310	(11,827,351)	(14,992)	(139,126)	(3,604,847)
Issue of shares	2,539	147,478	–	–	–	–	150,017
Employee share schemes - value of employee services	–	–	72,952	–	–	–	72,952
Loss for the period	–	–	–	(1,861,609)	–	(17,567)	(1,879,177)
Other comprehensive loss for the period	–	–	–	–	(146)	–	(146)
At 30th June	**377,325**	**15,118,699**	**313,262**	**(13,688,960)**	**(15,138)**	**(156,695)**	**1,948,493**
Audited - year ended 31 December 2021							
At 1st January	256,605	8,518,391	181,618	(9,598,056)	(1,772)	(94,799)	(738,013)
Issue of shares	118,181	6,770,954	–	–	–	–	6,889,135
Transaction costs	–	(318,124)	–	–	–	–	(318,124)
Employee share schemes - value of employee services	–	–	58,692	–	–	–	58,692
Loss for the period	–	–	–	(2,229,296)	–	(44,328)	(2,273,624)
Other comprehensive loss for the period	–	–	–		(13,220)		(13,220)
At 31st December	**374,786**	**14,971,221**	**240,310**	**(11,827,351)**	**(14,992)**	**(139,126)**	**(3,604,847)**
Unaudited - six months ended 30June 2021							
At 1 January	256,605	8,518,391	181,618	(9,598,056)	(1,772)	(94,799)	(738,012)
Issue of shares	33,609	1,676,997	–	–	–	–	1,710,606
Employee share schemes - value of employee services	–	–	26,573	–	–	–	26,573
Loss for the period	–	–	–	(1,542,060)	–	5,560	(1,536,500)
Other comprehensive loss for the period	–	–	–	–	(9,687)	–	(9,687)
At 30th June	**290,213**	**10,195,388**	**208,191**	**(11,140,116)**	**(11,459)**	**(89,239)**	**(547,021)**

Condensed Consolidated Statement of Cashflows

Years	Unaudited 6 Months to 30 June 2022	Audited 12 Months to 31 December 2021	Unaudited 6 Months to 30 June 2021
Cashflows From Operating Activities	**£**	**£**	**£**
Loss for the period / year	(1,879,176)	(2,273,624)	(1,536,500)
Movement in trade and other receivables	(279,314)	(412,005)	(86,357)
Movement in trade and other payables	217,315	86,231	(133,142)
Depreciation and amortisation	135,636	104,124	62,340
Finance Costs	156,487	220,545	94,858
Gain on measurement of financial assets	–	(456,803)	–
Employee share schemes	72,952	58,692	26,573
Tax (credit) / expense	(393,810)	(172,615)	2,427
Tax paid	(2,907)	(5,396)	(2,427)
Net Cashflow from Operating Activities	**(1,972,817)**	**(2,850,850)**	**(1,572,228)**
Cashflow From Investing Activities			
Purchase of tangible assets	(17,061)	–	–
Investment in intangible assets	(96,291)	(183,796)	(88,788)
Acquisition of subsidiary, net of cash acquired	(625,408)	(645,390)	(62,316)
Net Cashflow from Investing Activities	**(738,760)**	**(829,185)**	**(151,104)**
Cashflows From Financing Activities			
Proceeds from issue of ordinary shares	-	6,639,135	1,560,606
Share issuance costs	-	(318,124)	-
Interest paid on convertible loan notes	(81,896)	(168,000)	(83,385)
Payments for right of use assets	-	(43,734)	(19,537)
Interest paid	-	(1,638)	(600)
Net Cashflow from Financing Activities	**(81,896)**	**6,107,639**	**1,457,084**
Net (Decrease) / Increase in Cash & Cash Equivalents	(2,793,473)	2,427,602	(266,248)
Foreign Currency Translation Difference	(145)	(12,881)	(9,687)
Cash and Cash Equivalent at the beginning of the period	3,373,062	958,341	958,342
Cash and Cash Equivalent at the end of the period	579,444	3,373,062	682,407

Notes to the Financial Information

1. ACCOUNTING POLICIES

1.1 The Group and its operations

Crossword Cybersecurity plc (the "Company") is a company incorporated on 6 March 2014 in the United Kingdom under the Companies Act 2006. The Company is the parent company of the Crossword group of Companies focusing on the cybersecurity sector. The principle activities are the development and commercialisation of university research-based cyber security related software and cybersecurity consulting.

The financial information includes the results of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities".

1.2 Basis of preparation of financial information

The financial information has been prepared in accordance with the requirements of the London Stock Exchange plc AIM Rules for Companies ("AIM Rules") and in accordance with International Financial Reporting Standards ("IFRS") adopted by the UK in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. As permitted, this Half Yearly Financial Report has been prepared in accordance with the AIM Rules and not in accordance with IAS 34 'Interim Financial Reporting'. The financial information has been prepared on the historical cost basis, except for accounting for business combinations and certain financial assets and liabilities. The preparation of financial information 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. Changes in assumptions may have a significant impact on the financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate.

The financial information does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. The financial information together with the comparative information for the six months ended 30 June 2021 are unaudited with the audited information included for the 12 month period ended 31 December 2021. The audited information received an audit report which was unmodified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006. The audit report for the 12 month period ended 31 December 2021 included an emphasis of matter relating to going concern.

The financial information was approved by the Board of Directors on 28 September 2022 and authorised for issue on 28 September 2022.

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2022 are in accordance with the recognition and measurement criteria of the International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 and are consistent with those which will be adopted in the annual financial statements for year ending 31 December 2022.

These Interim Financial Statements have been prepared in accordance with the accounting policies, methods of computation and presentation adopted in the financial statements for the year ended 31 December 2021.

1.3 Going concern

The financial information has been prepared on a going concern basis. The Group's business model has been enhanced following the three acquisitions in 2021 and early 2022. The Group's operations have incurred a loss in the financial period whilst the Group's products and services continue to be enhanced, developed and brought to market. The Directors forecast for the full year 2022 show a trading loss with net cash outflows as the business continues to develop and enhance its products and services and grows revenue. The Groups operations in 2022 have been largely supported by cash inflows from customers and funds from fundraises in 2021.

The Directors have considered the Group's forecast business and cash requirements. On 23 September 2022 the company completed an equity raise of circa £3.6M to provide liquidity to the group. The Directors have assessed the group business model and the required levels of investment in its growth plans. The liquidity raised is at a level to support the group strategy and business model in the short term.

In July 2022, out of the total value of loan notes in issue of £1.4m, the holders of £0.8m have agreed to extend their loan notes for three years until June 2025 and further £0.8m of new or extended convertible loan notes have been issued. Loans to the value of £325,000 were prepaid in July. The outcome of the net issue and settlement of the convertible loan notes is therefore a cash inflow of £0.475m. Of the total of £1,875,000 loan notes currently outstanding, £225,000 is expected to be repaid in December 2022 and January 2023.

The Group had approximately £0.6m as cash and cash equivalents at 15 August 2022.

The Directors have concluded that the current position could give rise to a material uncertainty arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern if cash flows varied significantly from those expected to be generated by the approved business model. However, based on the business model, the Directors are confident that they can continue to adopt the going concern basis in preparing the financial statements.

1.4 Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control exists when then the Group has:

- the power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the Group entities to ensure consistency.

1.5 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash generating unit ("CGU") that is expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss is recognised directly in the income statement.

1.6 Revenue

Revenue comprises the fair value of consideration received or receivable for licence income and the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax and trade discounts. Income is reported as follows:

(a) Licence income
Technology and product licensing revenue represents amounts earned for licenses granted under licensing agreements, including up-front payments. Revenues relating to up-front payments are recognised when the obligations related to the revenues have been completed. Revenues for maintenance and support services are recognised in the accounting periods in which the services are rendered.

(b) Rendering of Services
Services relate to implementation and deployment fees for the technology and products licensed to customers. Revenue is recognised in the accounting periods in which the services are rendered.

(c) Consulting
Consulting revenue is recognised when the performance obligation is met, primarily at a point of time. Contracts are structured to support the revenue recognition process by stating what the objectives and deliverables are for each part of the project, and the revenue attributable to each deliverable.

2. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue for each period for its continuing operations, is as follows:

£	Unaudited 6 Months to 30 June 2022	Audited 12 Months ended 31 December 2021	Unaudited 6 Months to 30 June 2021
Revenue from the sale of goods/licences	179,679	189,252	91,998
Revenue from software development services - Byzgen Limited	-	137,823	105,033
Revenue from Consulting	1,337,835	1,660,207	584,975
Other revenue	7,719	183,855	42,918
Total Revenue	**1,525,234**	**2,171,137**	**824,923**

The IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are two operating segments established in accordance to differences between products and services – Software products and Cybersecurity services.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information regarding the Group's reportable segments is presented below:

Unaudited - six months ended 30 June 2022 **£**	**Software products**	**Cybersecurity services**	**Eliminations**	**Total**
Revenue	187,399	1,407,320	(69,485)	1,525,234
Cost of Sales	(272,275)	(1,221,432)	–	(1,493,707)
Gross Profit	(84,876)	185,888	(69,485)	31,527
Administrative expenses	(1,924,501)	(293,009)	69,485	(2,148,026)
Other operating income			–	–
Financial income and expenses	(67,134)	(89,353)	–	(156,487)
Loss for the period before taxation	(2,076,512)	(196,474)	–	(2,272,986)
Tax credit / (expense)	393,810	–	–	393,810
Loss for the Period	(1,682,703)	(196,474)	–	(1,879,176)
Total Comprehensive Loss	(1,682,849)	(196,474)	–	(1,879,322)
Segment assets	7,630,989	1,113,659	(2,480,434)	6,264,214
Segment liabilities	3,970,879	2,107,083	(1,762,242)	4,315,719
EBITDA	(1,870,851)	(111,135)	–	(1,981,985)

Audited - year ended 31 December 2021 **£**	**Software products**	**Cybersecurity services**	**Eliminations**	**Total**
Revenue	462,108	1,784,309	(75,280)	2,171,137
Cost of Sales	(358,333)	(1,598,845)	–	(1,957,178)
Gross Profit	103,775	185,464	(75,280)	213,959
Administrative expenses	(2,703,009)	(632,410)	75,280	(3,260,139)
Other operating income	358,727	–	–	358,727
Financial income and expenses	323,725	(82,512)	–	241,213
Loss for the year before taxation	(1,916,782)	(529,457)	–	(2,446,239)
Tax credit / (expense)	172,615	–	–	172,615
Loss for the Year	(1,744,167)	(529,457)	–	(2,273,624)
Total Comprehensive Loss	(1,757,387)	(529,457)	–	(2,286,844)
Segment assets	8,178,282	1,029,509	(2,327,403)	6,880,388
Segment liabilities	2,924,439	1,762,053	(1,410,951)	3,275,541
EBITDA	(2,168,462)	(414,866)	–	(2,583,328)

Unaudited - six months ended 30 June 2021 £	Software products	Cybersecurity services	Eliminations	Total
Revenue	267,237	619,114	(61,428)	824,923
Cost of Sales	(175,313)	(637,575)	–	(812,889)
Gross Profit	91,924	(18,461)	(61,428)	12,035
Administrative expenses	(1,328,964)	(211,058)	61,428	(1,478,595)
Other operating income	27,288	–	–	27,288
Financial income and expenses	73,608	(168,409)	–	(94,801)
Loss for the period before taxation	(1,136,145)	(397,929)	–	(1,534,073)
Tax credit / (expense)	(2,427)	–	–	(2,427)
Loss for the Period	(1,138,571)	(397,929)	–	(1,536,500)
Total Comprehensive Loss	(1,148,259)	(397,929)	–	(1,546,188)
Segment assets	3,359,772	263,770	(1,685,350)	1,938,193
Segment liabilities	2,513,168	1,156,162	(1,184,116)	2,485,214
EBITDA	(1,089,636)	(282,223)	–	(1,371,859)

3. BUSINESS COMBINATIONS

On 14 March 2022 the Company announced its acquisition of the whole of the share capital of Threat Status Limited (TSL), the threat intelligence company and provider of Trillion, the cloud-based software as a service platform for enterprise-level credential breach intelligence.

The Share Purchase Agreement establishes a total consideration of up to £1.53m for TSL, structured as an initial payment of £500k cash, followed by an additional deferred consideration of £1.03m payable in cash and shares on the first and second anniversaries of the transaction.

The initial accounting for the business has recognised Intangible assets acquired as a difference between the amount of purchase consideration with the deferred element discounted at the rate of 14% per annum, and the book value of net assets on acquisition. The provisional amounts will be reassessed within twelve months of the date of the business combination.

4. SHARE OPTIONS

10,000 of share options were issued by Crossword Cybersecurity plc in the period up to 30 June 2022, with total options issued amounted to 2,303,653. The fair value of these share options is calculated by the Company using the binomial model and Monte Carlo simulation model. The expense, where material, is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of shares that will eventually vest.

5. LOSS PER SHARE

Earnings per share is calculated by dividing the loss for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. During the period the calculation was based on the loss for the period of £1,861,609 (full year 2021: £2,229,296) divided by the weighted average number of ordinary shares of 75,060,369 (full year 2021: 64,491,462).

6. SUBSEQUENT EVENTS

Convertible loan notes to the value of £1.4m that were issued by the Company in December 2019 and January 2020 are due to expire in December 2022 and January 2023. Loan note holders of £0.8m have agreed to extend their loan notes for three years until June 2025 and several loan notes holders are increasing their loans by a total of £150,000. Additional loan notes of £650,000 expiring in July 2025 have also been issued. Loans to the value of £325,000 were prepaid in July. Accordingly, the value of convertible loan notes is now £1,875,000, with £225,000 of that expected to be repaid in December 2022 and January 2023.

On 23 September 2022 the Company announced that it had placed 16,761,407 ordinary shares in an oversubscribed fundraising of circa £3.6M.

CROSSWORD
CYBERSECURITY

Crossword Cybersecurity plc

60 Gracechurch Street,
London EC3V 0HR

e: info@crosswordcybersecurity.com
twitter: @crosswordcyber
t: +44 (0) 203 953 8466